

Seadrill Partners LLC
Form 20-F
April 28, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report

Commission file number 001- 35704

SEADRILL PARTNERS LLC

(Exact Name of Registrant as Specified in Its Charter)

Republic of The Marshall Islands

(Jurisdiction of Incorporation or Organization)

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

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

Title of Each Class	Name of Each Exchange on which Registered
Common units representing limited liability company interests	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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

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

75,278,250 Common Units representing limited liability company interests

16,543,350 Subordinated Units representing limited liability company interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

U.S. GAAP ☒ International Financial Reporting Standards as Issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

SEADRILL PARTNERS LLC

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Presentation of Information in this Annual Report

This annual report on Form 20-F for the year ended December 31, 2015, or the annual report, should be read in conjunction with the Consolidated and Combined Carve-Out Financial Statements and accompanying notes included in this report. Unless the context otherwise requires, references in this annual report to “Seadrill Partners LLC,” “Seadrill Partners,” the “Company,” “we,” “our,” “us” or similar terms refer to Seadrill Partners LLC, a Marshall Islands limited liability company, or any one or more of its subsidiaries (including OPCO, as defined below), or to all of such entities, and, for periods prior to the Company's initial public offering on October 24, 2012, the Company's combined entity.

References to the Company's “combined entity” refer to the subsidiaries of Seadrill Limited that had interests in the drilling units in the Company's initial fleet prior to the Company's initial public offering, or in the case of drilling units subsequently acquired from Seadrill Limited in transactions between parties under common control, the subsidiaries of Seadrill Limited that had interests in the drilling units prior to the date of acquisition. References in this annual report to “Seadrill” refer, depending on the context, to Seadrill Limited (NYSE: SDRL) and to any one or more of its direct and indirect subsidiaries. References to “Seadrill Management” refer to Seadrill Management Ltd, Seadrill Management AS, and Seadrill UK Ltd, the entities that do or have provided the Company with personnel and management, administrative, financial and other support services.

The Company owns (i) a 58% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through the Company's 100% ownership of its general partner, Seadrill Operating GP LLC, (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC and (iii) a 100% interest in Seadrill Partners Operating LLC. Seadrill Operating LP owns: (i) a 100% interest in the entities that own and operate the West Aquarius, the West Vencedor, West Leo and the West Polaris (ii) an approximate 56% interest in the entity that owns and operates the West Capella and (iii) a 100% limited liability company interest in Seadrill Partners Finco LLC. Seadrill Capricorn Holdings LLC owns 100% of the entities that own and operate the West Capricorn, the West Sirius, the West Auriga, and the West Vela. Seadrill Partners Operating LLC owns 100% of the entities that own and operate the T-15 and T-16. Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC are collectively referred to as “OPCO.”

All references in this annual report to “OPCO” when used in a historical context refer to OPCO's predecessor companies and their subsidiaries, and when used in the present tense or prospectively refer to OPCO and its subsidiaries, collectively, or to OPCO individually, as the context may require.

References in this annual report to “Seadrill Member” refer to the owner of the Seadrill Member interest, which is a non-economic limited liability company interest in Seadrill Partners and is currently held by Seadrill Member LLC. Certain references to the “Seadrill Member” refer to Seadrill Member LLC, as the context requires.

References in this annual report to “ExxonMobil,” “Chevron,” “Total,” “BP,” “Tullow” and “Petronas” refer to subsidiaries of ExxonMobil Corporation, Chevron Corporation, Total S.A., BP Plc, Tullow Plc and “Petroliam Nasional Berhad (PETRONAS)” respectively, that are the Company's customers.

Important Information Regarding Forward Looking Statements

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

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

The forward-looking statements in this annual report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and

contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

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

- the Company's distribution policy and the Company's ability to make cash distributions on the Company's units or any increases or decreases in distributions and the amount of such increases or decreases;
- the Company's ability to borrow under the credit facility between OPCO, as borrower, and Seadrill, as lender;
- the Company's future financial condition or results of operations and future revenues and expenses;
- the repayment of debt;
- the ability of the Company, OPCO and Seadrill to comply with financing agreements and the effect of restrictive covenants in such agreements;
- the ability of the Company's drilling units to perform satisfactorily or to the Company's expectations;

the financial condition of Seadrill;
 fluctuations in the international price of oil;
 discoveries of new sources of oil that do not require deepwater drilling units;
 the development of alternative sources of fuel and energy;
 technological advances, including in production, refining and energy efficiency;
 weather events and natural disasters;
 the Company's ability to meet any future capital expenditure requirements;
 the Company's ability to maintain operating expenses at adequate and profitable levels;
 expected costs of maintenance or other work performed on the Company's drilling units and any estimates of downtime;
 the Company's ability to leverage Seadrill's relationship and reputation in the offshore drilling industry;
 the Company's ability to purchase drilling units in the future, including from Seadrill;
 increasing the Company's ownership interest in OPCO;
 delay in payments by, or disputes with the Company's customers under its drilling contracts;
 the financial condition of the Company's customers and their ability and willingness to fund oil exploration, development and production activity;
 the Company's ability to comply with, maintain, renew or extend its existing drilling contracts;
 the Company's ability to re-deploy its drilling units upon termination of its existing drilling contracts at profitable dayrates;
 the Company's ability to respond to new technological requirements in the areas in which the Company operates;
 the occurrence of any accident involving the Company's drilling units or other drilling units in the industry;
 changes in governmental regulations that affect the Company and the interpretations of those regulations, particularly those that relate to environmental matters, export or import and economic sanctions or trade embargo matters, regulations applicable to the oil industry and tax and royalty legislation;
 competition in the offshore drilling industry and other actions of competitors, including decisions to deploy or scrap drilling units in the areas in which the Company currently operates;
 the availability on a timely basis of drilling units, supplies, personnel and oil field services in the areas in which the Company operates;
 general economic, political and business conditions globally;
 military operations, terrorist acts, wars or embargoes;
 potential disruption of operations due to accidents, political events, piracy or acts by terrorists;
 the Company's ability to obtain financing in sufficient amounts and on adequate terms;
 workplace safety regulation and employee claims;
 the cost and availability of adequate insurance coverage;
 the Company's fees and expenses payable under the advisory, technical and administrative services agreements and the management and administrative services agreements;
 the taxation of the Company and distributions to the Company's unitholders;
 future sales of the Company's common units in the public market;
 acquisitions and divestitures of assets and businesses by Seadrill; and
 the Company's business strategy and other plans and objectives for future operations.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers
Not applicable.

Item 2. Offer Statistics and Expected Timetable
Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents, in each case for the periods and as of the dates indicated, the Company's selected Consolidated and Combined Carve-Out financial and operating data, which includes, for periods prior to the completion of the Company's initial public offering, or the IPO, on October 24, 2012, selected Consolidated and Combined Carve-Out financial and operating data of the combined entity.

The following financial data should be read in conjunction with Item 5 "Operating and Financial Review and Prospects" and the Company's historical Consolidated and Combined Carve-Out financial statements and the notes thereto included elsewhere in this annual report.

The Company's financial position, results of operations and cash flows could differ from those that would have resulted if the Company operated autonomously or as an entity independent of Seadrill in the periods prior to the Company's IPO for which historical financial data are presented below, and such data may not be indicative of the Company's future operating results or financial performance.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions, except per unit data)				
Statement of Operations Data:					
Total operating revenues	\$1,741.6	\$1,342.6	\$1,064.3	\$911.8	\$678.9
Total operating expenses	(897.9)	(727.8)	(576.6)	(479.7)	(330.9)
Net operating income	843.7	614.8	487.7	432.1	348.0
Total financial items	(254.7)	(265.4)	(39.1)	(99.6)	(132.3)
Income before income taxes	589.0	349.4	448.6	332.5	215.7
Income taxes	(100.6)	(34.8)	(33.2)	(38.9)	(34.7)
Net income	\$488.4	\$314.6	\$415.4	\$293.6	\$181.0
Earnings per unit (basic and diluted) ⁽¹⁾					
Common unitholders	\$2.45	\$1.75	\$2.15	\$0.29	\$—
Subordinated unitholders	\$2.45	\$1.75	\$1.83	\$0.13	\$—

(1) Earnings per unit information has not been presented for any period prior to the Company's initial public offering ("IPO"). The equity holders of the Company subsequent to the IPO had no contractual rights over the earnings of the Company for periods prior to the IPO on October 24, 2012. Therefore the earnings per unit in 2012 only relates to the post IPO earnings.

	As at December 31,				
	2015	2014	2013	2012	2011
	(in millions, except fleet and unit data)				
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$319.0	\$242.7	\$ 89.7	\$ 21.2	\$ 15.5
Drilling units	5,547.3	5,141.1	3,448.3	3,241.9	1,837.0
Total assets	6,841.1	6,268.1	4,062.6	3,754.9	3,344.6

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Total interest bearing debt ⁽¹⁾	3,840.2	3,572.0	2,350.5	2,057.0	2,166.0
Total equity	2,097.4	2,044.3	1,254.6	1,424.4	1,252.5

(1) During the year ended December 31, 2015 the Company adopted Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interest, (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires the debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt

discounts and premiums. Accordingly the selected financial data has been retrospectively adjusted to reflect the adoption of this ASU. The following amounts have been presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. Prior to the adoption of ASU 2015-03, these were presented as "Other current assets" or "Other non-current assets".

As at December 31,
2015 2014 2013 2012 2011
(in millions)

Balance Sheet Data (at end of period):

Deferred charges - current and non-current portion \$58.1 \$78.4 \$10.0 \$19.0 \$20.4

Please also refer to "Note 2 - Accounting policies" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions, except fleet and unit data)				
Cash Flow Data:					
Net cash provided by operating activities	\$859.8	\$ 608.7	\$ 564.0	\$ 278.2	\$395.2
Net cash used in investing activities	(376.3)	(1,542.8)	(159.3)	(283.5)	(1,010.8)
Net cash provided by / (used in) financing activities	(407.6)	1,087.1	(336.2)	11.0	625.9
Net increase in cash and cash equivalents	76.3	153.0	68.5	5.7	10.3
Fleet Data ⁽¹⁾ :					
Number of drilling units at end of period	11	10	8	6	5
Average age of drilling units at end of period (years)	4.7	3.6	3.1	2.9	2.3
Other Financial Data:					
Capital expenditures	\$(18.6)	\$ (31.6)	\$ (159.3)	\$ (283.5)	\$(594.5)
Distributions declared per unit	1.9525	2.1700	1.6775	0.2906	—
Members Capital:					
Total members capital (excluding non-controlling interest)	964.3	928.2	299.0	524.6	946.2
Common Unitholders—units	75,278,250	75,278,250	44,400,563	24,815,000	—
Subordinated Unitholders—units	16,543,350	16,543,350	16,543,350	16,543,350	—

During the year ended December 31, 2013, the Company acquired from Seadrill two tender rigs, the T-15 and the T-16, which the Company holds through a 100% limited liability company interest in Seadrill Partners Operating LLC, a 51% indirect interest in the semi-submersible drilling rig, the West Sirius, which the Company holds through Seadrill Capricorn Holdings LLC, and a 30% indirect interest in the semi-submersible drilling rig, the West Leo, which the Company holds through Seadrill Operating LP. These transactions were deemed to be a (1) reorganization of entities under common control and therefore the fleet data has been retroactively adjusted as if the Company had acquired the interests in these units when they began operations under the ownership of Seadrill. As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company as defined by generally accepted accounting principles in the United States, or GAAP, and, therefore, Seadrill Partners and Seadrill are no longer be deemed to be entities under common control. As such, acquisitions by the Company from Seadrill subsequent to this date are no longer accounted for under this method.

B. Capitalization and Indebtedness
Not applicable.

C. Reasons for the Offer and Use of Proceeds
Not applicable.

D. Risk Factors

The Company's assets are primarily engaged in offshore contract drilling for the oil and gas industry in benign and harsh environments worldwide, including ultra-deepwater environments. The following summarizes risks that may materially affect the Company's business, financial condition, results of operations, cash available for distributions or the trading price of the Company's common units.

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Risks Inherent in the Company's Business

Because the Company's ownership interest in OPCO currently represents the Company's only cash-generating asset, the Company's cash flow depends completely on OPCO's ability to make distributions to its owners, including the Company.

The Company's cash flow depends completely on OPCO's distributions to the Company as one of its owners. The amount of cash OPCO can distribute to its owners principally depends upon the amount of cash it generates from its operations, which may fluctuate from quarter to quarter based on, among other things:

- the dayrates it obtains under its drilling contracts;
- the level of its rig operating costs, such as the cost of crews, repair, maintenance and insurance;
- the levels of reimbursable revenues and expenses;
- its ability to re-contract its drilling units upon expiration or termination of an existing drilling contract and the dayrates it can obtain under such contracts;
- delays in the delivery of any new drilling units and the beginning of payments under drilling contracts relating to those drilling units;
- the timeliness of payments from customers under drilling contracts;
- earn-out payment obligations related to purchases of drilling units;
- prevailing global and regional economic and political conditions, including the current decline in the price of oil and gas;
- time spent mobilizing drilling units to the customer location;
- changes in local income tax rates;
- currency exchange rate fluctuations and currency controls; and
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of its business.

The actual amount of cash OPCO has available for distribution also depends on other factors, such as:

- the level of capital and operating expenditures it makes, including for maintaining and replacing drilling units or modifying existing drilling units to meet customer requirements and complying with regulations or to upgrade technology on the Company's drilling units;
- its debt service requirements, including fluctuations in interest rates, and restrictions on distributions contained in its debt instruments;
- fluctuations in its working capital needs;
- number of days of rig downtime or less than full utilization, which would result in a reduction of revenues under a drilling contract;
- whether the Company or OPCO exercises any options to purchase drilling units in the future that are required to be offered to the Company or OPCO by Seadrill pursuant to the terms of the Omnibus Agreement or otherwise;
- restrictions under laws applicable to OPCO and its subsidiaries that affect their ability to pay distributions;
- the ability to make working capital borrowings and availability under the sponsor credit facility; and
- the amount of any cash reserves, including reserves for future maintenance and replacement capital expenditures, working capital and other matters, established by the Company's board of directors.

OPCO's operating agreements provide that it will distribute its available cash to its owners on a quarterly basis.

OPCO's available cash includes cash on hand less any reserves that may be appropriate for operating its business. The amount of OPCO's quarterly distributions, including the amount of cash reserves not distributed, is determined by the Company's board of directors.

The amount of cash OPCO generates from operations may differ materially from its profit or loss for the period, which is affected by non-cash items. As a result of this and the other factors mentioned above, OPCO may make cash distributions during periods when it records losses and may not make cash distributions during periods when it records net income.

The Company may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses to enable the Company to pay the minimum quarterly distribution on its common units and subordinated units.

The source of the Company's earnings and cash flow consists exclusively of cash distributions from OPCO. Therefore, the amount of cash distributions the Company is able to make to the Company's unitholders fluctuates, based on the level of distributions made by OPCO to its owners, including the Company, and the level of cash distributions made by OPCO's operating subsidiaries to OPCO. OPCO or any such operating subsidiaries may make quarterly distributions at levels that will not permit the Company to make distributions to the Company's common unitholders at the minimum quarterly distribution level or to increase the Company's quarterly distributions in the future. In addition, while the Company would expect to increase or decrease distributions to the Company's unitholders if OPCO increases or decreases distributions to the

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Company, the timing and amount of any such increased or decreased distributions will not necessarily be comparable to the timing and amount of the increase or decrease in distributions made by OPCO to the Company.

The Company's ability to distribute to its unitholders any cash it may receive from OPCO or any future operating subsidiaries is or may be limited by a number of factors, including, among others:

- interest expense and principal payments on any indebtedness the Company may incur;
- restrictions on distributions contained in any of the Company's current or future debt agreements;
- fees and expenses of the Company, the Seadrill Member, its affiliates or third parties the Company is required to reimburse or pay, including expenses the Company incurs as a result of being a public company; and
- reserves the Company's board of directors believes are prudent for the Company to maintain for the proper conduct of its business or to provide for future distributions.

Many of these factors will reduce the amount of cash the Company may otherwise have available for distribution. The Company may not be able to pay distributions, and any distributions the Company makes may not be at or above the Company's minimum quarterly distribution. For example, on February 12, 2016, the Company reduced its quarterly distribution to \$0.25 per common unit for the quarter ended December 31, 2015. The actual amount of cash that is available for distribution to the Company's unitholders depends on several factors, many of which are beyond the Company's control.

The Company's ability to grow may be adversely affected by its cash distribution policy. OPCO's ability to meet its financial needs and grow may be adversely affected by its cash distribution policy.

The Company's cash distribution policy, which is consistent with the Company's operating agreement, requires the Company to distribute all of the Company's available cash each quarter. Accordingly, the Company's growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

In determining the amount of cash available for distribution by OPCO, the Company's board of directors will approve the amount of cash reserves to set aside for the Company and OPCO, including reserves for estimated maintenance and replacement capital expenditures, current and future debt service requirements, working capital, reserves required to comply with applicable law and financing or other agreements. OPCO will also rely upon external financing sources, including commercial borrowings, to fund its capital expenditures. Accordingly, to the extent OPCO does not have sufficient cash reserves or is unable to obtain financing, its cash distribution policy may significantly impair its ability to meet its financial needs or to grow.

The Company must make substantial capital and operating expenditures to maintain the operating capacity of its fleet, which will reduce cash available for distribution. In addition, each quarter the Company is required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted.

The Company must make substantial capital and operating expenditures to maintain and replace, over the long-term, the operating capacity, of its fleet. Maintenance and replacement capital expenditures include capital expenditures for maintenance (including special classification surveys) and capital expenditures associated with modifying an existing drilling unit, including to upgrade its technology, acquiring a new drilling unit or otherwise replacing current drilling units at the end of their useful lives to the extent these expenditures are incurred to maintain or replace the operating capacity of the Company's fleet. These expenditures could vary significantly from quarter to quarter and could increase as a result of changes in:

- the cost of labor and materials;
- customer requirements;
- fleet size;
- the cost of replacement drilling units;
- the cost of replacement parts for existing drilling units;
- the geographic location of the drilling units;
- length of drilling contracts;
- governmental regulations and maritime self-regulatory organization and technical standards relating to safety, security or the environment; and

industry standards.

The Company's operating agreement requires its board of directors to deduct estimated maintenance and replacement capital expenditures, instead of actual maintenance and replacement capital expenditures, from operating surplus each quarter in an effort to reduce fluctuations in operating surplus as a result of variations in actual maintenance and replacement capital expenditures each quarter. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by the conflicts committee of the Company's board of directors at least once a year. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if

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actual maintenance and replacement capital expenditures were deducted from operating surplus. If the board of directors underestimates the appropriate level of estimated maintenance and replacement capital expenditures, the Company may have less cash available for distribution in future periods when actual capital expenditures exceed the Company's previous estimates.

If capital expenditures are financed through cash from operations or by issuing debt or equity securities, the Company's ability to make cash distributions may be diminished, its financial leverage could increase or its unitholders could be diluted.

Use of cash from operations to expand or maintain the Company's fleet will reduce cash available for the Company to distribute to its unitholders. The Company's ability to obtain bank financing or to access debt and equity capital markets may be limited by the Company's financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions, fluctuations and current decline in the price of oil and consequently our services, changes in the offshore drilling industry and contingencies and uncertainties that are beyond the Company's control. Failure to obtain the funds for future capital expenditures could have a material adverse effect on the Company's business, results of operations and financial condition and on the Company's ability to make cash distributions. Even if the Company is successful in obtaining necessary funds, the terms of any debt financings could limit the Company's ability to pay distributions to unitholders. In addition, incurring additional debt may significantly increase the Company's interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to pay the minimum quarterly distribution to unitholders, both of which could have a material adverse effect on the Company's ability to make cash distributions.

The Company's debt levels may limit its flexibility in obtaining additional financing, pursuing other business opportunities and paying distributions to unitholders.

As of December 31, 2015, the Company's consolidated debt was approximately \$3,898.3 million. The Company has the ability to incur additional debt. Please read Item 5 "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

The Company's level of debt could have important consequences to it, including the following:

- the ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be limited or such financing may not be available on favorable terms;
- a substantial portion of the Company's cash flow will be required to make principal (including amortization payments as required by financing agreements) and interest payments on debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;
- such debt may make the Company more vulnerable to competitive pressures or a downturn in its business or the economy generally than the Company's competitors with less debt; and
- such debt may limit the Company's flexibility in responding to changing business and economic conditions.

The Company's ability to service its consolidated debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond its control. If the Company's operating results are not sufficient to service its consolidated current or future indebtedness, the Company will be forced to take actions such as reducing distributions, reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing the Company's consolidated debt, or seeking additional equity capital or bankruptcy protection. The Company may not be able to effect any of these remedies on satisfactory terms, or at all. Furthermore, certain of the Company's financing agreements contain cross-default clauses which are linked to other indebtedness of Seadrill. In the event of a default by Seadrill under one of its financing agreements, the Company could be adversely affected by the cross-default clauses, even if Seadrill cures any such default.

Financing agreements containing operating and financial restrictions and other covenants may restrict the Company's business and financing activities.

The operating and financial restrictions and covenants in the financing agreements of Seadrill, or the Company and any future financing agreements of Seadrill or the Company, could adversely affect the Company's ability to finance

future operations or capital needs or to engage, expand or pursue the Company's business activities. For example, subject to certain exceptions, the financing agreements may restrict the Company's ability to:

- enter into other financing agreements;
- incur additional indebtedness;
- create or permit liens on the Company's assets;
- sell drilling units or the capital stock of the Company's subsidiaries;
- change the nature of the Company's business;
- make investments;
- pay distributions to the Company's unitholders or to the Company, respectively;
- change the management and/or ownership of the drilling units;

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• make capital expenditures;
 • enter into transactions with Seadrill or its affiliates; and
 • compete effectively to the extent the Company's competitors are subject to less onerous restrictions.

For more information, please read Item 5 "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

The Company's or Seadrill's ability to comply with the restrictions and covenants, including financial ratios and tests, contained in any financing agreements of Seadrill or the Company is dependent on future performance and may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions continue to deteriorate, the Company's or Seadrill's ability to comply with these covenants may be impaired. If the Company or Seadrill is unable to comply with the restrictions and covenants in the agreements governing its indebtedness or in current or future debt financing agreements, there could be a default under the terms of those agreements. Seadrill's obligations under its facilities in which the Company participates could exceed the indebtedness of the Company and its subsidiaries under such agreements. If a default occurs under these agreements, lenders could terminate their commitments to lend and/or accelerate the outstanding loans and declare all amounts borrowed due and payable. The Company has pledged its drilling units as security either under the Company's financing facilities or under Seadrill's financing facilities in which the Company participates. If the Company's or Seadrill's lenders were to foreclose on the Company's drilling units in the event of a default, this may adversely affect the Company's ability to finance future operations or capital needs or to engage in, expand or pursue its business activities. In addition, some of the Company's loan agreements contain cross-default provisions, meaning that if the Company is in default under one of its loan agreements, amounts outstanding under its other loan agreements may also be accelerated and become due and payable. If any of these events occur, the Company cannot guarantee that the Company's assets will be sufficient to repay in full all of its outstanding indebtedness, and the Company may be unable to find alternative financing. Even if the Company could obtain alternative financing, that financing might not be on terms that are favorable or acceptable. Any of these events would adversely affect its ability to make distributions to the Company's unitholders and cause a decline in the market price of the Company's common units. Please read Item 5 "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

Restrictions in the Company's debt agreements and Marshall Islands law may prevent the Company from paying distributions.

The payment of principal and interest on the Company's debt will reduce cash available for distribution to the Company and to its unitholders. The Company's and OPCO's financing agreements contain restrictions on the ability of the Company or OPCO to pay distributions to the Company's unitholders or to the Company, respectively, under certain circumstances. In addition, the Company's current financing agreements contain provisions that, upon the occurrence of certain events, permit lenders to terminate their commitments and/or accelerate the outstanding loans and declare all amounts due and payable, which may prevent the Company from paying distributions to its unitholders. These events include, among others:

- a failure to pay any principal, interest, fees, expenses or other amounts when due;
- a violation of covenants requiring the Company to maintain certain levels of insurance coverage, minimum liquidity levels, minimum interest coverage ratios, maximum leverage ratios and minimum current ratios;
- a default under any other provision of the financing agreements, as well as a default under any provision of related security documents;
- a material breach of any representation or warranty contained in the applicable financing agreement;
- a default under other indebtedness;
- a failure to comply with a final legal judgment from a court of competent jurisdiction;
- a bankruptcy or insolvency event;
- a suspension or cessation of the Company's business;
- the destruction or abandonment of the Company's assets, or the seizure or appropriation thereof by any governmental, regulatory or other authority if the lenders determine such occurrence could have a material adverse effect on the Company's business or the Company's ability to satisfy the Company's obligations under or otherwise comply with the applicable financing agreement;

the invalidity, unlawfulness or repudiation of any financing agreement or related security document;
an enforcement of any liens or other encumbrances covering the Company's assets; and
the occurrence of certain other events that the lenders believe is likely to have a material adverse effect on the
Company's business or its ability to satisfy its obligations under or otherwise comply with the applicable financing
agreement.

The Company or OPCO may also be unable to pay distributions due to restrictions under Marshall Islands law. Under the Marshall Islands Limited Liability Company Act of 1996 (the "Marshall Islands Act"), the Company may not make a distribution to the Company's unitholders if, after giving effect to the distribution, all the Company's liabilities, other than liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability. Identical restrictions exist on the payment of distributions by OPCO to its members or partners, as applicable. Moreover, subsidiaries of the Company and OPCO not organized in the Marshall Islands are subject to certain restrictions on payment of distributions pursuant to the law of their jurisdictions of organization.

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Seadrill's failure to comply with covenants and other provisions in its existing or future financing agreements could result in cross-defaults under the Company's existing financing agreements, which would have a material adverse effect on the Company.

Some of the Company's existing financing agreements contain cross-default provisions that may be triggered if Seadrill defaults under the terms of its existing or future financing agreements. In turn, Seadrill's existing financing arrangements contain cross-default provisions that may be triggered if any of its key subsidiaries default under the terms of their existing or future financing arrangements. On April 28, 2016, Seadrill executed amendment and waiver agreements in respect of all of its senior secured credit facilities, as part of its efforts to maintain liquidity. The amendment and waiver agreements, among other things, amend the equity ratio, leverage ratio, minimum value clauses and minimum liquidity requirements under Seadrill's and certain of our secured credit facilities until June 30, 2017. The key terms and conditions related to the amendment and waiver agreements in respect of our credit facilities are set forth in Note 11-"Debt" to the audited Consolidated and Combined Carve-Out Financial Statements included elsewhere in this annual report. The amendment and waiver agreements are subject to, among other things, Seadrill's compliance with the processes and undertakings set forth therein, including agreements in respect of progress milestones towards the agreement of, and implementation plan in respect of, a comprehensive financing package.

There can be no assurance that Seadrill will maintain compliance with the covenants under its senior secured credit facilities and the processes and undertakings set forth in the amendment and waiver agreements, or that any potential debt restructuring, reorganization or recapitalization will be undertaken or be successful.

In addition Seadrill also consolidates certain Variable Interest Entities (VIEs) owned by Ship Finance International Limited (NYSE: SFL), or Ship Finance. Seadrill's cross-default provisions could also be triggered if Ship Finance or one of the consolidated VIEs breached the terms of their financing arrangements. In the event of a default by Seadrill under one of its financing agreements, the lenders under some of the Company's existing financing agreements could determine that the Company is in default under its financing agreements. This could result in the acceleration of the maturity of such debt under these agreements and the lenders thereunder may foreclose upon any collateral securing that debt, including the Company's drilling units, even if Seadrill were to subsequently cure its default. In the event of such acceleration and foreclosure, the Company might not have sufficient funds or other assets to satisfy all of its obligations, which would have a material adverse effect on the Company's business, results of operations and financial condition and would significantly reduce its ability, or make it unable, to make distributions to the Company's unitholders for so long as such default is continuing.

The failure to consummate or integrate acquisitions in a timely and cost-effective manner could have an adverse effect on the Company's financial condition and results of operations.

The Company believes that acquisition opportunities may arise from time to time, and any such acquisition could be significant. Under the Company's omnibus agreement with Seadrill, subject to certain exceptions, Seadrill is obligated to offer to the Company any of its drilling units acquired or placed under drilling contracts of five or more years.

Although the Company is not obligated to purchase any of these drilling units offered by Seadrill, any acquisition could involve the payment by the Company of a substantial amount of cash, the incurrence of a substantial amount of debt or the issuance of a substantial amount of equity. Certain acquisition and investment opportunities may not result in the consummation of a transaction. In addition, the Company may not be able to obtain acceptable terms for the required financing for any such acquisition or investment that arises. The Company cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of its common units. The Company's future acquisitions could present a number of risks, including the risk of incorrect assumptions regarding the future results of acquired operations or assets or expected cost reductions or other synergies expected to be realized as a result of acquiring operations or assets, the risk of failing to successfully and timely integrate the operations or management of any acquired businesses or assets and the risk of diverting management's attention from existing operations or other priorities. The Company may also be subject to additional costs related to compliance with various international laws in connection with such acquisition. If the Company fails to consummate and integrate its acquisitions in a timely and cost-effective manner, its financial condition, results of operations and cash available for distribution could be adversely affected.

The Company's growth depends on the level of activity in the offshore oil and gas industry, which is significantly affected by, among other things, volatile oil and gas prices, and may be materially and adversely affected by a decline in the offshore oil and gas industry.

The offshore drilling industry is cyclical and volatile. The Company's growth strategy focuses on expansion in the offshore drilling sector, which depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments affect customers' drilling programs. Oil and gas prices and market expectations of potential changes in these prices also significantly affect this level of activity and demand for drilling units.

Oil and gas prices are extremely volatile and are affected by numerous factors beyond the Company's control, including the following:

- worldwide production and demand for oil and gas ;
- the cost of exploring for, developing, producing and delivering oil and gas;
- expectations regarding future energy prices and production;
- advances in exploration, development and production technology;
- the ability of the Organization of Petroleum Exporting Countries, or OPEC, to set and maintain levels and pricing;
- the level of production in non-OPEC countries;
- government regulations, including restrictions on offshore transportation of oil and gas;
- local and international political, economic and weather conditions;

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domestic and foreign tax policies;

development and exploitation of alternative fuels and non-conventional hydrocarbon production, including shale;

worldwide economic and financial conditions and the effect on the demand for oil and gas and consequently our services;

the policies of various governments regarding exploration and development of their oil and gas reserves;

accidents, severe weather, natural disasters and other similar incidents relating to the oil and gas industry; and

the worldwide political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East, Eastern Europe or other geographic areas or further acts of terrorism in the United States, Europe or elsewhere.

Declines in oil and gas prices for an extended period of time, or market expectations of potential decreases in these prices, have and could continue to negatively affect the Company's future growth. Sustained periods of low oil and gas prices have resulted in reduced exploration and drilling because oil and gas companies' capital expenditure budgets are subject to cash flow from such activities and are therefore sensitive to changes in energy prices. These changes in commodity prices can have a dramatic effect on rig demand, and periods of low demand can cause excess rig supply and intensify the competition in the industry which often results in drilling rigs, particularly older and less technologically-advanced drilling rigs, being idle for long periods of time. The Company cannot predict the future level of demand for drilling rigs or future conditions of the oil and gas industry. In response to the decrease in the prices of oil and gas, a number of the Company's oil and gas company customers have announced significant decreases in budgeted expenditures for offshore drilling. Any future decrease in exploration, development or production expenditures by oil and gas companies could reduce the Company's revenues and materially harm its business, results of operations and cash available for distribution.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, including:

- the availability of competing offshore drilling rigs;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the level of rig operating costs including crew and maintenance;
- the discovery of new oil and gas reserves; and
- regulatory restrictions on offshore drilling.

Any of these factors could reduce demand for drilling rigs and adversely affect the Company's business and results of operations.

The current downturn in activity in the oil and gas drilling industry has had and is likely to continue to have an adverse impact on our business and results of operations.

The oil and gas drilling industry is cyclical, and the industry is currently in a downcycle. Crude oil prices have fallen significantly during the past two years. The price of Brent crude has fallen from over \$100 per barrel in March 2014, to approximately \$39.60 per barrel as of March 31, 2016. The significant decrease in oil and natural gas prices is expected to continue to reduce many customers' demand for drilling services. In response to the decrease in the prices of oil and gas, a number of our oil and gas company customers have announced significant decreases in budgeted expenditures for offshore drilling. Declines in capital spending levels, coupled with additional newbuild supply, have and are likely to continue to put significant pressure on dayrates and utilization. The decline and the risk of a continued decline or stagnation in oil and/or gas prices could cause oil and gas companies to further reduce their overall level of activity or spending, in which case demand for our services may further decline and revenues may continue to be adversely affected through lower drilling unit utilization and/or lower dayrates.

Historically, when drilling activity and spending decline, utilization and dayrates also decline and drilling has been reduced or discontinued, resulting in an oversupply of drilling units. The recent oversupply of drilling units will be exacerbated by the entry of newbuild rigs into the market. The supply of available uncontracted units has and is likely to further intensify price competition as scheduled delivery dates occur and additional contracts terminate without renewal and lead to a reduction in dayrates as the active fleet grows.

If we are unable to secure contracts for our drilling units upon the expiration of our existing contracts, we may idle or stack our units. When idled or stacked, drilling units do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items. We currently have one idle unit, the West Sirius. The drilling contract was terminated early in April 2015 and the unit is currently "cold" stacked. In addition the drilling contract for the West Vencedor is expected to expire during the third quarter of 2016, and this drilling unit could also be idled or stacked. We have not yet secured a new contract for either of these drilling units. If our lenders are not confident that we are able to employ our assets, we may be unable to secure additional financing on terms acceptable to us or at all.

In general, drilling unit owners are bidding for available work extremely competitively with a focus on utilization over returns, which has and will likely continue to drive rates down to or below cash breakeven levels. To maintain the continued employment of our units, we may also accept contracts at lower dayrates or on less favorable terms due to market conditions. In addition, customers have already and may in the future request renegotiation of existing contracts to lower dayrates. In an over-supplied market, we may have limited bargaining power to renegotiate on more favorable terms. Lower utilization and dayrates have and will adversely affect our revenues and profitability. The effects of the downcycle may have other impacts on our business as well. Prolonged periods of low utilization and dayrates could result in a reduction in the market value of our drilling units or goodwill. This could lead to the recognition of impairment charges on our drilling units

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or goodwill if future cash flow estimates, based on information available to management at the time, indicate that the carrying value of these drilling units or goodwill may not be recoverable. In addition, if the market value of our drilling units decreases, and we sell any drilling unit at a time when prices for drilling units have fallen, such a sale may result in a loss, which would negatively affect our results of operations.

Prolonged periods of low dayrates, the possible termination or loss of contracts and reduced values of our drilling units could negatively impact our ability to comply with certain financial covenants under the terms of our debt agreements. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, is dependent on our future performance and may be affected by events beyond our control. If a default occurs under these agreements, lenders could terminate their commitments to lend or in some circumstances accelerate the outstanding loans and declare all amounts borrowed due and payable. In addition, our existing debt agreements contain cross-default provisions. In the event of a default by us under one of our debt agreements, the lenders under our other existing debt agreements could determine that we are in default under our other financing agreements. This could lead to an acceleration and enforcement of such agreements by our lenders.

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

The Company depends on certain subsidiaries of Seadrill, including Seadrill Management, to assist the Company in operating and expanding the business.

The Company's ability to enter into new drilling contracts and expand its customer and supplier relationships will depend largely on its ability to leverage its relationship with Seadrill and its reputation and relationships in the offshore drilling industry. If Seadrill suffers material damage to its reputation or relationships, it may harm the Company's ability to:

- renew existing drilling contracts upon their expiration;
- obtain new drilling contracts;
- efficiently and productively carry out the Company's drilling activities;
- successfully interact with shipyards;
- obtain financing and maintain insurance on commercially acceptable terms;
- maintain access to capital under the sponsor credit facility; or
- maintain satisfactory relationships with suppliers and other third parties.

In addition, pursuant to the management and administrative services agreement, Seadrill Management provides the Company with significant management, administrative, financial and other support services and/or personnel.

Subsidiaries of Seadrill also provide advisory, technical and administrative services to the Company's fleet pursuant to advisory, technical and administrative services agreements. The Company's operational success and ability to execute the Company's growth strategy depends significantly upon the satisfactory performance of these services. The Company's business will be harmed if Seadrill and its subsidiaries fail to perform these services satisfactorily, if they cancel their agreements with the Company or if they stop providing these services to it. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions."

The Company's drilling contracts may not permit it to fully recoup its costs in the event of a rise in expenses.

The Company's drilling contracts have dayrates that are fixed over the contract term. In order to mitigate the effects of inflation on revenues from these term contracts, all of the Company's drilling contracts, except for the West Leo include escalation provisions. These provisions allow the Company to adjust the dayrates based on certain published indices. These indices are designed to compensate the Company for certain cost increases, including wages, insurance and maintenance costs. However, actual cost increases may result from events or conditions that do not cause correlative changes to the applicable indices. Furthermore, certain indices are updated semi-annually, and therefore may be outdated at the time of adjustment. In addition, the adjustments are normally performed on a semi-annual or

annual basis. For these reasons, the timing and amount received as a result of the adjustments may differ from the timing and amount of expenditures associated with actual cost increases, which could adversely affect the Company's cash flow and ability to make cash distributions.

An increase in operating and maintenance costs could materially and adversely affect the Company's financial performance.

The Company's operating expenses and maintenance costs depend on a variety of factors including crew costs, provisions, equipment, insurance, maintenance and repairs and shipyard costs, many of which are beyond the Company's control and affect the entire offshore drilling industry. During periods after which a rig becomes idle, the Company may decide to "warm stack" the rig, which means the rig is kept fully operational and ready for redeployment, and maintains most of its crew. As a result, the Company's operating expenses during a warm stacking will not be substantially different than those the Company would incur if the rig remained active. The Company may also decide to "cold stack" the rig, which means the rig is stored in a harbor, shipyard or a designated offshore area, and the crew is assigned to an active rig or dismissed. For example, the Company has cold stacked the West Sirius drilling unit following its early contract termination by BP. Reductions in costs following the decision to cold stack a rig may not be immediate, as a portion of the crew may be required to prepare the rig for such storage. Moreover, as the rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. Operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in supply of offshore drilling rigs and demand for contract drilling services, which in turn, affect dayrates, and the economic utilization and performance of the Company's fleet of drilling rigs. However, operating costs are generally related to the number of drilling rigs in operation and the cost level in each country or region where such drilling rigs are located. In addition, equipment maintenance

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costs fluctuate depending upon the type of activity that the drilling rig is performing and the age and condition of the equipment. Escalation provisions contained in the Company's drilling contracts may not be adequate to substantially mitigate these increased operating and maintenance costs. In connection with new assignments, the Company might incur expenses relating to preparation for operations under a new contract. The expenses may vary based on the scope and length of such required preparations and the duration of the contractual period over which such expenditures are amortized. In situations where the Company's drilling units incur idle time between assignments, the opportunity to reduce the size of its crews on those drilling units is limited as the crews will be engaged in preparing the drilling unit for its next contract. When a drilling unit faces longer idle periods, reductions in costs may not be immediate as some of the crew may be required to prepare drilling units for stacking and maintenance in the stacking period. Should drilling units be idle for a longer period, the Company may not be successful in redeploying crew members, who are not required to maintain the drilling units, and therefore may not be successful in reducing the Company's costs in such cases.

Any limitation in the availability or operation of the Company's drilling units could have a material adverse effect on the Company's business, results of operations and financial condition and could significantly reduce the Company's ability to make distributions to its unitholders.

As at March 31, 2016, the Company's fleet consisted of four semi-submersible drilling rigs, four drillships and three tender rigs. If any of the Company's drilling units are unable to generate revenues as a result of the expiration or termination of its drilling contracts or sustained periods of downtime, the Company's results of operations and financial condition could be materially adversely affected.

Some of the Company's customers have the right to terminate their drilling contracts without cause upon the payment of an early termination fee. For example, the West Sirius contract permitted such a termination upon payment of \$297,000 per day until July 2017. However, such payments may not fully compensate the Company for the loss of the drilling contract. Under certain circumstances the Company's contracts may permit customers to terminate contracts early without the payment of any termination fees as a result of non-performance, total loss of the rigs, extended periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events beyond the Company's control. During periods of challenging market conditions, the Company may be subject to an increased risk of its customers seeking to repudiate their contracts, including through claims of non-performance. The Company's customers' ability to perform their obligations under their drilling contracts may also be negatively impacted by the prevailing uncertainty surrounding the development of the world economy and the credit markets. If a customer cancels its contract, and the Company is unable to secure a new contract on a timely basis and on substantially similar terms, or if a contract is suspended for an extended period of time or if a contract is renegotiated on different terms, it could adversely affect the Company's business, results of operations and financial condition and may reduce the amount of cash the Company has available to distribute to the Company and that the Company has available for distribution to its unitholders. For more information regarding the termination provisions of the Company's drilling contracts, please read Item 4 "Information on the Company—Business Overview—Drilling Contracts."

The Company currently derives the vast majority of its revenue from four customers, and the loss of any of these customers could result in a material loss of revenues and cash flow.

The Company currently derives the vast majority of its revenues and cash flow from four customers. For the year ended December 31, 2015, BP accounted for 44.8%, ExxonMobil(*) accounted for 32.1%, Tullow accounted for 13.5%, and Chevron accounted for 8.5% of total revenues, respectively. All of the Company's drilling contracts have fixed terms, but may be terminated early due to certain events or might nevertheless be lost in the event of unanticipated developments, such as the deterioration in the general business or financial condition of a customer, resulting in its inability meet its obligations under its contracts with the Company. The Company's contract with Petronas Myanmar relating to the West Vencedor is expected to expire in the July 2016, and no subsequent employment has been obtained for the West Vencedor.

* The West Aquarius was assigned to Hibernia Management for the duration of 2015.

Furthermore, the drilling contract for the West Sirius was terminated early and ended in April 2015. No subsequent employment has been obtained for the West Sirius.

If any of the Company's drilling contracts are terminated, the Company may be unable to re-deploy the drilling unit subject to such terminated contract on terms as favorable to it as its current drilling contracts. If the Company is unable to re-deploy a drilling unit for which the drilling contract has been terminated, the Company may not receive any revenues from that drilling unit (other than termination fees), but it will be required to pay expenses necessary to maintain the drilling unit in proper operating condition. This will cause the Company to receive decreased revenues and cash flows from having fewer drilling units operating in its fleet. The loss of any customers, drilling contracts or drilling units, or a decline in payments under any of the Company's drilling contracts, could have a material adverse effect on the Company's business, results of operations, financial condition and ability to make cash distributions to the Company's unitholders.

In addition, the Company's drilling contracts subject it to counterparty risks. The ability of each of the Company's counterparties to perform its obligations under a contract with the Company depend on a number of factors that are beyond the Company's control and may include, among other things, general economic conditions, the condition of the offshore drilling industry, prevailing prices for oil and gas, the overall financial condition of the counterparty, the dayrates received for specific types of drilling units and the level of expenses necessary to maintain drilling activities. In addition, in depressed market conditions, the Company's customers may no longer need a drilling unit that is currently under contract or may be able to obtain a comparable drilling unit at a lower dayrate. Should a counterparty fail to honor its obligations under an agreement with the Company, the Company could sustain losses, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash available for distribution.

The Company may not be able to renew or obtain new and favorable contracts for drilling units whose contracts are expiring or are terminated, which could adversely affect its revenues and profitability.

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The Company's ability to renew expiring contracts or obtain new contracts will depend on the prevailing market conditions at the time which may vary among different geographic regions, different types of drilling units, and specific conditions. If the Company is not able to obtain new contracts in direct continuation with existing contracts, or if new contracts are entered into at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, its revenues and profitability could be adversely affected.

The offshore drilling markets in which the Company competes experience fluctuations in the demand for drilling services, as measured by the level of exploration and development expenditures and supply of capable drilling equipment. The Company's contract with Petronas Myanmar relating to the West Vencedor is expected to expire in the third quarter of 2016, and no subsequent employment has been obtained for the West Vencedor. The drilling contract for the West Sirius was terminated early in April 2015 and the unit is currently stacked. No subsequent employment has been obtained for the West Sirius.

The existing drilling contracts for the remainder of the Company's drilling units, are scheduled to expire from April 2017 through November 2020. The Company cannot guarantee that it will be able to obtain contracts for its drilling units upon the expiration or termination of their current contracts or that there will not be a gap in employment of the rigs between current contracts and subsequent contracts. In particular, if oil and gas prices remain as low as they are currently, or it is expected that such prices will remain low or decrease in the future, at a time when the Company is seeking to arrange contracts for the its drilling units, the Company may not be able to obtain drilling contracts at attractive dayrates or at all.

If the dayrates which the Company receives for the reemployment of the Company's current drilling units are less favorable, the Company will recognize less revenue from their operations. The Company's ability to meet its cash flow obligations will depend on the Company's ability to consistently secure drilling contracts for the Company's drilling units at sufficiently high dayrates. The Company cannot predict the future level of demand for the Company's services or future conditions in the oil and gas industry. If current market conditions continue and oil and gas companies do not increase exploration, development and production expenditures, the Company may have difficulty securing drilling contracts, or the Company may be forced to enter into contracts at unattractive dayrates, which would adversely affect the Company's ability to make distributions to the Company's unitholders.

Competition within the offshore drilling industry may adversely affect us.

The offshore drilling industry is highly competitive and fragmented and includes several large companies that compete in the markets the Company serves, as well as smaller companies. Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, condition and integrity of equipment, its record of operating efficiency, including high operating uptime, technical specifications, safety performance record, crew experience, reputation, industry standing and customer relations. The Company's operations may be adversely affected if its current competitors or new market entrants introduce new drilling units with better features, performance, price or other characteristics in comparison to the Company's drilling units, or expand into service areas where the Company operates. In addition, mergers among oil and gas exploration and production companies have reduced, and may from time to time further reduce, the number of available customers, which would increase the ability of potential customers to achieve pricing terms favorable to them.

The offshore drilling industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates, such as the downturn that we are currently experiencing. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply may intensify competition in the industry and result in the idling of older and less technologically advanced equipment. The Company may in the future idle or stack rigs or enter into lower dayrate drilling contracts in response to market conditions. The Company cannot predict when or if any idled or stacked rigs will return to service.

Competitive pressures and other factors may result in significant price competition, particularly during the current industry downturn and any future downturn, which could have a material adverse effect on the Company's financial position, results of operations, cash flows and ability to make distributions to the Company's unitholders.

A continued economic downturn in the world economy could have a material adverse effect on the Company's revenue, profitability and financial position.

The Company depends on its customers' willingness and ability to fund operating and capital expenditures to explore, develop and produce oil and gas, and to purchase drilling and related equipment. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. The world economy is currently facing a number of challenges. Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for oil and gas and for the Company's services. These potential developments, or market perceptions concerning these and related issues, could affect the Company's financial position, results of operations and cash available for distribution. This includes uncertainty surrounding the sovereign debt and credit crises in certain European countries. In addition, turmoil and hostilities in Korea, Ukraine, the Middle East, North Africa and other geographic areas and countries are adding to overall risk. In addition, worldwide financial and economic conditions could severely restrict the Company's ability to access the capital markets at a time when the Company would like, or need, to access such markets, which could impact the Company's ability to react to changing economic and business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, the lenders participating in the Company's credit facilities. Such economic conditions could also impact lenders participating in the credit facilities of the Company's customers, causing those customers to fail to meet their obligations to the Company. In addition, a portion of the credit under the Company's credit facilities is provided by European banking institutions. If economic conditions in Europe preclude or limit financing from these banking institutions, the Company may not be able to obtain financing from other institutions on terms that are acceptable, or at all, even

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if conditions outside Europe remain favorable for lending. An extended period of adverse development in the outlook for the world economy could reduce the overall demand for oil and gas and for the Company's services. Such changes could adversely affect the Company's financial condition, results of operations and ability to make distributions to the Company's unitholders.

The current state of global financial markets and current economic conditions may adversely impact the Company's ability to obtain additional financing on acceptable terms which may hinder or prevent the Company from expanding the Company's business.

Global financial markets and economic conditions have been, and continue to be, volatile. The current state of global financial markets and current economic conditions might adversely impact the Company's ability to issue additional equity at prices which will not be dilutive to the Company's existing unitholders or preclude the Company from issuing equity at all. The Company cannot be certain that additional financing will be available if needed and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, the Company may be unable to meet the Company's obligations as they come due or the Company may be unable to expand the Company's existing business, complete drilling unit acquisitions or otherwise take advantage of business opportunities as they arise.

The Company's current backlog of contract drilling revenue may not be ultimately realized.

As of March 31, 2016, the Company's backlog of contract drilling revenues under firm commitments was approximately \$4.1 billion. The actual amount of revenues earned and the actual periods during which revenues are earned may differ from the stated amounts and periods due to shipyard and maintenance projects, downtime and other events within or beyond the Company's control. In addition, the Company's customers may seek to cancel or renegotiate the Company's contracts for various reasons, including adverse conditions in the industry. In addition, some of the Company's customers could experience liquidity issues or could otherwise be unable or unwilling to perform under the contract, which could ultimately lead a customer to go into bankruptcy or to otherwise encourage a customer to seek to repudiate, cancel or renegotiate a contract. The Company's inability or the inability of the Company's customers to perform under the Company's or their contractual obligations could adversely affect the Company's financial position, results of operations and cash available for distribution.

Failure to obtain or retain highly skilled personnel could adversely affect the Company's operations.

The Company believes that competition for skilled and other labor required for the Company's drilling operations has increased in recent years as the number of rigs activated or added to worldwide fleets has increased. The number of rigs in operation may grow in the future as new units are delivered. Notwithstanding the general downturn in the drilling industry, in some regions such as Angola and Nigeria, limited availability of qualified personnel, in combination with local regulations focusing on crew composition, are expected to further increase demand for qualified offshore drilling crews, which may increase costs. Further expansion of the rig fleet, or improved demand for drilling services in general, coupled with shortages of qualified personnel could further create and intensify upward pressure on wages and make it more difficult or costly for the Company to staff and service its rigs, or do so on economically viable terms. The current industry downturn may not provide relief from such pressures. Further, if substantial numbers of workers seek employment outside the offshore drilling industry as a result of the downturn, the competition for workers in the offshore drilling industry could increase, during the downturn. Such developments could adversely affect the Company's financial position, results of operations, cash flows and ability to make distributions to the Company's unitholders. Furthermore, as a result of any increased competition for people and risk for higher turnover, the Company may experience a reduction in the experience level of its personnel, which could lead to higher downtime and more operating incidents.

Certain work stoppages or maintenance or repair work may cause the Company's customers to suspend or reduce payment of dayrates until operation of the respective drilling unit is resumed, which may lead to termination or renegotiation of the drilling contract.

Compensation under the Company's drilling contracts is based on daily performance and/or availability of each drilling unit in accordance with the requirements specified in the applicable drilling contract agreement. For instance, when the Company's drilling units are idle, but available for operation, the Company's customers are entitled to pay a

waiting rate lower than the operational rate.

Several factors could cause an interruption of operations, including:

• breakdowns of equipment and other unforeseen engineering problems;

• work stoppages, including labor strikes;

• shortages of material and skilled labor;

• delays in repairs by suppliers;

• surveys by government and maritime authorities;

• periodic classification surveys;

• severe weather, strong ocean currents or harsh operating conditions; and

• force majeure events.

In addition, if the Company's drilling units are taken out of service for maintenance and repair for a period of time exceeding the scheduled maintenance periods set forth in its drilling contracts, the Company will not be entitled to payment of dayrates until the relevant rig is available for deployment. If the interruption of operations were to exceed a determined period due to an event of force majeure, the Company's customers have the right to pay a rate (the "force majeure rate") that is significantly lower than the waiting rate for a period of time, and, thereafter, may terminate the drilling contracts related to the subject rig. For more details on the Company's drilling contracts, see Item 4 "Information on the Company—Business Overview—Drilling Contracts" and Item 5 "Operating and Financial Review and Prospects—Important Financial and

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Operational Terms and Concepts—Contracted Revenues and Dayrates.” Suspension of drilling contract payments, prolonged payment of reduced rates or termination of any drilling contract agreements as a result of an interruption of operations as described herein could materially adversely affect the Company's financial condition, results of operations and ability to make distributions to the Company's unitholders.

Labor costs and operating restrictions that apply to the Company could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.

A significant portion of the Company's employees are represented by collective bargaining agreements. The majority of these employees work in Canada, Nigeria and Angola. As part of the legal obligations in some of these agreements, the Company is required to contribute certain amounts to retirement funds and pension plans and is restricted in its ability to dismiss employees. In addition, many of these represented individuals are working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs, other increased costs or increased operating restrictions that could adversely affect the Company's financial condition, results of operations and ability to pay distributions.

An inability to obtain visas and work permits for drilling unit personnel on a timely basis could hurt its operations and have an adverse effect on the Company's business.

The Company's ability to operate worldwide depends on obtaining the necessary visas and work permits for the personnel on its drilling units to travel in and out of, and to work in, the jurisdictions in which it operates.

Governmental actions in some of the jurisdictions in which the Company operates may make it difficult to move personnel in and out of these jurisdictions by delaying or withholding the approval of these visa and work permits. If visas and work permits cannot be obtained for the employees needed for operating the Company's rigs on a timely basis or for third-party technicians needed for maintenance or repairs, the Company might not be able to perform its obligations under its drilling contracts, which could lead to periods of prolonged downtime or allow the Company's customers to cancel the contracts. Any such downtime or cancellation could adversely affect the Company's financial condition, results of operations and ability to make distributions to the Company's unitholders.

The Company's business and operations involve numerous operating hazards, and its insurance and indemnities from its customers may not be adequate to cover potential losses from its operations.

The Company's operations are subject to hazards inherent in the offshore drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions and pollution. Contract drilling requires the use of heavy equipment and exposure to hazardous conditions, which may subject the Company to liability claims by employees, customers and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. The Company's offshore fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, piracy, damage from severe weather and marine life infestations. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services or personnel shortages. The Company customarily provides contract indemnity to its customers for claims that could be asserted by the Company relating to damage to or loss of the Company's equipment, including rigs, and claims that could be asserted by the Company or its employees relating to personal injury or loss of life.

Damage to the environment could also result from the Company's operations, particularly through spillage of hydrocarbons, fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. The Company may also be subject to property damage, environmental indemnity and other claims by oil and gas companies. The Company's insurance policies and drilling contracts contain rights to indemnity that may not adequately cover its losses, and the Company does not have insurance coverage or rights to indemnity for all risks. There are certain risks, including risks associated with the loss of control of a well (such as blowout, cratering, the cost to regain control of or re-drill the well and remediation of associated pollution), against which the Company's customers may be unable or unwilling to indemnify the Company. In addition, a court may decide that certain indemnities in the Company's current or future contracts are not enforceable. For example, in a 2012 case related to the fire and explosion that took place on the unaffiliated Deepwater Horizon Mobile Offshore Drilling Unit in the U.S.

Gulf of Mexico in April 2010, or the Deepwater Horizon Incident, (to which the Company was not a party), the U.S. District Court in the Eastern District of Louisiana invalidated certain contractual indemnities for punitive damages and for civil penalties under the US Clean Water Act under a drilling contract governed by U.S. maritime law as a matter of public policy. For example, in 2011, a U.S. District Court in the Southern District of Texas invalidated certain contractual indemnities for gross negligence in a drilling master services agreement governed by U.S. maritime law as a matter of public policy. The Company maintains insurance coverage for property damage, occupational injury and illness, and general and marine third-party liabilities (except as described below with respect to drilling units and equipment in the U.S. Gulf of Mexico). However, pollution and environmental risks generally are not totally insurable.

The Company's insurance provides for deductibles for damage to its offshore drilling equipment and third-party liabilities. With respect to hull and machinery, the Company's insurance provides for a deductible per occurrence of \$5 million for all of its fleet. However, in the event of a total loss or a constructive total loss of a drilling unit, such loss is fully covered by its insurance with no deductible. For general and marine third-party liabilities the Company's insurance provides for up to a \$500,000 deductible per occurrence on personal injury liability for crew claims as well as non-crew claims and per occurrence on third-party property damage.

If a significant accident or other event occurs that is not fully covered by the Company's insurance or an enforceable or recoverable indemnity from a customer, the occurrence could adversely affect the Company's financial position, results of operations or cash available for distribution. The amount of the Company's insurance may also be less than the related impact on enterprise value after a loss. The Company's insurance coverage will not in all situations provide sufficient funds to protect it from all liabilities that could result from its drilling operations. The Company's coverage includes annual aggregate policy limits. As a result, the Company retains the risk for any losses in excess of these limits.

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Any such lack of reimbursement may cause the Company to incur substantial costs. In addition, the Company could decide to retain more risk in the future. This results in a higher risk of losses, which could be material, that are not covered by third-party insurance contracts. Specifically, the Company has at times in the past elected to not insure for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico due to the substantial costs associated with such coverage. The Company has elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a Combined Single Limit of \$100 million in the annual aggregate, which includes loss of hire for the period from May 1, 2016 through April 30, 2017. If the Company elects not to insure such risks in the future, and such windstorms cause significant damage to any rig and equipment the Company has in the U.S. Gulf of Mexico, it could have a material adverse effect on the Company's financial position, results of operations or cash flows. Moreover, no assurance can be made that the Company will be able to maintain adequate insurance in the future at rates that the Company considers reasonable, or obtain insurance against certain risks.

An over-supply of drilling units may lead to a reduction in dayrates and therefore may materially impact the Company's profitability.

Prior to the current downturn, during the recent period of high utilization and high dayrates, industry participants have increased the supply of drilling units by ordering construction of new drilling units. Historically, this has resulted in an over-supply of drilling units and has caused a subsequent decline in utilization and dayrates when the drilling units have entered the market, sometimes for extended periods of time until the new units have been absorbed into the active fleet. As of March 31, 2016, the worldwide fleet of tender rigs, semi-submersible rigs and drillships consisted of 343 units, comprising 37 tender rigs, 185 semi-submersible rigs and 121 drillships. In addition there are 8 tender rigs, 23 semi-submersible rigs and 46 drillships were under construction or on order, which would bring the total fleet to 420 units, assuming no reduction in the total fleet size through retirement of drilling units or otherwise. A relatively large number of the drilling units currently under construction have not been contracted for future work, and a number of units in the existing worldwide fleet are currently off contract.

The supply of available uncontracted units is likely to intensify price competition as scheduled delivery dates occur and additional contracts terminate without renewal, and lead to a reduction in dayrates as the active fleet grows. Any further increase in construction of new units may increase the negative impact on dayrates and utilization. In addition, drilling units may be relocated to markets in which the Company operates, which could exacerbate excess drilling unit supply and lower dayrates in those markets. If a large number of drilling units become available around the time of expiration of the Company's drilling contracts, it could depress the dayrate the Company is able to obtain under a renewed or new contract with respect to the Company's drilling units. In addition, customers may demand renegotiation of existing contracts to lower dayrates. In an over-supplied market, the Company may have limited bargaining power to renegotiate on more favorable terms. Lower utilization and dayrates could adversely affect the Company's revenues and profitability and ability to make distributions to its unitholders.

In addition, prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on the Company's drilling units if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these drilling units may not be recoverable.

The market value of the Company's existing drilling units has decreased and drilling units the Company may acquire in the future could decrease, which could cause the Company to incur losses if the Company decides to sell them following a decline in their market values.

During 2015, the estimated fair value of the Company's drilling units, based upon various broker valuations, decreased by approximately 16%. If the offshore contract drilling industry suffers adverse developments in the future, the fair market value of the Company's drilling units may decline further. The fair market value of the drilling units that we currently own, or may acquire in the future, may increase or decrease depending on a number of factors, including: general economic and market conditions affecting the offshore drilling industry, including competition from other offshore contract drilling companies and the price of oil and gas; types, sizes and ages of drilling units;

supply and demand for drilling units;
costs of newbuildings;
prevailing level of drilling services contract dayrates;
governmental or other regulations; and
technological advances.

If the Company sells any drilling unit at a time when prices for drilling units have fallen, such a sale may result in a loss. Such a loss could materially and adversely affect the Company's business prospects, financial condition, liquidity, results of operations and ability to make distributions to its unitholders.

If the market value of our drilling units falls, we may also be required to make prepayments on our outstanding indebtedness to remain in compliance with minimum loan to value requirements in certain of our financing agreements.

The Company may incur impairment charges as a result of reduced demand for drilling services or other factors. In the future, the Company may be required to record impairment charges to goodwill or other assets. Such impairment charges could have a material adverse effect on the Company's financial performance or results of operations, and its ability to pay distributions. In addition, such

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impairment charges could adversely impact the Company's ability to comply with the restrictions and covenants in the Company's debt agreements, including meeting financial ratios and tests in those agreements. If the Company is unable to comply with the restrictions and covenants in the agreements governing its indebtedness or in current or future debt financing agreements, a default could occur under the terms of those agreements.

Consolidation and governmental regulation of suppliers may increase the cost of obtaining supplies or restrict the Company's ability to obtain needed supplies, which may have a material adverse effect on the Company's results of operations and financial condition.

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

Furthermore, most of the Company's suppliers are U.S. companies, which means that in the event a U.S. supplier was debarred or otherwise restricted by the U.S. government from delivering its products the Company's ability to supply and service its operations in areas of the U.S. Gulf of Mexico subject to federal lease could be severely impacted. The Company's international operations involve additional risks, which could adversely affect the Company's business. As a result of the Company's international operations, the Company may be exposed to political and other uncertainties, including risks of:

- terrorist acts, armed hostilities, war and civil disturbances;
- acts of piracy, which have historically affected ocean-going drilling units trading in regions of the world such as the South China Sea, the Gulf of Aden off the coast of Somalia, where piracy has increased significantly in frequency since 2008, and off the west coast of Africa;
- significant governmental influence over many aspects of local economies;
- seizure, nationalization or expropriation of property or equipment;
- repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest;
- foreign and U.S. monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls, imposition of trade barriers;
- U.S. and foreign sanctions or trade embargoes;
- regulatory or financial requirements to comply with foreign bureaucratic actions;
- changing taxation policies, including confiscatory taxation;
- other forms of government regulation and economic conditions that are beyond the Company's control; and
- governmental corruption.

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

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

It is difficult to predict what governmental regulations may be enacted in the future that could adversely affect the international drilling industry. The actions of foreign governments, including initiatives by OPEC, may adversely affect the Company's ability to compete. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject the Company to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets.

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If the Company's business activities involve countries, entities and individuals that are subject to restrictions imposed by the U.S. or other governments, the Company could be subject to enforcement action and the Company's reputation and the market for the Company's common units could be adversely affected.

In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as the Company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. On August 10, 2012, the U.S. signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which places further restrictions on the ability of non-U.S. companies to do business or trade with Iran and Syria. Perhaps the most significant provision in the Iran Threat Reduction Act is that prohibitions in the existing Iran sanctions applicable to U.S. persons will now apply to any foreign entity owned or controlled by a U.S. person (essentially making the U.S. sanctions against Iran as expansive as U.S. sanctions against Cuba). These new sanctions were codified within the Iranian Transactions Regulations on or about December 26, 2012. The other major provision in the Iran Threat Reduction Act is that issuers of securities must disclose to the SEC in their annual and quarterly reports filed after February 6, 2013 if the issuer or "any affiliate" has "knowingly" engaged in certain sanctioned activities involving Iran during the timeframe covered by the report. The disclosure must describe the nature and extent of the activity in detail and the SEC will publish the disclosure on its website. The President must then initiate an investigation and determine whether sanctions on the issuer or its affiliate will be imposed. Such negative publicity and the possibility that sanctions could be imposed would present a risk for any issuer that is knowingly engaged in sanctioned conduct or that has an affiliate that is knowingly engaged in such conduct. At this time, the Company is not aware of any sanctionable activity, conducted by ourselves or by any affiliate of Seadrill that is likely to trigger an SEC disclosure requirement. Sanctions affecting non-U.S. companies like the Company were expanded yet again under the 2013 National Defense Authorization Act, with the passage of the Iran Freedom and Counter-Proliferation Act, and the Company believes that these sanctions will continue to become more restrictive for the foreseeable future. In addition to the sanctions against Iran, U.S. law continues to restrict U.S. owned or controlled entities from doing business with Cuba and various U.S. sanctions have certain other extraterritorial effects that need to be considered by non-U.S. companies. Moreover, any U.S. persons who serve as officers, directors or employees of the Company would be fully subject to U.S. sanctions. It should also be noted that other governments are more frequently implementing sanctions regimes. It should be noted that the U.S. and various other nations entered into a Joint Comprehensive Plan of Action (JCPOA) with Iran that provides for phased sanctions relief. On January 16, 2016, following verification that Iran had satisfied its commitments under the JCPOA, the United States lifted its nuclear-related "secondary" sanctions and the European Union also took action to lift its sanctions. As a result of sanctions relief non-U.S. persons will be able to engage in business with Iran. Sanctions relief will not impact the SEC reporting requirements discussed above.

With the exception of Myanmar, the Company does not currently have any drilling contracts or plans to initiate any drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism. With respect to Myanmar, transactions by U.S. persons, or in or involving the United States, are prohibited if they involve property or interests in property of an entity or individual listed on the list of Specially Designated Nationals and Blocked Persons or entities that are 50 percent or more owned, whether individually or in the aggregate, directly or indirectly, by one or more persons listed on the list of Specially Designated Nationals and Blocked Persons. Furthermore, certain investment transactions and exports of financial services by U.S. persons, or from the United States, in or to Myanmar, are prohibited, although the U.S. government has issued broad general licenses authorizing this conduct. Finally, certain imports of items originating in Myanmar into the United States are prohibited. As a non-U.S. entity, none of the Company's operations in Myanmar directly implicate these prohibitions, but to the extent the Company employs U.S. persons who are involved in the Company's operations in Myanmar, their activities would be authorized by general license. From time to time, the Company may enter into drilling contracts involving operations in countries or with government-controlled entities that are subject to sanctions and embargoes imposed by

the U.S. government and/or identified by the U.S. government as state sponsors of terrorism in cases where entering into such contracts would not violate U.S. law or may enter into drilling contracts involving operations in countries or with government-controlled entities that may become subject to sanctions and embargoes imposed by the U.S. government and/or identified by the U.S. government as state sponsors of terrorism. This could negatively affect the Company's ability to obtain investors. In some cases, U.S. investors would be prohibited from investing in an arrangement in which the proceeds could directly or indirectly be transferred to or may benefit a sanctioned entity. Moreover, even in cases where the investment would not violate U.S. law, potential investors could view such drilling contracts negatively, which could adversely affect the Company's reputation and the market for the Company's common units.

As stated above, the Company believes that it is in compliance with all applicable sanctions and embargo laws and regulations, and intends to maintain such compliance. However, there can be no assurance that the Company will be in compliance in the future, particularly as such laws are subject to frequent changes, the scope of certain laws may be unclear and may be subject to changing interpretations. For instance, new sanctions were announced in March 2014 in relation to certain individuals in Russia and Ukraine, and subsequently modified in August and September 2014. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company's common units. Additionally, some investors may decide to divest their interest, or not to invest, in the Company's common units simply because the Company may do business with companies that do business in sanctioned countries. Moreover, the Company's drilling contracts may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve the Company or its drilling units, and those violations could in turn negatively affect the Company's reputation. Investor perception of the value of the Company's common units may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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Local content policies may impair the Company's ability to compete in local jurisdictions, and changes in these policies may adversely affect the Company's financial conditions and results of operations.

Certain foreign governments, such as those of Nigeria and Angola, favor or effectively require (i) the awarding of drilling contracts to local contractors or to drilling units owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. For example, the local content policy in Angola requires the Company's customers to develop and implement a plan to increase local Angolan content, including specific goals. In addition, Nigerian laws required one of the Company's subsidiaries to enter into a joint venture with Nigerian investors to own the West Capella. These regulations may adversely affect the Company's ability to compete in these contract drilling markets. Further, local content policies may be subject to significant and unpredictable changes, which may lead to greater uncertainty in operational planning in those jurisdictions.

If the Company's drilling units fail to maintain their class certification or fail any required survey, that drilling unit would be unable to operate, thereby reducing the Company's revenues and profitability.

Every offshore drilling unit is a registered marine vessel and must be "classed" by a classification society. The classification society certifies that the drilling unit is "in-class," signifying that such drilling unit has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the drilling unit's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. If any drilling unit does not maintain its class and/or fails any annual survey or special survey, the drilling unit will be unable to carry on operations and will be unemployable and uninsurable, which could cause the Company to be in violation of certain covenants in the Company's credit facilities. Any such inability to carry on operations or be employed, could have a material adverse impact on the Company's financial condition, results of operations, and ability to make distributions to the Company's unitholders.

Fluctuations in exchange rates or exchange controls could result in losses to us.

As a result of the Company's international operations, the Company is exposed to fluctuations in foreign exchange rates due to revenues being received and operating expenses paid in currencies other than U.S. Dollars. Accordingly, the Company may experience currency exchange losses if the Company has not fully hedged the Company's exposure to a foreign currency, or if revenues are received in currencies that are not readily convertible. The Company may also be unable to collect revenues because of a shortage of convertible currency available to the country of operation, controls over the repatriation of income or capital or controls over currency exchange. The Company does not use foreign currency forward contracts or other derivative instruments related to foreign currency exchange risk.

The Company and the majority of its subsidiaries use the U.S. Dollar as their functional currency because the majority of their revenues and expenses are denominated in U.S. Dollars. Accordingly, the Company's reporting currency is also U.S. Dollars. The Company does, however, earn revenue and incur expenses in other currencies and there is a risk that currency fluctuations could have an adverse effect on the Company's statements of operations and cash flows.

The Company may be unable to obtain, maintain, and/or renew permits necessary for the Company's operations or experience delays in obtaining such permits, which could have a material effect on the Company's operations.

The operation of the Company's drilling units are subject to certain governmental approvals and permits. The permitting rules in most jurisdictions are complex and subject to change, including their interpretations by regulators, all of which may make compliance more difficult or impractical, and may increase the length of time it takes to receive regulatory approval for offshore drilling operations. In many jurisdictions, substantive requirements under environmental laws are implemented through permits and permit renewals. If the Company fails to timely secure the necessary approvals or permits, the Company's customers may have the right to terminate or seek to renegotiate their drilling contracts to the Company's detriment. In the future, the amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas or increasing the time needed to obtain necessary environmental permits, could have a material adverse effect on the Company's business, operating results or financial condition.

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

The Company's operations are subject to numerous environmental laws and regulations in the form of international conventions and treaties, and national, state and local laws and regulations in force in the jurisdictions in which its drilling units operate or are registered, which can significantly affect the operation of its drilling units. The offshore drilling industry is dependent on demand for services from the oil and gas exploration and production industry, and, accordingly, the Company is directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, may curtail exploration and development drilling for oil and gas. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lifetime of the Company's drilling units.

The Company may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address pollution incidents. These costs could have a material adverse effect on the Company's business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Company's operations.

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Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the Company to liability without regard to whether it was negligent or at fault. Under the U.S. Oil Pollution Act of 1990, or OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. An oil or chemical spill, for which the Company is deemed a responsible party, could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Furthermore, the 2010 explosion of the Deepwater Horizon well and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping industry, and modifications to statutory liability schemes, thus exposing the Company to further potential financial risk in the event of any such oil or chemical spill.

The Company is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to the Company's operations, and satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although the Company has arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on its business, results of operations, cash flows and financial condition and its ability to pay distributions, if any, in the future.

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

The Company's drilling units could cause the release of oil or hazardous substances, especially as its drilling units age. Any releases may be large in quantity, above the Company's permitted limits or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. Any releases of oil or hazardous substances could result in fines and other costs to the Company, such as costs to upgrade its drilling units, clean up the releases, and comply with more stringent requirements in its discharge permits. Moreover, these releases may result in the Company's customers or governmental authorities suspending or terminating its operations in the affected area, which could have a material adverse effect on the Company's business, results of operation and financial condition. If the Company is able to obtain from the Company's customers some degree of contractual indemnification against pollution and environmental damages, the indemnification may not be applicable in all instances or the customer may not be financially able to comply with its indemnity obligations. In the future, the Company may not be able to obtain contractual indemnification against pollution and environmental damages.

In addition, the Company is required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. The Company's insurance coverage may not be available in the future, or the Company may not obtain certain insurance coverage. Even if insurance is available and the Company has obtained the coverage, the insurance coverage may not be adequate to satisfy the Company's liabilities or its insurance underwriters may be unable to pay compensation if a significant claim should occur. Any of these scenarios could have a material adverse effect on the Company's business, operating results and financial condition. To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, the Company's business or prospects could be materially adversely affected. Future earnings and cash available for distribution may be negatively affected by compliance with any such new legislation or regulations.

Climate change and regulation of greenhouse gases may have an adverse impact on the Company's business.

Due to concern over the risk of climate change, a number of countries and the United Nations' International Maritime Organization, or the IMO, have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, nor to the recently announced

Paris Agreement. As of January 1, 2013, all ships (including rigs and drillships) must comply with mandatory requirements adopted by the IMO's Maritime Environment Protection Committee, or MEPC, in July 2011, relating to greenhouse gas emissions.

All ships are required to follow the Ship Energy Efficiency Management Plans, or SEEMP, and minimum energy efficiency levels per capacity mile, outlined in the Energy Efficiency Design Index, or EEDI, applies to all new ships. These requirements could cause the Company to incur additional compliance costs. The IMO is planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Union is pursuing a strategy to integrate maritime emissions into the overall European Union strategy to reduce greenhouse gas emissions. In accordance with this strategy, in April 2015 the European Parliament and Council adopted regulations requiring large vessels using European Union ports to monitor, report and verify their carbon dioxide emissions beginning in January 2018. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from drilling units, such regulation of drilling units is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. In June 2014, the Supreme Court overturned the EPA "Tailoring Rule," which required a Title V permit for statutory sources based on potential emissions of greenhouse gases. The Supreme Court also ruled, however, that EPA properly determined that Best Available Control Technology requirements for greenhouse gases would apply to sources that require Title V permits based on potential to emit conventional pollutants.

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Compliance with changes in laws, regulations and obligations relating to climate change could increase the Company's costs related to operating and maintaining the Company's assets, and might also require the Company to install new emission controls, acquire allowances or pay taxes related to the Company's greenhouse gas emissions, or administer and manage a greenhouse gas emissions program.

Additionally, adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for the Company's services. For example, the recent Paris Agreement could lead to increased regulation of greenhouse gases or other concerns relating to climate change, which may in turn reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on the Company's business, including capital expenditures to upgrade the Company's drilling units, that the Company cannot predict with certainty at this time.

The aftermath of the moratorium on offshore drilling in the U.S. Gulf of Mexico, and new regulations adopted as a result of the investigation into the Macondo well blowout, could negatively impact us.

In the near-term aftermath of the Deepwater Horizon Incident, in which the Company was not involved, that led to the Macondo well blow out situation, the U.S. government on May 30, 2010 imposed a six-month moratorium on certain drilling activities in water deeper than 500 feet in the U.S. Gulf of Mexico and subsequently implemented Notices to Lessees 2010-N05 and 2010-N06, providing enhanced safety requirements applicable to all drilling activity in the U.S. Gulf of Mexico, including drilling activities in water shallower than 500 feet. On October 12, 2010, the U.S. government lifted the moratorium subject to compliance with the requirements set forth in Notices to Lessees 2010-N05 and 2010-N06. Additionally, all drilling in the U.S. Gulf of Mexico must comply with the Interim Final Rule to Enhance Safety Measures for Energy Development on the Outer Continental Shelf (Drilling Safety Rule) and the Workplace Safety Rule on Safety and Environmental Management Systems and various requirements imposed through Notices to Lessees and Operators (SEMS). Operators were required to implement a SEMS program by November 15, 2011 and submit their first completed SEMS audit to the Bureau of Safety and Environmental Enforcement, or BSEE, by November 15, 2013. The original SEMS rule was later modified by the SEMS II final rule which became effective June 4, 2013. SEMS II enhanced and supplemented operators' SEMS programs with employee training, empowering field level personnel with safety management decisions and strengthening auditing procedures by requiring them to be completed by independent third parties. Operators had until June 4, 2014 to comply with SEMS II, except for certain auditing requirements. All SEMS audits must comply with SEMS II by June 4, 2015. The U.S. Occupational Safety and Health Act (OSHA) imposes additional recordkeeping obligations concerning occupational injuries and illnesses for MODUs attached to the outer continental shelf.

In addition, in order to obtain drilling permits, operators must submit applications that demonstrate compliance with the enhanced regulations, which require independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. Operators have previously had, and may in the future have, difficulties obtaining drilling permits in the U.S. Gulf of Mexico. In addition, the oil and gas industry has adopted new equipment and operating standards, such as the American Petroleum Institute Standard 53 relating to the installation and testing of well control equipment. Likewise, in August 2014, BSEE proposed an Advanced Notice of Proposed Rulemaking proposing variations to the permitting program that would bolster the offshore financial assurance and bonding program. In addition, BOEM and BSEE have announced several proposed rules and programs in 2015 intended to prevent releases and better protect human safety and the environment. In April 2016, the BSEE issued a final rule on well control regulations that set new and revised safety and operational standards for owners and operators of offshore wells and facilities. Among other requirements, the new regulation sets standards for blow-out preventers that include baseline requirements for their design, manufacture, inspection and repair, requires third-party verification of the equipment, and calls for real-time monitoring of certain drilling activities, to name just a few of the many requirements. For further details on new safety requirements, see Item 4 "Information on the Company-Business Overview-Environmental and other Regulations in the Offshore Drilling Industry-Safety Requirements." These new and proposed guidelines and standards for safety, environmental and financial assurance and any other new guidelines or standards the U.S. government or industry

may issue or any other steps the U.S. government or industry may take, are anticipated by many in industry to significantly increase the costs of exploration and production offshore and are likely to, increase the cost of operations, increase out-of-service time or reduce the area of operations for drilling rigs in U.S. and non-U.S. offshore areas.

The Company continues to evaluate these new measures to ensure that its drilling units and equipment are in full compliance, where applicable. As new standards and procedures are being integrated into the existing framework of offshore regulatory programs, the Company anticipates that there may be increased costs associated with regulatory compliance and delays in obtaining permits for other operations such as recompletions, workovers and abandonment activities.

Additional requirements could be forthcoming based on further recommendations by regulatory agencies investigating the Macondo incident. The Company is not able to predict the likelihood, nature or extent of additional rulemaking or when the interim rules, or any future rules, could become final. The current and future regulatory environment in the U.S. Gulf of Mexico could impact the demand for drilling units in the U.S. Gulf of Mexico in terms of overall number of rigs in operation and the technical specification required for offshore rigs to operate in the U.S. Gulf of Mexico. It is possible that short-term potential migration of rigs from the U.S. Gulf of Mexico could adversely impact dayrates levels and fleet utilization in other regions. Additional governmental regulations concerning licensing, taxation, equipment specifications, training requirements or other matters could increase the costs of the Company's operations, and escalating costs borne by its customers, along with permitting delays, could reduce exploration and development activity in the U.S. Gulf of Mexico and, therefore, reduce demand for the Company's services. In addition, insurance costs across the industry have increased as a result of the Macondo incident and, in the future, certain insurance coverage is likely to become more costly, and may become less available or not available at all. The Company cannot predict if the U.S. government will issue new drilling permits in a timely manner, nor can the Company predict the potential impact of new regulations that may be forthcoming as the investigation into the Macondo well incident continues. Nor can the Company predict if implementation of additional regulations might subject the Company to increased costs of operating and/or a reduction in the area of operation in the U.S. Gulf of Mexico. As such, the Company's

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cash available for distribution and financial position could be adversely affected if the Company's drilling unit operating in the U.S. Gulf of Mexico became subject to the risks mentioned above.

The Company's ability to operate its drilling units in the U.S. Gulf of Mexico could be restricted by governmental regulation

Hurricanes have from time to time caused damage to a number of unaffiliated drilling units in the U.S. Gulf of Mexico. The Bureau of Ocean Energy Management, Regulation and Enforcement, or BOEMRE, formerly the Minerals Management Service of the U.S. Department of the Interior, effective October 1, 2011, reorganized into two new organizations, the Bureau of Ocean Energy Management, or BOEM, and BSEE, and issued guidelines for tie-downs on drilling units and permanent equipment and facilities attached to outer continental shelf production platforms, and moored drilling unit fitness. BSEE subsequently issued additional guidelines requiring Mobile Offshore Drilling Units (MODUs) to be outfitted with Global Positioning Systems (GPS) and to provide BSEE with real-time GPS location data for MODUs effective March 19, 2013. These guidelines effectively impose new requirements on the offshore oil and gas industry in an attempt to increase the likelihood of survival of offshore drilling units during a hurricane. The guidelines also provide for enhanced information and data requirements from oil and gas companies that operate properties in the U.S. Gulf of Mexico region of the Outer Continental Shelf. BOEM and BSEE may issue similar guidelines for future hurricane seasons and may take other steps that could increase the cost of operations or reduce the area of operations for the Company's ultra-deepwater drilling units, thereby reducing their marketability. Implementation of new guidelines or regulations that may apply to ultra-deepwater drilling units may subject the Company to increased costs and limit the operational capabilities of its drilling units, although such risks to the extent possible should rest with the Company's customers.

The Company cannot guarantee that the use of the Company's drilling units will not infringe the intellectual property rights of others.

The majority of the intellectual property rights relating to the Company's drilling units and related equipment are owned by its suppliers. In the event that one of the Company's suppliers becomes involved in a dispute over infringement of intellectual property rights relating to equipment owned by the Company, it may lose access to repair services, replacement parts, or could be required to cease use of some equipment. In addition, the Company's competitors may assert claims for infringement of intellectual property rights related to certain equipment on its drilling units and the Company may be required to stop using such equipment and/or pay damages and royalties for the use of such equipment. The consequences of technology disputes involving the Company's suppliers or competitors could adversely affect its financial results, operations and cash available for distribution. The Company has provisions in some of its supply contracts which provide indemnity from the supplier against intellectual property lawsuits. However, the Company cannot be assured that these suppliers will be willing or financially able to honor their indemnity obligations, or guarantee that the indemnities will fully protect the Company from the adverse consequences of such technology disputes. The Company also has provisions in some of its customer contracts to require the customer to share some of these risks on a limited basis, but the Company cannot provide assurance that these provisions will fully protect the Company from the adverse consequences of such technology disputes.

Failure to comply with the U.S. Foreign Corrupt Practices Act or the UK Bribery Act could result in fines, criminal penalties, drilling contract terminations and an adverse effect on the Company's business.

The Company currently operates its drilling units in a number of countries throughout the world, including some with developing economies. Also, the Company's business with national oil companies and state or government-owned shipbuilding enterprises and financing agencies puts the Company in contact with persons who may be considered "foreign officials" or "foreign public officials" under the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, and the Bribery Act 2010 of the Parliament of the United Kingdom, or the UK Bribery Act, respectively. The Company is subject to the risk that the Company, the Company's affiliated entities or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA and the UK Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of the Company's operations in certain jurisdictions, and might adversely affect the Company's business, results of operations or financial condition. In addition, actual or alleged violations could damage the Company's

reputation and ability to do business. Furthermore, detecting, investigating and resolving actual or alleged violations would be expensive and consume significant time and attention of the Company's senior management.

In order to effectively compete in some foreign jurisdictions, the Company utilizes local agents and/or establishes joint ventures with local operators or strategic partners. For example, in Nigeria, Nigerian investors have invested in a subsidiary of Seadrill Operating LP that is fully controlled and approximately 56% owned by Seadrill Operating LP, and has resulted in a Nigerian joint venture partner owning an effective 1% interest in the West Capella. Seadrill owns the remaining ownership interest in the joint venture. All of these activities involve interaction by the Company's agents with non-U.S. government officials. Even though some of the Company's agents and partners may not themselves be subject to the FCPA, the UK Bribery Act or other anti-bribery laws to which the Company may be subject, if the Company's agents or partners make improper payments to non-U.S. government officials in connection with engagements or partnerships with the Company, the Company could be investigated and potentially found liable for violation of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on the Company's business, financial position, results of operations and cash flows. Acts of terrorism, piracy and political and social unrest could affect the Company specifically or, more generally, the markets for drilling services, which may have a material adverse effect on the Company's results of operations. Acts of terrorism, piracy, and political and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. the Company's drilling operations may be targeted by acts of terrorism, piracy, or acts of vandalism or sabotage carried out by environmental activist groups. In addition, acts of terrorism and political and social unrest could lead to increased volatility in prices for crude oil and gas and could affect the markets for drilling services and result in lower dayrates. The Company's insurance premiums could increase as a result of these events, and coverage may be unavailable in the future.

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Any failure to comply with the complex laws and regulations governing international trade could adversely affect the Company's operations.

The shipment of goods, services and technology across international borders subjects the Company's business to extensive trade laws and regulations. Import activities are governed by unique customs laws and regulations in each of the countries of operation. Moreover, many countries, including the United States, control the export and re-export of certain goods, services and technology and impose related export record keeping and reporting obligations.

Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. U.S. sanctions, in particular, are targeted against countries (such as Russia, Venezuela, Iran, Myanmar and Sudan, among others) that are heavily involved in the petroleum and petrochemical industries, which includes drilling activities.

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

Public health threats could have an adverse effect on the Company's operations and the Company's financial results. Public health threats, such as ebola, influenza, Severe Acute Respiratory Syndrome and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which the Company operates, could adversely impact the Company's operations, and the operations of the Company's customers. In addition, public health threats in any area, including areas where the Company does not operate, could disrupt international transportation. The Company's crews generally work on a rotation basis, with a substantial portion relying on international air transport for rotation. Any such disruptions could impact the cost of rotating the Company's crews, and possibly impact the Company's ability to maintain a full crew on all rigs. Any of these public health threats and related consequences could adversely affect the Company's financial results.

A cyber-attack could materially disrupt the Company's business

The Company relies on information technology systems and networks, the majority of which are provided by Seadrill, in its operations and administration of its business. The Company's drilling operations or other business operations, or those of Seadrill, could be targeted by individuals or groups seeking to sabotage or disrupt the Company's or Seadrill's information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt the Company's operations, including the safety of its operations, or lead to unauthorized release of information or alteration of information on its systems. Any such attack or other breach of the Company's information technology systems could have a material adverse effect on the Company's business and results of operations.

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

The Company is currently involved in various litigation matters, none of which are expected to have a material adverse effect on the Company's financial condition. The Company anticipates that it will be involved in litigation matters from time to time in the future. The operating hazards inherent in the Company's business expose it to litigation, including personal injury litigation, environmental litigation, contractual litigation with clients, intellectual property litigation, tax or securities litigation, and maritime lawsuits, including the possible arrest of the Company's drilling units. The Company cannot predict with certainty the outcome or effect of any claim or other litigation matter, or a combination of these. If the Company is involved in any future litigation, or if the Company's positions concerning current disputes are found to be incorrect, this may have an adverse effect on the Company's business, financial position, results of operations and available cash, because of potential negative outcomes, the costs associated with asserting the Company's claims or defending such lawsuits, and the diversion of management's attention to these matters.

Risks Inherent in an Investment in Us

Seadrill and its affiliates may compete with us.

Pursuant to the Company's omnibus agreement, Seadrill and its controlled affiliates generally have agreed not to acquire, own, operate or contract for certain drilling units operating under drilling contracts of five or more years, unless Seadrill offers to sell such drilling units to us. The omnibus agreement, however, contains significant exceptions that may allow Seadrill or any of its controlled affiliates to compete with the Company, which could harm the Company's business. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions—Agreements Governing the Transactions—Omnibus Agreement—Noncompetition."

Unitholders have limited voting rights, and the Company's operating agreement restricts the voting rights of the unitholders owning more than 5% of the Company's common units.

Unlike the holders of common stock in a corporation, holders of common units have only limited voting rights on matters affecting the Company's business. The Company holds a meeting of the members every year to elect one or more members of the Company's board of directors and to vote on any other matters that are properly brought before the meeting. Common unitholders are entitled to elect only four of the seven members of the Company's board of directors. The elected directors are elected on a staggered basis and serve for three year terms. The Seadrill Member in its sole discretion appoints the remaining three directors and sets the terms for which those directors will serve. The operating agreement also

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contains provisions limiting the ability of unitholders to call meetings or to acquire information about the Company's operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders have no right to elect the Seadrill Member, and the Seadrill Member may not be removed except by a vote of the holders of at least 66 2/3% of the outstanding common and subordinated units, including any units owned by the Seadrill Member and its affiliates, voting together as a single class.

The Company's operating agreement further restricts unitholders' voting rights by providing that if any person or group owns beneficially more than 5% of any class of units then outstanding, any such units owned by that person or group in excess of 5% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to the Company's board), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 5% will effectively be redistributed pro rata among the other common unitholders holding less than 5% of the voting power of all classes of units entitled to vote. The Seadrill Member, its affiliates and persons who acquired common units with the prior approval of the Company's board of directors are not be subject to this 5% limitation except with respect to voting their common units in the election of the elected directors.

The Seadrill Member and its other affiliates own a substantial interest in the Company and have conflicts of interest and limited duties to the Company and the Company's common unitholders, which may permit them to favor their own interests to the detriment of the Company's unitholders.

As of March 31, 2016, Seadrill owned a 46.6% limited liability company interest in the Company, and owned and controlled the Seadrill Member. Certain of the Company's officers and directors are directors and/or officers of Seadrill and its subsidiaries and, as such, they have fiduciary duties to Seadrill that may cause them to pursue business strategies that disproportionately benefit Seadrill or which otherwise are not in the best interests of the Company or the Company's unitholders. Conflicts of interest may arise between Seadrill and its subsidiaries on the one hand, and the Company and the Company's unitholders, on the other hand. As a result of these conflicts, Seadrill and its subsidiaries may favor their own interests over the interests of the Company's unitholders. Please read "—The Company's operating agreement limits the duties the Seadrill Member and the Company's directors and officers may have to the Company's unitholders and restricts the remedies available to unitholders for actions taken by the Seadrill Member or the Company's directors and officers." These conflicts include, among others, the following situations:

- neither the Company's operating agreement nor any other agreement requires the Seadrill Member or Seadrill or its affiliates to pursue a business strategy that favors the Company or utilizes the Company's assets, and Seadrill's officers and directors have a fiduciary duty to make decisions in the best interests of the shareholders of Seadrill, which may be contrary to the Company's interests;

- the Company's operating agreement provides that the Seadrill Member may make determinations to take or decline to take actions without regard to the Company's or the Company's unitholders' interests. Specifically, the Seadrill Member may exercise its call right, pre-emptive rights, registration rights or right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, consent or withhold consent to any merger or consolidation of the company, appoint any directors or vote for the election of any director, vote or refrain from voting on amendments to the Company's operating agreement that require a vote of the outstanding units, voluntarily withdraw from the company, transfer (to the extent permitted under the Company's operating agreement) or refrain from transferring its units, the Seadrill Member interest or incentive distribution rights or vote upon the dissolution of the company;

- the Seadrill Member and the Company's directors and officers have limited their liabilities and any fiduciary duties they may have under the laws of the Marshall Islands, while also restricting the remedies available to the Company's unitholders, and, as a result of purchasing common units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by the Seadrill Member and the Company's directors and officers, all as set forth in the operating agreement;

- the Seadrill Member is entitled to reimbursement of all costs incurred by it and its affiliates for the Company's benefit;
- the Company's operating agreement does not restrict the Company from paying the Seadrill Member or its affiliates for any services rendered to the Company on terms that are fair and reasonable or entering into additional contractual

arrangements with any of these entities on the Company's behalf;

• the Seadrill Member may exercise its right to call and purchase the Company's common units if it and its affiliates own more than 80% of the Company's common units; and

• the Seadrill Member is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of its limited call right.

Although a majority of the Company's directors are elected by common unitholders, the Seadrill Member will likely have substantial influence on decisions made by the Company's board of directors. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions"

Although the Company controls OPCO, the Company owes duties to OPCO and its other owner, Seadrill, which may conflict with the interests of the Company and the Company's unitholders.

Conflicts of interest may arise as a result of the relationships between the Company and the Company's unitholders, on the one hand, and OPCO, and its other owner, Seadrill, on the other hand. Seadrill owns a 42% limited partner interest in Seadrill Operating LP, a 49% limited liability company interest in Seadrill Capricorn Holdings LLC and a 100% limited liability company interest in the Seadrill Member. The Company's directors have duties to manage OPCO in a manner beneficial to us. At the same time, the Company's directors have a duty to manage OPCO in a manner beneficial to OPCO's owners, including Seadrill. The Company's board of directors may resolve any such conflict and has broad

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latitude to consider the interests of all parties to the conflict. The resolution of these conflicts may not always be in the best interest of the Company or the Company's unitholders.

For example, conflicts of interest may arise in the following situations:

- the allocation of shared overhead expenses to OPCO and us;
- the interpretation and enforcement of contractual obligations between the Company and the Company's affiliates, on the one hand, and OPCO or its subsidiaries, on the other hand;
- the determination and timing of the amount of cash to be distributed to OPCO's owners and the amount of cash to be reserved for the future conduct of OPCO's business;
- the decision as to whether OPCO should make asset or business acquisitions or dispositions, and on what terms;
- the determination of the amount and timing of OPCO's capital expenditures;
- the determination of whether OPCO should use cash on hand, borrow or issue equity to raise cash to finance maintenance or expansion capital projects, repay indebtedness, meet working capital needs or otherwise; and
- any decision the Company makes to engage in business activities independent of, or in competition with, OPCO.

Certain of the Company's officers face conflicts in the allocation of their time to the Company's business.

Certain of the Company's officers are not required to work full-time on the Company's affairs and also perform services for other companies, including Seadrill. For example, Mark Morris, who is the Company's Chief Executive Officer, also acts as the Chief Financial Officer for Seadrill. In addition, John Roche, who is the Company's Chief Financial Officer, also acts as Vice President of Investor Relations for Seadrill. These other companies conduct substantial businesses and activities of their own in which the Company has no economic interest. As a result, there could be material competition for the time and effort of the Company's officers who also provide services to other companies, which could have a material adverse effect on the Company's business, results of operations and financial condition. Please read Item 6 "Directors, Senior Management and Employees—Directors and Senior Management—Executive Officers—Allocation of Executive Officers' Time."

The Company's operating agreement limits the duties the Seadrill Member and the Company's directors and officers may have to the Company's unitholders and restricts the remedies available to unitholders for actions taken by the Seadrill Member or the Company's directors and officers.

The Company's operating agreement provides that the Company's board of directors has the authority to oversee and direct the Company's operations, management and policies on an exclusive basis. The Marshall Islands Act, states that a member's or manager's "duties and liabilities may be expanded or restricted by provisions in a limited liability company agreement." As permitted by the Marshall Islands Act, the Company's operating agreement contains provisions that reduce the standards to which the Seadrill Member and the Company's directors and the Company's officers may otherwise be held by Marshall Islands law. For example, the Company's operating agreement:

provides that the Seadrill Member may make determinations or take or decline to take actions without regard to the Company's or the Company's unitholders' interests. The Seadrill Member may consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting the Company, the Company's affiliates or the Company's unitholders. Decisions made by the Seadrill Member are made by its sole owner, Seadrill. Specifically, the Seadrill Member may decide to exercise its right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, call right, pre-emptive rights or registration rights, consent or withhold consent to any merger or consolidation of the company, appoint any directors or vote for the election of any director, vote or refrain from voting on amendments to the Company's operating agreement that require a vote of the outstanding units, voluntarily withdraw from the company, transfer (to the extent permitted under the Company's operating agreement) or refrain from transferring its units, the Seadrill Member interest or incentive distribution rights or vote upon the dissolution of the company;

provides that the Company's directors and officers are entitled to make other decisions in "good faith," meaning they believe that the decision is in the Company's best interests;

generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the Company's board of directors and not involving a vote of unitholders must be on terms no less favorable to the Company than those generally being provided to or available from unrelated third parties or be "fair

and reasonable” to the Company and that, in determining whether a transaction or resolution is “fair and reasonable,” the Company's board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and provides that neither the Seadrill Member nor the Company's officers or the Company's directors will be liable for monetary damages to the Company, the Company's members or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the Seadrill Member, the Company's directors or officers or those other persons engaged in actual fraud or willful misconduct.

The standard of care applicable to an officer or director of Seadrill when that individual is acting in such capacity is, in a number of circumstances, stricter than the standard of care the same individual may have when acting as an officer or director of us. The fact that an officer or director of the Company may have a fiduciary duty to Seadrill does not, however, diminish the duty that such individual owes to us. Compliance by such officer or director of the Company with such individual's duty to the Company should not result in a violation of such individual's duties to Seadrill.

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In order to become a member of the Company, a common unitholder is required to agree to be bound by the provisions in the operating agreement, including the provisions discussed above.

Fees and cost reimbursements, which Seadrill Management and certain other subsidiaries of Seadrill determine for services provided to the Company, OPCO, and its subsidiaries, will be substantial, will be payable regardless of the Company's profitability and will reduce the Company's cash available for distribution to the Company's unitholders. Pursuant to the advisory, technical and administrative services agreements, OPCO pays fees for services provided to OPCO and its subsidiaries by certain subsidiaries of Seadrill, and the Company and its subsidiaries reimburse these entities for all expenses they incur on their behalf. These fees and expenses include all costs and expenses incurred in providing certain advisory, technical and administrative services to the OPCO's subsidiaries.

In addition, pursuant to the management and administrative services agreement Seadrill Management provides the Company with significant management, administrative, financial and other support services and/or personnel. The Company reimburses Seadrill Management for the reasonable costs and expenses incurred in connection with the provision of these services. In addition, the Company pays Seadrill Management a management fee.

There is no cap on the amount of fees and cost reimbursements that OPCO and its subsidiaries may be required to pay such subsidiaries of Seadrill pursuant to the advisory, technical and administrative service agreements, or that the Company may be required to pay under the management and administrative services agreement. For a description of the advisory, technical and administrative services agreements and the management and administrative services agreements, please read Item 7 "Major Unitholder and Related Party Transactions—Related Party Transactions." The fees and expenses payable pursuant to the advisory, technical and administrative service agreements and the management and administrative services agreement will be payable without regard to the Company's financial condition or results of operations. The payment of fees to and the reimbursement of expenses of Seadrill Management, and certain other subsidiaries of Seadrill could adversely affect the Company's ability to pay cash distributions the Company's unitholders.

The Company's operating agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove the Company's current management or the Seadrill Member, and even if public unitholders are dissatisfied, they will be unable to remove the Seadrill Member without Seadrill's consent, unless Seadrill's ownership interest in the Company is decreased; all of which could diminish the trading price of the Company's common units.

The Company's operating agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove the Company's current management or the Seadrill Member.

The unitholders are unable to remove the Seadrill Member without its consent because the Seadrill Member and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 66²/₃% of all outstanding common and subordinated units voting together as a single class is required to remove the Seadrill Member. As of March 31, 2016, Seadrill owned 46.6% of the outstanding common and subordinated units.

If the Seadrill Member is removed without "cause" during the subordination period and units held by the Seadrill Member and Seadrill are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units, any existing arrearages on the common units will be extinguished, and the Seadrill Member will have the right to convert its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of those interests at the time. A removal of the Seadrill Member under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until the Company has met certain distribution and performance tests. Any conversion of the Seadrill Member interest or incentive distribution rights would be dilutive to existing unitholders. Furthermore, any cash payment in lieu of such conversion could be prohibitively expensive. "Cause" is narrowly defined to mean that with respect to a director or officer, a court of competent jurisdiction has entered a final, non-appealable judgment finding such director or officer liable for actual fraud or willful misconduct, and with respect to the Seadrill Member, the Seadrill Member is in breach of the operating agreement or a court of competent jurisdiction has entered a final, non-appealable judgment finding the Seadrill Member liable for actual fraud or willful misconduct against the Company or its members, in their capacity as such. Cause does not include most cases of charges of poor business decisions, such as charges of poor

management of the Company's business by the directors appointed by the Seadrill Member, so the removal of the Seadrill Member because of the unitholders' dissatisfaction with the Seadrill Member's decisions in this regard would most likely result in the termination of the subordination period.

Common unitholders are entitled to elect only four of the seven members of the Company's board of directors. The Seadrill Member in its sole discretion appoints the remaining three directors.

Election of the four directors elected by unitholders is staggered, meaning that the members of only one of three classes of the Company's elected directors are selected each year. In addition, the directors appointed by the Seadrill Member serve for terms determined by the Seadrill Member.

- The Company's operating agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about the Company's operations as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Unitholders' voting rights are further restricted by the operating agreement provision providing that if any person or group owns beneficially more than 5% of any class of units then outstanding, any such units owned by that person or group in excess of 5% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to the Company's board), determining the

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presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 5% will effectively be redistributed pro rata among the other common unitholders holding less than 5% of the voting power of all classes of units entitled to vote. The Seadrill Member, its affiliates and persons who acquired common units with the prior approval of the Company's board of directors are not subject to this 5% limitation except with respect to voting their common units in the election of the elected directors.

There are no restrictions in the Company's operating agreement on the Company's ability to issue additional equity securities.

The effect of these provisions may be to diminish the price at which the common units trade.

The control of the Seadrill Member may be transferred to a third party without unitholder consent.

The Seadrill Member may transfer its Seadrill Member interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. In addition, the Company's operating agreement does not restrict the ability of the members of the Seadrill Member from transferring their respective limited liability company interests in the Seadrill Member to a third party.

If the Company ceases to control OPCO, the Company may be deemed to be an investment company under the Investment Company Act of 1940.

If the Company ceases to manage and control OPCO and is deemed to be an investment company under the Investment Company Act of 1940 because of the Company's ownership of OPCO interests, the Company would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify the Company's organizational structure or the Company's contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit the Company's ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from the Company's affiliates, restrict the Company's ability to borrow funds or engage in other transactions involving leverage, and require the Company to add additional directors who are independent of the Company or the Company's affiliates.

Substantial future sales of the Company's common units in the public market could cause the price of the Company's common units to fall.

The Company has granted registration rights to Seadrill and certain of its affiliates. These unitholders have the right, subject to some conditions, to require the Company to file registration statements covering any of the Company's common, subordinated or other equity securities owned by them or to include those securities in registration statements that the Company may file for the Company or other unitholders. As of March 31, 2016, Seadrill owned 26,275,750 common units and 16,543,350 subordinated units and all of the incentive distribution rights (through its ownership of the Seadrill Member). Following their registration and sale under an applicable registration statement, those securities will become freely tradable. By exercising their registration rights and selling a large number of common units or other securities, these unitholders could cause the price of the Company's common units to decline. The Seadrill Member, as the initial holder of all of the incentive distribution rights, may elect to cause the Company to issue additional common units to it in connection with a resetting of the target distribution levels related to the Seadrill Member's incentive distribution rights without the approval of the conflicts committee of the Company's board of directors or holders of the Company's common units and subordinated units. This may result in lower distributions to holders of the Company's common units in certain situations.

The Seadrill Member, as the initial holder of all of the incentive distribution rights, has the right, at a time when there are no subordinated units outstanding and the Seadrill Member has received incentive distributions at the highest level to which it is entitled (50%) for each of the prior four consecutive fiscal quarters, to reset the initial cash target distribution levels at higher levels based on the distribution at the time of the exercise of the reset election. Following a reset election by the Seadrill Member, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (such amount is referred to as the "reset minimum quarterly distribution"), and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution amount.

In connection with resetting these target distribution levels, the Seadrill Member will be entitled to receive a number of common units equal to that number of common units whose aggregate quarterly cash distributions equaled the average of the distributions to the Seadrill Member on the incentive distribution rights in the prior two quarters. The Company anticipates that the Seadrill Member would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion; however, it is possible that the Seadrill Member could exercise this reset election at a time when it is experiencing, or may be expected to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued the Company's common units, rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause the Company's common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had the Company not issued additional common units to the Seadrill Member in connection with resetting the target distribution levels related to the Seadrill Member's incentive distribution rights.

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The Company may issue additional equity securities, including securities senior to the common units, without the approval of the Company's unitholders, which would dilute the ownership interests of the Company's existing unitholders.

The Company may, without the approval of the Company's unitholders, issue an unlimited number of additional units or other equity securities. In addition, the Company may issue an unlimited number of units that are senior to the common units in right of distribution, liquidation and voting. The issuance by the Company of additional common units or other equity securities of equal or senior rank will have the following effects:

- the Company's unitholders' proportionate ownership interest in the Company will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by the Company's common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash.

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3875 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units. Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash. For a description of the subordination period, please see Item 8. "Financial Information- Consolidated Statements and Other Financial Information-The Company's Cash Distribution Policy- Subordination Period."

In establishing cash reserves, the Company's board of directors may reduce the amount of cash available for distribution to the Company's unitholders.

The OPCO's operating agreements provide that the Company's board of directors approves the amount of reserves from the OPCO's cash flow that will be retained by OPCO to fund its future operating and capital expenditures. The Company's operating agreement requires the Company's board of directors to deduct from operating surplus cash reserves that it determines are necessary to fund the Company's future operating and capital expenditures. These reserves also affect the amount of cash available for distribution by OPCO to the Company, and by the Company to the Company's unitholders. In addition, the Company's board of directors may establish reserves for distributions on the subordinated units, but only if those reserves do not prevent the Company from distributing the full minimum quarterly distribution, plus any arrearages, on the common units for the following four quarters. As described above in "—Risks Inherent in The Company's Business—" the Company must make substantial capital and operating expenditures to maintain the operating capacity of its fleet, which will reduce cash available for distribution. In addition, each quarter the Company is required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted," the Company's operating agreement requires the Company's board of directors each quarter to deduct from operating surplus estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, which could reduce the amount of available cash for distribution. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by the Company's board of directors at least once a year, provided that any change must be approved by the conflicts committee of the Company's board of directors.

The Seadrill Member has a limited call right that may require the Company's common unitholders to sell their common units at an undesirable time or price.

If at any time the Seadrill Member and its affiliates own more than 80% of the common units, the Seadrill Member will have the right, which it may assign to any of its affiliates or to the Company, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than the then-current market price of the Company's common units. The Seadrill Member is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of this limited call right. As a result, the holders of the Company's common units may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Such common unitholders may also incur a tax liability upon a sale of their common units.

As of March 31, 2016, Seadrill, which owns and controls the Seadrill Member, owned 34.9% of the Company's common units. At the end of the subordination period, assuming no additional issuances of common units and the conversion of the Company's subordinated units into common units, Seadrill would own 46.6% of the Company's common units.

The Company can borrow money to pay distributions, which would reduce the amount of credit available to operate the Company's business.

The Company's operating agreement allows the Company to make working capital borrowings to pay distributions. Accordingly, if the Company has available borrowing capacity, the Company can make distributions on all the Company's units even though cash generated by the Company's operations may not be sufficient to pay such distributions. Any working capital borrowings by the Company to make distributions will reduce the amount of working capital borrowings the Company can make for operating the Company's business. For more information, please read Item 5 "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

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Increases in interest rates may cause the market price of the Company's common units to decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular for yield-based equity investments such as the Company's common units. Any such increase in interest rates or reduction in demand for the Company's common units resulting from other relatively more attractive investment opportunities may cause the trading price of the Company's common units to decline.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Act, the Company may not make a distribution to the Company's unitholders if at the time of the distribution, after giving effect to the distribution, all the Company's liabilities, other than liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability. The Marshall Islands Act provides that for a period of three years from the date of the impermissible distribution (or longer if an action to recover the distribution is commenced during such period), members who received the distribution and who knew at the time of the distribution that it violated the Marshall Islands Act will be liable to the limited liability company for the distribution amount. Assignees who become substituted members are liable for the obligations of the assignor to make contributions to the company that are known to the assignee at the time it became members and for unknown obligations if the liabilities could be determined from the operating agreement.

The Company has been organized as a limited liability company under the laws of the Republic of the Marshall Islands, which does not have a well-developed body of limited liability company law.

The Company's limited liability company affairs are governed by the Company's operating agreement and by the Marshall Islands Act. The provisions of the Marshall Islands Act resemble provisions of the limited liability company laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that for non-resident limited liability companies such as the Company it is to be applied and construed to make the laws of the Marshall Islands, with respect to the subject matter of the Marshall Islands Act, uniform with the laws of the state of Delaware and, so long as it does not conflict with the Marshall Islands Act or decisions of the High or Supreme Courts of the Marshall Islands the non-statutory law (or case law) of the State of Delaware is adopted as the law of the Marshall Islands. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited liability company statute. Accordingly, the Company cannot predict whether Marshall Islands courts would reach the same conclusions as the courts in Delaware. For example, the rights of the Company's unitholders and the duties of the Seadrill Member and the Company's directors and officers under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests in the face of actions by the Seadrill Member and the Company's officers and directors than would unitholders of a similarly organized limited liability company in the United States.

Because the Company is organized under the laws of the Marshall Islands, it may be difficult to serve the Company with legal process or enforce judgments against the Company, the Company's directors or the Company's management.

The Company is organized under the laws of the Marshall Islands, and substantially all of the Company's assets are located outside of the United States. In addition, the Seadrill Member is a Marshall Islands limited liability company, and the Company's directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against the Company or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against the Company's assets or the assets of the Seadrill Member or the Company's directors or officers.

The market price of our common units has recently declined significantly. If the average closing price of our common units declines to less than \$1.00 over 30 consecutive trading days, our common units could be delisted from the NYSE or trading could be suspended.

Our common units are currently listed on the NYSE. In order for our common units to continue to be listed on the NYSE, we are required to comply with various listing standards, including the maintenance of a minimum average closing price of at least \$1.00 per unit during a consecutive 30 trading-day period. A renewed or continued decline in the closing price of our common units on the NYSE could result in a breach of these requirements. Although we would have an opportunity to take action to cure such a breach, if we did not succeed, the NYSE could commence suspension or delisting procedures in respect of our common units. The commencement of suspension or delisting procedures by an exchange remains, at all times, at the discretion of such exchange and would be publicly announced by the exchange. If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted common units, we would expect decreases in institutional and other investor demand, analyst coverage, market making activity and information available concerning trading prices and volume, and fewer broker-dealers would be willing to execute trades with respect to such common units. A suspension or delisting would likely decrease the attractiveness of our common units to investors and cause the trading volume of our common units to decline, which could result in a further decline in the market price of our common units.

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Tax Risks

In addition to the following risk factors, you should read Item 4 “Information on the Company—Business Overview—Taxation of the Company,” and Item 10 “Additional Information—Taxation” for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to the Company and the ownership and disposition of the Company's common units.

The Company will be subject to taxes, which will reduce the Company's cash available for distribution to the Company's unitholders.

Some of the Company's subsidiaries will be subject to tax in the jurisdictions in which they are organized or operate, reducing the amount of cash available for distribution. In computing the Company's tax obligation in these jurisdictions, the Company is required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which the Company has not received rulings from the governing authorities. The Company cannot assure you that upon review of these positions the applicable authorities will agree with the Company's positions. A successful challenge by a tax authority could result in additional tax imposed on the Company's subsidiaries, further reducing the cash available for distribution. In addition, changes in the Company's operations could result in additional tax being imposed on the Company or its subsidiaries in jurisdictions in which operations are conducted. Please read Item 4 “Information on the Company—Business Overview—Taxation of the Company.”

A change in tax laws in any country in which the Company operates could result in higher tax expense.

The Company conducts its operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation. Consequently, the Company is subject to changing tax laws, treaties and regulations in and between countries in which the Company operates. The Company's income tax expense is based on the Company's interpretation of the tax laws in effect at the time the expense was incurred. A change in tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on the Company's earnings. For example, the Nigerian tax regime was recently changed from a deemed profit percentage of revenue to an actual profit regime, using 30% of net income. This change required the Company to book a deferred tax liability in the third quarter of 2015 which is expected to reverse in approximately 2020. Other such changes may include measures enacted in response to the ongoing initiatives in relation to fiscal legislation at an international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organization for Economic Co-operation and Development.

The Company files periodic tax returns that are subject to review and audit by various revenue agencies in the jurisdictions in which the Company operates. Taxing authorities may challenge any of the Company's tax positions, at which time the Company will contest such assessments where the Company believes the assessments are in error. Determinations by such authorities that differ materially from the Company's recorded estimates, favorably or unfavorably, may have a material impact on the Company's results of operations, financial position or cash available for distribution.

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

The Company's income tax returns are subject to review and examination. The Company does not recognize the benefit of income tax positions the Company believes are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges the Company's operational structure, intercompany pricing policies or the taxable presence of the Company's subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to the Company's structure; or if the Company loses a material tax dispute in any country, the Company's effective tax rate on the Company's worldwide earnings could increase substantially and the Company's earnings and cash flows from operations could be materially adversely affected.

U.S. tax authorities could treat the Company as a “passive foreign investment company,” which would have adverse U.S. federal income tax consequences to U.S. unitholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes if at least 75% of its gross income for any taxable year consists of “passive income” or at least 50% of the average value of its assets for any taxable year produce, or are held for the production of, “passive income.” For purposes of these tests, “passive income” includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute “passive income.” U.S. unitholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC.

Based on the Company's current and projected method of operation, the Company believes that it was not a PFIC for the Company's 2015 taxable year, and the Company expects that the Company will not be treated as a PFIC for the current or any future taxable year. The Company expects that more than 25% of the Company's gross income for the Company's 2015 taxable year arose and for the current and each future years will arise from such drilling contracts or other income that the Company believes should not constitute passive income, and more than 50% of the average value of the Company's assets for each such year will be held for the production of such nonpassive income.

Assuming the composition of the Company's income and assets is consistent with these expectations, the Company believes that the Company should not be a PFIC for the Company's 2015 taxable year or the Company's current or any future year.

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The conclusions that the Company has reached are not free from doubt and the U.S. Internal Revenue Service, or IRS, or a court could disagree with the Company's position. In addition, although the Company intends to conduct the Company's affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, the Company cannot assure you that the nature of the Company's operations will not change in the future or that the Company will not be a PFIC in the future. If the IRS were to find that the Company is or has been a PFIC for any taxable year (and regardless of whether the Company remains a PFIC for any subsequent taxable year), the Company's U.S. unitholders would face adverse U.S. federal income tax consequences. Please read Item 10 "Additional Information—Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences" for a more detailed discussion of the U.S. federal income tax consequences to U.S. unitholders if the Company is treated as a PFIC.

Item 4. Information on the Company

A. History and Development of the Company

General

Seadrill Partners, LLC is a publicly traded limited liability company formed on June 28, 2012 as a wholly owned subsidiary of Seadrill Limited. In connection with the Company's IPO in October 2012, the Company acquired (i) a 30% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through the Company's 100% ownership of its general partner, Seadrill Operating GP LLC, and (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC. Immediately following the Company's IPO, Seadrill Operating LP owned (i) a 100% interest in the entities that own the West Aquarius and the West Vencedor and (ii) an approximate 56% interest in the entity that owns and operates the West Capella. In addition, immediately following the Company's IPO, Seadrill Capricorn Holdings LLC owned 100% of the entities that own and operate the West Capricorn.

During the year ended December 31, 2013, the Company acquired from Seadrill (i) a 100% interest in two tender rigs, the T-15 and the T-16, which the Company owns through its wholly owned subsidiary Seadrill Partners Operating LLC, (ii) a 51% indirect interest in the semi-submersible drilling rig the West Sirius, which the Company owns through Seadrill Capricorn Holdings LLC and (iii) a 30% indirect interest in the semi-submersible drilling rig, the West Leo, which the Company owns through Seadrill Operating LP.

As of January 2, 2014, the date of the date of the Company's first annual general meeting, Seadrill ceased to control the Company as defined by generally accepted accounting principles in the United States, or GAAP, and, therefore, Seadrill Partners and Seadrill are no longer deemed to be entities under common control. As such, acquisitions by the Company from Seadrill subsequent to this date are no longer accounted for as transactions between parties under common control.

During the year ended December 31, 2014, the Company acquired from Seadrill (i) a 51% indirect interest in two drillships, the West Auriga and West Vela, which the Company owns through Seadrill Capricorn Holdings LLC, and (ii) an additional 28% limited partner interest in Seadrill Operating LP, bringing its total ownership in Seadrill Operating LP to 58%.

During the year ended December 31, 2015, Seadrill Operating LP, a subsidiary in which the Company owns a 58% limited partner interest, acquired from Seadrill all of the shares of Seadrill Polaris Ltd. ("Seadrill Polaris"), the entity that owns and operates the drillship the West Polaris from Seadrill.

Overview

The Company is a limited liability company formed by Seadrill to own, operate and acquire offshore drilling units. The Company's drilling units are under contracts with major oil companies such as Chevron, Tullow, BP and ExxonMobil with an average remaining term of 2.4 years as of March 31, 2016.

On October 24, 2012, the Company completed its IPO and in connection with the Company's IPO, the Company issued 10,062,500 common units to the public (including 1,312,500 common units pursuant the underwriter's option to purchase additional common unit in full) at a price of \$22.00 per common unit and issued to Seadrill 14,752,525 common units and 16,543,350 subordinated units. In addition, the Company issued to Seadrill Member LLC, a wholly owned subsidiary of Seadrill, the Seadrill Member interest, which is a non economic-limited liability company interest in the Company, and all of the Company's incentive distribution rights.

In connection with the Company's IPO, the Company acquired (i) a 30% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through the Company's 100% ownership of its general partner, Seadrill Operating GP LLC, and (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC. The Company controls Seadrill Operating LP through the Company's ownership of its general partner and Seadrill Capricorn Holdings LLC through the Company's ownership of the majority of the limited liability company interests.

On May 17, 2013, the Company's wholly-owned subsidiary, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entities that own and operate the tender rig the T-15. On October 18, 2013, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig the T-16. As consideration for the purchase of the T-16, the Company issued 3,310,622 common units to Seadrill.

On December 13, 2013, Seadrill Operating LP acquired (the "Leo Acquisition") all of the ownership interests in each of the entities that own, operate and manage the semi-submersible drilling rig, West Leo (the "Leo Business") and Seadrill Capricorn Holdings LLC acquired (the "Sirius

Acquisition”) all of the ownership interests in each of the entities that own and operate the semi-submersible drilling rig, West Sirius (the “Sirius Business”). The Leo Acquisition and the Sirius Acquisition were accomplished through a series of purchases and contributions. The implied purchase prices of the Leo Acquisition and the Sirius Acquisition were \$1.250 billion and \$1.035 billion, respectively, in each case, including working capital. The Company's portion of the purchase price after debt financing at the OPCO level for the Leo Acquisition was \$229.4 million. In addition, the owner of the West Leo, Seadrill Leo Ltd., entered into a \$485.5 million intercompany loan agreement with Seadrill, which was repaid in full in February 2014. The Company's portion of the purchase price after debt financing at the OPCO level for the Sirius Acquisition was \$298.4 million. The Company funded \$70 million of the \$298.4 million purchase price by issuing a zero coupon discount note to Seadrill which was repaid in full in March 2014. Seadrill Hungary Kft., the owner of the West Sirius, entered into a \$220.1 million intercompany loan agreement with Seadrill which was repaid in full in February 2014. In addition, Seadrill Capricorn Holdings LLC financed \$229.9 million of the purchase price of the Sirius Acquisition by issuing a zero coupon discount note to Seadrill which was repaid in full in February 2014. As a result of these transactions, the Company acquired a (i) 30% indirect interest in the Leo Business and (ii) 51% indirect interest in the Sirius Business.

In order to fund the Company's portion of the purchase price for the Sirius Acquisition and Leo Acquisition, on December 9, 2013, the Company sold an aggregate of (i) 12,880,000 common units to the public at a price of \$29.50 per unit and (ii) 3,394,916 common units to Seadrill in a concurrent private placement at a price of \$29.50 per unit.

The aggregate net proceeds from these offerings were approximately \$464.8 million.

The transactions described above that occurred through December 31, 2013, have been reflected as a reorganization of entities under common control and, therefore, the assets and liabilities acquired from Seadrill have been recorded at historical cost by the Company and the historical operating results have been retrospectively adjusted to include the results of the combined entities during the periods they were under common control of Seadrill.

As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company in accordance with US GAAP and, therefore, the Company and Seadrill are no longer deemed to be entities under common control.

On February 21, 2014, Seadrill Operating LP, Seadrill Capricorn Holdings LLC and the Company's new subsidiary, Seadrill Partners Finco LLC (the “Borrowers”), entered into Senior Secured Credit Facilities (the “Senior Secured Credit Facilities”). The Senior Secured Credit Facilities consist of (i) a \$100.0 million revolving credit facility (the “revolving facility”) available for borrowing from time to time by any Borrower, and (ii) a \$1.8 billion term loan (the “term loan”) which was borrowed by Seadrill Operating LP in full on February 21, 2014. The proceeds from the transaction were used to (a) refinance debt secured by the West Aquarius, West Capella, West Leo and West Sirius, (b) repay in part the Company's unsecured loans from Seadrill, (c) add cash to the balance sheet in support of general company purposes and (d) pay all fees and expenses associated therewith.

On March 24, 2014, Seadrill Capricorn Holdings LLC acquired from Seadrill all of the ownership interests in each of Seadrill Auriga Hungary Kft., a Hungarian company which owns the drillship, the West Auriga, and Seadrill Gulf Operations Auriga LLC, a Delaware limited liability company which operates the West Auriga (the “Auriga Acquisition”). The Auriga Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Auriga. The implied purchase price of the Auriga Acquisition was \$1.24 billion. The Company's portion of the purchase price for the Auriga Acquisition, after debt financing at the OPCO level, was \$355.4 million. In addition, Seadrill Capricorn Holdings LLC financed \$100.0 million of the purchase price by issuing a zero coupon limited recourse discount note to Seadrill that matured in September 2015. Upon maturity of such note, Seadrill Capricorn Holdings LLC was due to repay \$103.7 million to Seadrill. This note was repaid in June 2014 with the proceeds of the Amended Senior Secured Credit Facilities. The purchase price was subsequently adjusted by a working capital adjustment of \$330.4 million. The working capital adjustment predominately arose as a result of related party payable balances which remained in the acquired entities. These payable balances related to funding provided by Seadrill to the acquired entities for the construction, equipping and mobilization of the West Auriga.

Seadrill Auriga Hungary Kft. was a borrower under the \$1.45 billion credit facility (the “Auriga Facility”) used to finance the West Auriga. As of the closing date of the Auriga Acquisition, Seadrill Auriga Hungary owed \$443.1 million in principal under the Auriga Facility. In June 2014, this facility was refinanced with proceeds from the

Amended Senior Secured Credit Facilities.

In order to fund the Company's portion of the cash purchase price of the Auriga Acquisition, on March 17, 2014, the Company issued an aggregate of 11,960,000 common units to the public and 1,633,987 common units to Seadrill at a price of \$30.60 per unit.

On June 24, 2014, the Company issued 6,100,000 common units to the public and 3,183,700 common units to Seadrill at a price of \$31.41 per unit.

On June 26, 2014, the Borrowers amended and restated their senior secured credit facilities (as amended and restated, the "Amended Senior Secured Credit Facilities") to provide for the borrowing by Seadrill Operating LP of \$1.1 billion of additional term loans, in addition to the \$1.8 billion term loan already outstanding under the Senior Secured Credit Facilities. Thus, following the amendment and restatement, the Amended Senior Secured Credit Facilities consisted of (i) a \$100.0 million revolving credit facility (the "revolving facility") available for borrowing from time to time by any Borrower, and (ii) a \$2.9 billion term loan (the "term loan"). The proceeds from the additional \$1.1 billion of term loans were used to (a) refinance debt secured by the West Auriga of \$443.1 million and the West Capricorn of \$426.3 million, (b) repay in part certain of our unsecured loans from Seadrill in the amount of \$100.0 million, (c) add cash to the Company's balance sheet for general company purposes, (d) pay all fees and expenses associated with the Amended Senior Secured Credit Facilities and (e) partially fund the acquisition of an additional interest in Seadrill Operating LP discussed below.

On July 21, 2014, the Company acquired an additional 28% interest in Seadrill Operating LP from Seadrill Limited for \$373 million, bringing its total ownership interest in Seadrill Operating LP to 58%.

On September 23, 2014, the Company issued 8,000,000 common units to the public at a price of \$30.68 per unit. On November 4, 2014, Seadrill Capricorn Holdings LLC acquired from Seadrill all of the ownership interests in each of Seadrill Vela Hungary Kft., a Hungarian company which owns the drillship, the West Vela, and Seadrill Gulf Operations Vela LLC, a Delaware limited liability company which operates the West Vela (the "Vela Acquisition"). The Vela Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Vela. The implied initial purchase price of the Vela Acquisition was \$900 million. The Company's portion of the initial purchase price for the Vela Acquisition, after debt financing at the OPCO level, was \$238 million. Under the terms of the West Vela contract, the customer is paying a daily rate of \$565,000, plus approximately \$44,000 per day as a mobilization fee paid over the term of the contract. In addition to the initial purchase price, Seadrill Capricorn Holdings LLC will pay Seadrill \$40,000 per day of day rate revenue actually received, as well as the \$44,000 per day mobilization fee. These payments to Seadrill will cease at the end of the current contract. Thus, the total consideration included deferred consideration payable to Seadrill of \$73.7 million and contingent consideration of \$65.7 million. The purchase price was subsequently adjusted by a working capital adjustment of \$6.0 million. The acquisition was financed with debt and \$238 million in cash for the Company's 51% equity share.

As of the closing date of the Vela Acquisition, Seadrill Vela Hungary Kft owed \$433.1 million in principal under the Vela Facility. Seadrill Vela Hungary's liability to repay debt under the Vela Facility that relates to the other rigs owned by Seadrill remains. However, Seadrill indemnified Seadrill Vela Hungary Kft. against any liability it may incur under the Vela Facility in respect of such debt. Unless the context requires otherwise, references in this section to the "Company" include OPCO and its subsidiaries.

On March 31, 2015 the Company received a notice of termination from BP for the contract for the West Sirius which became effective after having completed a well and demobilization in early May 2015. Prior to the cancellation notice, the dayrate and term for the West Sirius and West Capricorn contracts were swapped. The West Sirius dayrate was decreased by \$40,000 per day and the term was decreased by two years to expire in July 2017 while the dayrate for the West Capricorn was increased by \$40,000 per day and the term was extended by two years to expire in July 2019. Amortized payments for the West Capricorn such as mobilization and upgrades will continue on the original schedule ending in July 2017. In accordance with the cancellation provisions in the West Sirius contract, the Company will receive termination payments over the remaining contract term, now expiring in July 2017.

On June 16, 2015, Seadrill Operating LP, a subsidiary in which the Company owns a 58% limited partner interest, entered into an agreement with Seadrill to acquire all of the shares of Seadrill Polaris Ltd. ("Seadrill Polaris"), the entity that owns and operates the drillship the West Polaris (the "Polaris Acquisition") from Seadrill. The Polaris Acquisition was completed on June 19, 2015. The West Polaris is a 6th generation, dynamically positioned drillship delivered from the Samsung shipyard in 2008. The West Polaris is expected to carry out operations in Angola until the end of its contract with ExxonMobil in March 2018.

The consideration for the Polaris Acquisition was comprised of \$204 million in cash and \$336 million of debt outstanding under the existing facility financing the West Polaris. In addition Seadrill Operating LP issued a note (the "Seller's credit") of \$50 million to Seadrill, repayment of which is contingent on the future re-contracted dayrate for the West Polaris. The Seller's credit is due in 2021 and bears an interest rate of 6.5% per annum. During the three-year period following the completion of the current drilling contract with ExxonMobil, the Seller's credit may be reduced if the average contracted dayrate (net of commissions) for the period, adjusted for utilization, under any replacement contract is below \$450,000 until the Seller's credit's maturity in 2021. Should the average dayrate of the replacement contract be above \$450,000, the entire \$50 million Seller's credit must be paid to Seadrill upon maturity of the Seller's credit in 2021.

In addition, Seadrill Polaris may make further contingent payments to Seadrill based upon the West Polaris's operating dayrate. In February 2016, the drilling contract for the West Polaris with ExxonMobil was amended to reduce the dayrate to \$490,000, effective January 1, 2016. Under the terms of the acquisition agreement, Seadrill Polaris has agreed to pay Seadrill (a) any dayrate it receives in excess of \$450,000 per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract (the "Initial Earn-Out"), and (b) after the expiration of the term of the existing contract until March 2025, 50% of any such excess dayrate, adjusted for daily utilization, tax and agency commission (the "Subsequent Earn-Out").

The Company's interests in OPCO represent its only cash-generating assets. The Company manages its business and analyzes and reports its results of operations in a single global segment. The Company's fleet is reviewed by the Chief Operating Decision Maker, which is the board of directors, as an aggregated sum of assets, liabilities and activities generating distributable cash to meet minimum quarterly distributions.

Capital Expenditures

We had total capital expenditures of approximately \$18.6 million, \$31.6 million and \$159.3 million in the years ended 2015, 2014 and 2013 respectively. Our capital expenditures relate primarily to capital additions and equipment to our existing drilling units and payments for long term maintenance. We financed this capital expenditure through cash generated from operations, secured and unsecured debt arrangements and the sale of partial ownership interests in certain subsidiaries. Please refer to "Item 4.B "Information on the Company - Business Overview" for further information on the Company's fleet.

The Company listed its common units on the New York Stock Exchange in October 2012 under the ticker symbol "SDLP."

The Company was formed under the laws of the Marshall Islands and maintain the Company's principal executive headquarters at 2nd Floor, Building 11, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YS, United Kingdom. The Company's telephone number at that address is +44 20 8811 4700. The Company's agent for service of process in the United States is Watson Farley & Williams LLP and its address is 250 West 55th Street New York, New York 10019.

B. Business Overview

General

The Company is a limited liability company formed on June 28, 2012 by Seadrill Limited (NYSE: SDRL) to own, operate and acquire offshore drilling units. The Company's drilling units are under contracts with major oil companies such as Chevron, BP, ExxonMobil and Tullow with an average remaining term of 2.4 years as of March 31, 2016.

The Company's fleet as of March 31, 2016 consisted of:

- the semi-submersible West Aquarius, which was delivered from the shipyard in 2009 and is currently operating under a drilling contract with ExxonMobil that expires in April 2017;
- the semi-submersible West Capricorn, which was delivered from the shipyard in 2011 and is currently operating under a drilling contract with BP that expires in July 2019;
- the semi-submersible West Leo, which was delivered from the shipyard in 2012 and is currently operating under a drilling contract with Tullow that expires in July 2018;
- the semi-submersible West Sirius, which was delivered from the shipyard in 2008 and operated under a drilling contract with BP, which was terminated early in April 2015. The West Sirius is currently earning early termination fees until July 2017;
- the semi-tender rig West Vencedor, which was delivered from the shipyard in 2010 and is currently operating under a drilling contract with Petronas that expires in July 2016;
- the tender rig T-15, which was delivered from the shipyard in 2013 and is currently operating under a 5-year drilling contract with Chevron that expires in July 2019;
- the tender rig T-16, which was delivered from the shipyard in 2013 and is currently operating under a 5-year drilling contract with Chevron that expires in August 2019;
- the drillship West Auriga, which was delivered from the shipyard in 2013 and is currently operating under a drilling contract with BP that expires in October 2020;
- the drillship West Vela, which was delivered from the shipyard in 2013 and is currently operating under a drilling contract with BP that expires in November 2020;
- the drillship West Capella, which was delivered from the shipyard in 2008 and is currently operating under a drilling contract with ExxonMobil that expires in April 2017; and
- the drillship West Polaris, which was delivered from the shipyard in 2008 and is currently operating under a drilling contract with ExxonMobil that expires in March 2018.

For more information about the Company's fleet, including the Company's ownership interests in each of the drilling units, please see " - Fleet and Customers" below.

Business Strategies

Our immediate objectives during the current industry downturn include the following:

Protect our revenue and contract backlog by continuing to provide excellent service to our customers

We are a leading offshore deepwater drilling company and our mission is to continue to be a preferred offshore drilling contractor and to deliver excellent performance to our clients by consistently exceeding their expectations for performance and safety standards. We believe that we have one of the most modern fleets in the industry and believe that by combining quality assets and experienced and skilled employees we will be able to provide our customers with

safe and effective operations, and maintain our position as a preferred provider of offshore drilling services for our customers. We believe that a combination of quality drilling rigs, highly skilled employees and strong operations will facilitate the procurement of term contracts at premium dayrates. By doing this we intend to maximize opportunities for new drilling contracts, while minimizing chances of contract terminations.

Continue cost-cutting and deliver steady, stable cash flow

We intend to continue to implement our cost savings program and drive operational efficiencies in order to reduce our cost base while maintaining our excellent operating performance. We made significant progress in 2015 in reducing capital and operating expenditures. In 2016, we will continue to focus on headcount reductions, insurance savings, supplier discounts, travel costs and compensation adjustments.

Longer term, the Company intends to accomplish the following objectives:

Grow Through Strategic and Accretive Acquisitions. The Company intends to capitalize on opportunities to grow the Company's fleet of drilling units through acquisitions of offshore drilling units from Seadrill, either by the Company or by OPCO, and acquisitions of offshore drilling units from third parties.

Pursue Long-term Contracts and Maintain Stable Cash Flow. The Company seeks to maintain stable cash flows by continuing to pursue long-term contracts. The Company's focus on long-term contracts improves the stability and predictability of the

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Company's operating cash flows, which the Company believes will enable the Company to access equity and debt capital markets on attractive terms and, therefore, facilitate the Company's growth strategy.

Provide Excellent Customer Service and Continue to Prioritize Safety as a Key Element of The Company's Operations. The Company believes that Seadrill has developed a reputation as a preferred offshore drilling contractor and that the Company can capitalize on this reputation by continuing to provide excellent customer service. The Company seeks to deliver exceptional performance to the Company's customers by consistently meeting or exceeding their expectations for operational performance, including by maintaining high safety standards and minimizing downtime.

- Maintain a Modern and Reliable Fleet. The Company has one of the youngest and most technologically advanced fleets in the industry, and plans to maintain a modern and reliable fleet.

The Company can provide no assurance, however, that the Company will be able to implement its business strategies described above, particularly in the current challenging low oil price market environment.

For further discussion of the risks that the Company faces, please read "Item 3—Key Information—Risk Factors".

Offshore Drilling Industry

The offshore drilling industry provides drilling, workover and well construction services to oil and gas exploration and production, or E&P, companies using jack-up rigs, tender rigs, semi-submersible rigs, drillships and other types of drilling units. Although terminology can differ across the industry, the depths at which offshore drilling units operate can be generally divided into four categories: ultra-deepwater, deepwater, midwater and shallow water. The Company generally considers ultra-deepwater to be depths of between 7,500 feet and 12,000 feet. The Company considers deepwater to cover depths between 4,500 and 7,500 feet, midwater to cover depths between 500 and 4,500 feet and shallow water to cover depths less than 500 feet.

E&P companies generally contract with drilling companies through agreements that set forth the contractual rate to be received each day, which is referred to as the dayrate. These rates generally cover chartering and operational services associated with the drilling unit and vary based on the type of rig contracted, the geographic location of the well, the duration of the work, the amount and type of service provided, market conditions and other variables. Contracts are entered into through various procedures including private and public tenders, market inquiries and requests for proposals. A dayrate drilling contract generally covers either the drilling of a single well or group of wells or has a stated term. Contracts may also grant the customer renewal options at either a fixed dayrate or at a rate to be determined based on market conditions at the time of exercise of the renewal option.

The dayrates that E&P companies are willing to pay also depend on the supply of and demand for offshore rigs as well as the outlook for investment in the exploration and development of oil and gas reservoirs, which in turn is affected by forecasts of oil and gas prices, the availability of acreage for exploration and the cash flow of E&P companies. These related matters are, in turn, affected by various political and economic factors, such as global production levels, government policies, political stability in oil producing countries, particularly in OPEC nations, and prices of alternative energy sources, among others.

Types of Offshore Drilling Units

Offshore drilling units are generally divided into four main categories of rigs:

Jack-Up Rig Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the ocean floor. A jack-up rig is either towed to the drill site with its hull riding in the sea as a vessel, or transported on the back of a heavy lift vessel, with its legs raised. At the drill site, the legs are lowered until they penetrate the sea bed and the hull is elevated until it is above the surface of the water. After completion of the drilling operations, the hull is lowered, the legs are raised and the rig can be relocated to another drill site. Jack-ups generally operate with crews of 40 to 60 people.

Tender Rig Self-erecting tender rigs conduct production drilling from fixed or floating platforms. During drilling operations, the tender rig is moored next to the platform. The modularized drilling package, stored on the deck during transit, is lifted prior to commencement of operations onto the platform by the rig's integral crane. To support the operations, the tender rig contains living quarters, helicopter deck, storage for drilling supplies, power machinery for

running the drilling equipment and well completion equipment. There are two types of self-erecting tender rigs, barge type and semi-submersible (semi-tender) type. Tender barges and semi-tenders are equipped with similar equipment but the semi-tender's semi-submersible hull structure allows the unit to operate in rougher weather conditions.

Self-erecting tender rigs allow for drilling operations to be performed from platforms without the need for permanently installed drilling packages. Self-erecting tender rigs generally operate with crews of 60 to 85 people.

Semi-Submersible Rig Semi-submersible drilling rigs (which include cylindrical designed units) consist of an upper working and living quarters deck connected to a lower hull, such as columns and pontoons. Such rigs operate in a "semi-submerged" floating position, in which the lower hull is below the waterline and the upper deck protrudes above the surface. The rig is situated over a wellhead location and remains stable for drilling in the semi-submerged floating position, due in part to its wave transparency characteristics at the water line.

There are two types of semi-submersible rigs, moored and dynamically positioned. Moored semi-submersible rigs are positioned over the wellhead location with anchors, while the dynamically positioned semi-submersible rigs are positioned over the wellhead location by a computer-controlled thruster system. Depending on country of operation, semi-submersible rigs generally operate with crews of 65 to 100 people.

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Drillship Drillships are self-propelled ships equipped for drilling in deep waters, and are positioned over the well through a computer-controlled thruster system similar to that used on dynamically positioned semi-submersible rigs. Drillships are suitable for drilling in remote locations because of their mobility and large load-carrying capacity. Depending on country of operation, drillships operate with crews of 65 to 100 people.

Market Overview

We provide operations in oil and gas exploration and development in regions throughout the world and our customers include integrated oil and gas companies, state-owned national oil companies and independent oil and gas companies. Due to a significant decline in oil prices many of our customers are focused on conserving cash and have reduced capital expenditures for exploration and development projects. As a result, the offshore drilling market is encountering a significant reduction in demand.

The Global Fleet of Drilling Units

Seadrill Partners currently operates drillships, semi-submersible rigs, and tender rigs. The existing worldwide fleet of these units as of March 31, 2016 totals 343 units including 121 drillships, 185 semi-submersible rigs, and 37 tender rigs. In addition, there are 46 drillships, 23 semi-submersible rigs and 8 tender rigs under construction. The water depth capacities for the various drilling rig types depend on rig specifications, capabilities and equipment outfitting. Semi-submersible rigs and drillships can work in water depths up to 12,000ft and tender rigs work in water depths up to 410ft for tender barges and up to 6,000ft for semi-tenders. All offshore rigs are capable of working in benign environment but there are certain additional requirements for rigs to operate in harsh environments due to extreme marine and climatic conditions. The number of units outfitted for such operations are limited and the present number of rigs capable of operating in harsh environments total 153 units.

Semi-submersible rigs and drillships

The worldwide fleet of semi-submersible rigs and drillships currently totals 306 units. Of the total delivered fleet, 165 units are capable of operations in ultra-deepwater, 51 classed for deepwater operations up to 7500 feet and the remainder for operations 4500 feet and below. Overall, the average global fleet is 17 years old. The average age of ultra-deepwater units is 7 years, 27 years for units classed for deepwater operations and 31 years for units classed for operations below 4500 feet.

Included in the global floater fleet are units classed for operations in harsh environments. The global harsh environment floater fleet is comprised of 78 units and is 20 years old on average.

Oil companies continue to prefer newer and more capable equipment, demonstrated by the utilization rates of different asset classes. Ultra-deepwater units are currently experiencing 65% capacity utilization versus 41% for deepwater and 46% for mid water floaters. Utilization for harsh environment floaters is 54%. Older units are believed to be at a competitive disadvantage due to the customer preferences and the availability of more modern and efficient equipment.

Based on the level of current activity and the aging floater fleet, accelerated stacking and scrapping activity is expected to continue. A total of 49 floaters have been scrapped since the end of 2013, equivalent to 14% of the total fleet, and currently there are 55 cold stacked units that are 15 years old or older, which are prime scrapping candidates. In the next 18 months 37 units that are 15 years old or older will be coming off contact with no follow on work identified which represents additional scrapping candidates. A key rational for scrapping is the 15 year classing expenditures that can cost upwards of \$100 million. Many rig owners will choose to retire the unit rather than incur

this cost without a visible recovery in demand on the horizon.

Currently the orderbook stands at approximately 69 units, comprised of 46 drillships and 23 semis. 26 are scheduled for delivery in 2016, 18 in 2017 and 25 in 2018 and beyond. Due to the subdued level of contracting activity it is likely that a significant number of newbuild orders will be delayed or cancelled until an improved market justifies taking delivery.

Tender rigs

The worldwide fleet of tender rigs currently totals 37 units, of which 22 are contracted representing 59% capacity utilization. Overall, the global fleet is 14 years old on average. Currently the orderbook stands at approximately 8 units. 5 are scheduled for delivery in 2016, and 3 in 2017.

Activity in the tender rig market is focused primarily in South-east Asia and West Africa. Tendering activity is typically more stable in this market due to these types of units being employed on development projects, however capacity utilization and dayrates have remained under pressure, similar to the worldwide floater market.

The above overview of the various offshore drilling sectors is based on previous market developments and current market conditions. Future markets conditions and developments cannot be predicted and may well differ from our current expectations.

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Fleet and Customers

The following table provides additional information about OPCO's fleet as of March 31, 2016:

Rig Name	Seadrill Partners Ownership Interest	Year Built	Water Depth (feet)	Drilling Depth (feet)	Location	Customer
Semi-submersible						
West Aquarius	58%	2009	10,000	35,000	Canada	ExxonMobil/Hibernia Management (1)
West Capricorn	51%	2011	10,000	35,000	USA (Gulf of Mexico)	BP
West Leo	58%	2012	10,000	35,000	Ghana	Tullow
West Sirius	51%	2008	10,000	35,000	USA (Gulf of Mexico)	BP
Drillship						
West Capella (2)	33%	2008	10,000	35,000	Nigeria	ExxonMobil
West Polaris	58%	2008	10,000	35,000	Angola	ExxonMobil
West Auriga	51%	2013	12,000	40,000	USA (Gulf of Mexico)	BP
West Vela	51%	2013	12,000	40,000	USA (Gulf of Mexico)	BP
Tender Rig						
West Vencedor	58%	2010	6,500	30,000	Myanmar	Petronas
T-15	100%	2013	6,500	30,000	Thailand	Chevron
T-16	100%	2013	6,500	30,000	Thailand	Chevron

For each country where the West Aquarius operates under its drilling contract, a specific local contract and corresponding dayrate is agreed between the local ExxonMobil operating company and the local Seadrill (1) subsidiary. In addition, the drilling contract permits ExxonMobil to assign the contract to third parties in certain circumstances. The West Aquarius drilling contract was assigned to Hibernia Management and Development Co. Ltd as of March 31, 2016.

The Company owns 58% of Seadrill Operating LP, which controls and owns 56% of the entity that owns the West (2) Capella. Pursuant to Nigerian law, a Nigerian partner owns an effective 1% interest in the West Capella. Seadrill owns the remaining ownership interest in the entity that owns the West Capella.

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Customers

Offshore exploration and production is a capital intensive, high-risk industry. Operating and pursuing opportunities in deepwater basins significantly increases the amount of capital required to effectively conduct such operations. As a result, a significant number of operators in this segment of the offshore exploration and production industry are either national oil companies, major oil and gas companies or well-capitalized large independent oil and gas companies. The Company's largest current customers are BP, ExxonMobil, Tullow and Chevron. For the year ended December 31, 2015 BP accounted for 44.8%, ExxonMobil(*) accounted for 32.1%, Tullow accounted for 13.5%, and Chevron accounted for 8.5%, of the Company's total revenues, respectively. (* During 2015 and 2014 the ExxonMobil drilling contract for the West Aquarius was assigned to Hibernia Management and Development Co. Ltd.).

The following table represents the break-down of contract and reimbursable revenues by customer (excluding related party and other revenues) and geography for the years ended December 31, 2015, 2014 and 2013:

Customer	Country	Rig Name	2015 (\$ in millions)	2015 %	2014 (\$ in millions)	2014 %	2013 (\$ in millions)	2013 %
ExxonMobil	Nigeria	West Capella	\$236.7	14.3 %	\$228.5	17.0 %	\$207.5	19.6 %
ExxonMobil (1)	Canada	West Aquarius	190.9	11.5 %	126.1	9.4 %	153.5	14.5 %
ExxonMobil	Angola	West Polaris	131.6	8.0 %	—	— %	—	— %
BP	USA	West Capricorn	209.7	12.7 %	176.3	13.1 %	183.5	17.3 %
Chevron	Angola	West Vencedor	47.8	2.9 %	92.4	6.9 %	87.9	8.3 %
Petronas	Myanmar	West Vencedor	5.6	0.3 %	—	— %	—	— %
BP	USA	West Sirius	57.2	3.5 %	179.8	13.4 %	186.9	17.7 %
Tullow	Ghana	West Leo	234.7	14.2 %	233.5	17.4 %	198.6	18.8 %
Chevron	Thailand	T-15	49.4	3.0 %	54.4	4.1 %	24.5	2.3 %
Chevron	Thailand	T-16	50.4	3.0 %	51.2	3.8 %	16.1	1.5 %
BP	USA	West Auriga	219.8	13.3 %	167.5	12.5 %	—	— %
BP	USA	West Vela	219.7	13.3 %	32.9	2.5 %	—	— %
Total			\$1,653.5	100 %	\$1,342.6	100 %	\$1,058.5	100 %

For each country where the West Aquarius operates under its drilling contract, a specific local contract and corresponding dayrate is agreed between the local ExxonMobil operating company and the local Seadrill (1) subsidiary. In addition, the drilling contract permits ExxonMobil to assign the contract to third parties in certain circumstances. The ExxonMobil drilling contract for the West Aquarius was assigned to Hibernia Management and Development Co. Ltd during 2015, 2014 and part of 2013 and to Statoil Canada Ltd. during part of 2013.

Contract Backlog

The Company's drilling units are contracted to customers for an average remaining term of 2.4 years as of March 31, 2016. Backlog is calculated as the full operating dayrate multiplied by the number of days remaining on the contract, assuming full utilization. Backlog excludes revenues for mobilization and demobilization, contract preparation, and customer reimbursables. Backlog also includes, in the case of contracts for which we have received a notice of termination, an amount equal to the termination fee per day multiplied by the number of days for which the termination fee is payable under the terms of the contract. The actual amounts of revenues earned and the actual periods during which revenues are earned may differ from the backlog amounts and periods shown in the table below due to various factors, including shipyard and maintenance projects, downtime and other factors. Downtime, caused by unscheduled repairs, maintenance, weather and other operating factors, may result in lower applicable dayrates than the full contractual operating dayrate.

In addition, the Company's contracts provide for termination at the election of the customer with an "early termination payment" to be paid to the Company if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling unit, the Company's bankruptcy, sustained unacceptable performance by the Company or delivery of a rig beyond certain grace and/or liquidated damages periods, no early termination payment would be paid. Accordingly, if one of these events were to occur, the actual

amount of revenues earned may be substantially lower than the backlog reported.

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The Company's contract backlog as of March 31, 2016 totals \$4.1 billion and is as follows:

Rig	Contracted Location	Customer	Contract Backlog(1) (US \$ millions)	Contractual Dayrate (US \$)	Contract Commencement	Contract Termination Date
West Aquarius	Canada	ExxonMobil/Hibernia Management	\$ 237	\$ 615,000	(2) Oct 2015	Apr 2017
West Capricorn	USA	BP	\$ 635	\$ 526,000	(3) Apr 2015	Jul 2019
West Leo	Ghana	Tullow	\$ 497	\$ 605,000	(4) Jun 2013	Jul 2018
West Sirius	USA	BP	\$ 143	\$ 297,000	(5) May 2015	Jul 2017
West Capella	Nigeria	ExxonMobil	\$ 232	\$ 627,500	Apr 2014	Apr 2017
West Polaris	Angola	ExxonMobil	\$ 315	\$ 450,000	(6) Mar 2013	Mar 2018
West Auriga	USA	BP	\$ 924	\$ 562,000	(7) Oct 2013	Oct 2020
West Vela	USA	BP	\$ 886	\$ 525,000	(8) Nov 2013	Nov 2020
West Vencedor	Myanmar	Petronas	\$ 10	\$ 100,000	Dec 2015	Jul 2016
T-15	Thailand	Chevron	\$ 131	\$ 110,000	Jul 2013	Jul 2019
T-16	Thailand	Chevron	\$ 134	\$ 110,000	Aug 2013	Aug 2019

(1) Expressed in millions. Based on executed drilling contracts.

(2) Dayrate includes a mobilization fee of \$30 million that is being amortized over the contract period. The West Aquarius drilling contract was assigned to Hibernia Management and Development Co. Ltd.

(3) BP has an option to extend the expiration date of the contract for up to two years from July 2019.

The base dayrate is \$590,000 for operations in Ghana and will be adjusted for operations in Côte d'Ivoire and Guinea. The dayrate shown above for Ghana includes a performance bonus based on achievement of 95%

(4) utilization. A mobilization fee of \$18 million is being amortized into income over the period of the term of this contract.

The signed drilling contract was terminated early by BP and ended in April 2015. The backlog of \$143 million consists of \$297,000 per day from April 2016 until July 2017, to be received by the Company in accordance with the termination provisions in the West Sirius contract. The average remaining contract term of 2.4 years as of March 31, 2016 for the fleet does not include this period for the West Sirius.

(5) Under the terms of the acquisition agreement for the West Polaris, Seadrill Polaris has agreed to pay Seadrill (a) any dayrate received in excess of \$450,000 per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract and (b) after the expiration of the term of the existing contract until March 2025, 50% of any such excess dayrate, adjusted for daily utilization.

(6) A mobilization fee payable daily over the term of the contract of \$37.5 million is being amortized into income over the period of the term of this contract.

(7) A mobilization fee payable daily over the term of the contract of \$37.5 million is being amortized into income over the period of the term of this contract. This amount is payable to Seadrill for the remainder of the contract under the terms of the West Vela acquisition agreement.

Drilling Contracts

The Company provides drilling services on a "dayrate" contract basis. The Company does not provide "turnkey" or other risk-based drilling services to the customer. Under dayrate contracts, the drilling contractor provides a drilling unit and rig crews and charges the customer a fixed amount per day regardless of the number of days needed to drill the well. The customer bears substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition, dayrate contracts usually provide for a lump sum amount or dayrate for mobilizing the rig to the initial operating location, which is usually

lower than the contractual dayrate for uptime services, and a reduced dayrate when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the contractor's control. A dayrate drilling contract generally covers either the drilling of a single well or a number of wells or has a stated term regardless of the number of wells. These contracts may generally be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of equipment, "force majeure" events beyond the control of either party or upon the occurrence of other specified conditions. In some instances, the dayrate contract term may be extended by the customer exercising options for the drilling of additional wells or for an additional length of time at fixed or mutually agreed terms, including dayrates.

The Company's drilling contracts are the result of negotiations with its customers. The Company's existing drilling contracts generally contain, among other things, the following commercial terms: (i) contract duration extending over a specific period of time; (ii) term extension options in favor of its customer, generally upon advance notice to the Company, at mutually agreed, indexed or fixed rates; (iii) provisions permitting early termination of the contract if the drilling unit is lost or destroyed, if operations are suspended for an extended period of time due to breakdown of major rig equipment or "force majeure" events beyond the Company's control and the control of the customer; (iv) provisions allowing early termination of the contract by the customer without cause with a specified early termination fee in the form of a reduced rate for a specified period of time; (v) payment of compensation to the Company (generally in U.S. Dollars although some contracts require a portion of the compensation to be paid in local currency) on a dayrate basis (lower rates or no compensation generally apply during periods of equipment breakdown and repair or in the event operations are suspended or interrupted by other specified conditions, some of which may be beyond the Company's control); (vi) payment by the Company of the operating expenses of the drilling unit, including crew labor and incidental rig supply costs; (vii) provisions entitling the Company to adjustments of dayrates (or revenue escalation payments) in accordance with published indices or otherwise; (viii) provisions requiring the Company or Seadrill to provide a performance guarantee; (ix) indemnity provisions between the Company and its customers in respect of third-party claims and risk allocations between the Company and its customers relating to damages,

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claims or losses to the Company, its customers, or third parties; and (x) provisions permitting the assignment to a third party with the Company's prior consent, such consent not to be unreasonably withheld. The Company's indemnification may not cover all damages, claims or losses to the Company or third parties, and the indemnifying party may not have sufficient resources to cover its indemnification obligations.

See also Item 3 "Key Information—Risk Factors—Risks Inherent in The Company's Business—the Company's customers may be unable or unwilling to indemnify the Company." In addition, the Company's drilling contracts typically provide for situations where the drilling unit would operate at reduced operating dayrates. See Item 5 "Operating and Financial Review and Prospects—Important Financial and Operational Terms and Concepts—Economic Utilization."

Joint Venture, Agency and Sponsorship Relationships

In some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation. Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, the Company will enter into agency or sponsorship agreements. For more information regarding the regulations in the countries in which the Company currently are contracted to operate, please see "—Environmental and Other Regulations in the Offshore Drilling Industry."

Nigerian investors have invested in a subsidiary of Seadrill Operating LP. The entity is fully controlled and approximately 56% owned by Seadrill Operating LP, resulting in the Nigerian joint venture partner owning an effective 1% interest in the West Capella. Seadrill owns the remaining ownership interest in the joint venture. The joint venture agreement provides the joint venture partner with the right to purchase up to an approximate effective 25% interest in the West Capella at a fair market value price over the course of five years, subject to additional mutually agreed upon terms. Any such purchase is expected to be from Seadrill's ownership interest and not from Seadrill Operating LP.

Seasonality

In general, seasonal factors do not have a significant direct effect on the Company's business. The Company has operations in certain parts of the world where weather conditions during parts of the year could adversely impact the operation of its rigs, but generally such operational interruptions do not have a significant impact on the Company's revenues. Please read "—Drilling Contracts." Such adverse weather could include the hurricane season for the Company's operations in the U.S. Gulf of Mexico and the monsoon season of Southeast Asia.

Competition

The offshore drilling industry is highly competitive, with market participants ranging from large multinational companies to smaller companies with fewer than five drilling units.

The demand for offshore drilling services is driven by oil and gas companies' exploration and development drilling programs. These drilling programs are affected by oil and gas companies' expectations regarding oil and gas prices, anticipated production levels, worldwide demand for oil and gas products and many other factors. The availability of quality drilling prospects, exploration success, availability of qualified rigs and operating personnel, relative production costs, availability and lead time requirements for drilling and production equipment, the stage of reservoir development and political and regulatory environments also affect customers' drilling programs. Oil and gas prices are volatile, which has historically led to significant fluctuations in expenditures by customers for drilling services.

Variations in market conditions impact the Company in different ways, depending primarily on the length of drilling contracts in different markets. Short-term changes in these markets may have a minimal short-term impact on revenues and cash flows, unless the timing of contract renewals coincides with short-term movements in the market. Offshore drilling contracts are generally awarded on a competitive bid basis or through privately negotiated transactions. In determining which qualified drilling contractor is awarded a contract, the key factors are pricing, rig availability, rig location, condition and integrity of equipment, their record of operating efficiency, including high operating uptime, technical specifications, safety performance record, crew experience, reputation, industry standing and customer relations.

Competition for offshore drilling units, particularly submersible semi-tenders and drillships, is generally on a global basis, as rigs are highly mobile. However, the cost associated with mobilizing rigs between regions is sometimes substantial, as entering a new region could necessitate modifications of the drilling unit and its equipment to specific regional requirements.

The Company believes that the market for drilling contracts will continue to be highly competitive for the foreseeable future. The Company believes that the Company's fleet of recently constructed technologically advanced drilling units provides it with a competitive advantage over competitors with older fleets, as the Company's drilling units are generally better suited to meet the requirements of customers for drilling in deepwater. However, certain competitors may have greater financial resources than the Company does, which may enable them to better withstand periods of low utilization, and compete more effectively on the basis of price.

Principal Suppliers

The Company sources the equipment used on its drilling units from well-established suppliers, including: Cameron International Corp. and National Oilwell Varco, Inc., or NOV, each of which supply blowout preventers, and, with respect to NOV, top drives (the device used to turn the drillstring, which is a combination of devices that turn the drill bit), drawworks (the hoisting mechanism on a drilling unit) and other significant

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drilling equipment; Kongsberg Gruppen, which supplies dynamic positioning systems; Aker-MH AS, which supplies drilling software as well as top drives and drawworks; Rolls Royce, which supplies thrusters; and Caterpillar Inc., which supplies cranes.

In addition, each of the Company's customers are responsible for providing the fuel to be used by the drilling unit that it contracts from the Company, at such customer's cost.

Risk of Loss and Insurance

The Company's operations are subject to hazards inherent in the drilling of oil and gas wells, including blowouts and well fires, which could cause personal injury, suspend drilling operations, destroy the equipment involved or cause serious environmental damage. Offshore drilling contractors such as the Company are also subject to hazards particular to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. The Company's marine insurance package policy provides insurance coverage for physical damage to the Company's drilling units, loss of hire for some of its rigs and third-party liability.

The Company's insurance claims are subject to a deductible, or non-recoverable, amount. The Company currently maintains a deductible per occurrence of up to \$5 million related to physical damage to its rigs. However, a total loss of, or a constructive total loss of, a drilling unit is recoverable without being subject to a deductible. For general and marine third-party liabilities, the Company generally maintains a deductible of up to \$500,000 per occurrence on personal injury liability for crew claims, non-crew claims and third-party property damage including oil pollution from the drilling units. Furthermore, the Company purchases insurance for certain of its drilling units to cover loss due to the drilling unit being wholly or partially deprived of income as a consequence of damage to the unit. The loss of hire insurance has a deductible period of 60 days after the occurrence of physical damage. Thereafter, insurance policies are limited to 290 days. If the repair period for any physical damage exceeds the number of days permitted under the Company's loss of hire policy, it will be responsible for the costs in such period. The Company does not have loss of hire insurance on the Company's tender rigs with the exception of the semi-tender rig the West Vencedor. The Company has elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a Combined Single Limit of \$100 million in the annual aggregate, which includes loss of hire for the period from May 1, 2016 through April 30, 2017.

Environmental and Other Regulations in the Offshore Drilling Industry

The Company's operations are subject to numerous laws and regulations in the form of international treaties and maritime regimes, flag state requirements, national environmental laws and regulations, navigation and operating permits requirements, local content requirements, and other national, state and local laws and regulations in force in the jurisdictions in which the Company's drilling units operate or are registered, which can significantly affect the ownership and operation of the Company's drilling units. See Item 3. Key Information "Risk Factors - Risks Inherent in The Company's Business". Governmental laws and regulations, including environmental laws and regulations, may add to the Company's costs or limit the Company's drilling activity."

Flag State Requirements

All of the Company's drilling units are subject to regulatory requirements of the flag state where the drilling unit is registered. These include engineering, safety and other requirements related to the drilling industry and to maritime vessels in general. In addition, each of its drilling units must be "classed" by a classification society. The classification society certifies that the drilling rig is "in-class," signifying that such drilling rig has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the flag state and the international conventions of which that country is a member. Maintenance of class certification requires expenditure of substantial sums, and can require taking a drilling unit out of service from time to time for repairs or modifications to meet class requirements. The Company's drilling units must generally undergo a class survey once every five years.

International Maritime Regimes

These requirements include, but are not limited to, MARPOL, the International Convention on Civil Liability for Oil Pollution Damage of 1969, or the CLC, the International Convention on Civil Liability for Bunker Oil Pollution

Damage of 2001 (ratified in 2008), or the Bunker Convention, the International Convention for the Safety of Life at Sea of 1974, or SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, and the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the "BWM Convention. These various conventions regulate air emissions and other discharges to the environment from the Company's drilling units worldwide, and the Company may incur costs to comply with these regimes and continue to comply to these regimes as they may be amended in the future. In addition, these conventions impose liability for certain discharges, including strict liability in some cases. See Item 3 "Key Information - Risk Factors - Risks Inherent in The Company's Business". The Company is subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business."

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Environmental Laws and Regulations

These laws and regulations include the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA”), the U.S. Clean Water Act, the U.S. Clean Air Act, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the “MTSA”, European Union regulations including the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations, and Brazil’s National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Law (9966/2000) relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering the Company liable for environmental and natural resource damages without regard to negligence or fault on the Company's part. Implementation of new environmental laws or regulations that may apply to ultra deepwater drilling units may subject the Company to increased costs or limit the operational capabilities of the Company's drilling units and could materially and adversely affect the Company's operations and financial condition. For instance, certain Annex VI Regulations under MARPOL which took effect on January 1, 2015 set a 0.1% sulphur limit on marine gas oil and marine diesel in the Baltic Sea, North Sea, North America and the United States Sea Emission Control Areas. See Item 3. Key Information “Risk Factors - Risks Inherent in The Company's Business”. The Company is subject to complex environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business.”

Safety Requirements

The Company's operations are subject to special safety regulations relating to drilling and to the oil and gas industry in many of the countries where the Company operates. The United States undertook substantial revision of the safety regulations applicable to the Company's industry following the Deepwater Horizon Incident, in which the Company was not involved, that led to the Macondo well blow out situation, in 2010. Other countries are also undertaking a review of their safety regulations related to the Company's industry. These safety regulations may impact the Company's operations and financial results. For instance, in April 2016, BSEE published a final rule that among other things, set more stringent design requirements and operational procedures for critical well control equipment used in offshore oil and gas drilling. These new regulations grow out of the findings made in connection with the Deepwater Horizon incident and include a number of requirements that will add to the costs of exploring for, developing and producing of oil and gas in offshore settings. These new rules add new requirements and amend existing ones to, among other things, set new baseline standards for the design, manufacture, inspection, repair and maintenance of blow-out preventers including their inspection and the use of double shear rams. These rules contain a number of other requirements including third-party verification and certifications, real-time monitoring of deepwater and certain other activities, and sets criteria for safe drilling margins. It is too soon to tell whether industry will challenge some or all of these requirements or what the outcome of any such challenge will be. These regulations are likely to increase the costs of our operations and may lead our customers to not pursue certain offshore opportunities because of the increased costs, delays and regulatory risks. In September 2015, BOEM issued draft guidance that would bolster supplemental bonding procedures for the decommissioning of offshore wells, platforms, pipelines, and other facilities. BOEM is expected to issue the draft guidance in the form of a final Notice to Lessees and Operators during the summer of 2016. In addition, in December 2015, BSEE announced that it is launching a pilot risk-based inspection program for offshore facilities. Such requirements may cause the Company to incur costs and may result in additional downtime for the Company's drilling units in the U.S. Gulf of Mexico. Also, if material spill events similar to the Deepwater Horizon incident were to occur in the future, the United States or other countries could elect to again issue directives to temporarily cease drilling activities and, in any event, may from time to time issue further safety and environmental laws and regulations regarding offshore oil and gas exploration and development. See Item 3. “Key Information - Risk Factors - Risks Inherent in The Company's Business”. The aftermath of the moratorium on offshore drilling in the U.S. Gulf of Mexico, and new regulations adopted as a result of the investigation into the Macondo well blowout, could negatively impact us.” The EU has also recently undertaken a significant revision of its safety requirements for offshore oil and gas activity through the issuance of the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations.

Navigation and Operating Permit Requirements

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

Local Content Requirements

Governments in some countries have become increasingly active in local content requirements on the ownership of drilling companies, local content requirements for equipment utilized in the Company's operations, and other aspects of the oil and gas industries in their countries. These regulations include requirements for participation of local investors in the Company's local operating subsidiaries in countries such as Angola and Nigeria. Although these requirements have not had material impact on its operations in the past, they could have a material impact on the Company's earnings, operations and financial condition in the future.

Other Laws and Regulations

In addition to the requirements described above, the Company's international operations in the offshore drilling segment are subject to various other international conventions and laws and regulations in countries in which the Company operates, including laws and regulations relating to the importation of and operation of drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development. Important laws and regulations in countries other than the United States where the Company currently operates are described below. There is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

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Canada

The main legislation for oil and gas operations is the Canada Oil and Gas Operations Act, or COGOA. This Act regulates exploration for resources and operations of offshore activities. COGOA describes the responsibility of the operator to ensure worker safety and protection of the environment and outlines requirements to obtain a well approval.

The Company's operations are also subject to the requirements for oil spill planning and preparedness under the Canadian Environmental Protection Act, the Canadian Environmental Assessment Act, the Emergencies Act and the Emergency Preparedness Act.

In Eastern Canada, the Canada–Nova Scotia Offshore Petroleum Board and the Canada–Newfoundland and Labrador Offshore Petroleum Board regulate drilling and production off the coasts of Nova Scotia and Newfoundland and Labrador, respectively.

The Canadian Environmental Protection Act, or CEPA, regulates water pollution, including disposal at sea and the management of hazardous waste. Insofar as the offshore drilling industry is concerned, CEPA prohibits the disposal or incineration of substances at sea except with a permit issued under CEPA, the importation or exportation of a substance for disposal at sea without a permit, and the loading on a ship of a substance for disposal at sea without a permit.

Nigeria

The Petroleum Act is the key Nigerian legislation that governs the oil and gas industry in Nigeria. The Company is also subject to Petroleum (Drilling and Production) Amendment Regulations 1988, Environmental Guidelines and Standards for the Petroleum Industry of Nigeria, and the Environmental Impact Assessment Act.

Thailand

The Company is subject to contractor licensing requirements in Thailand administered by the Bureau of Foreign Business Registration. These licensing requirements regulate the activities that the Company's affiliates may undertake in Thailand.

Angola

The Petroleum Activities Law, as implemented by the Petroleum Operations Regulations approved in 2009, is the key Angolan legislation that covers the oil and gas industry. The Company is also subject to the Environmental Framework Law, the Regulations on Liability for Environmental Damages, Decree 39/00 (setting forth specific rules on environmental protection in the performance of petroleum operations), and Executive Decree 12/05 (setting out procedures for reporting of the occurrence of oil spills).

Ghana

The Company is required to obtain a permit to operate in Ghana from the Petroleum Commission. Further, the Company is subject to the Local Content and Local Participation regulations.

Ivory Coast

The principal legal and regulatory regime applicable to the Company's operations in Ivory Coast is the petroleum code and implementing legislation.

Myanmar

Offshore oil and gas drilling activity in Myanmar is subject to the Environmental Conservation Law of 2012 and the Environmental Conservation Rules (2014) of the Republic of the Union of Myanmar. Under the relevant provisions, operators of proposed projects must consult with the Ministry of Environmental Conservation and Forestry (MOECF) to complete an environmental assessment process. Myanmar is in the process of updating these requirements, however, and MOECF is currently drafting procedures and guidelines for environmental impact assessments.

Other laws that may be applicable to offshore drilling activity include The Protection of Wildlife and Conservation of Natural Areas Law (1994), which provides penalties for water and air pollution, and Myanmar's Marine Fisheries Law (1990), which defines and prohibits water pollution.

Legal Proceedings

From time to time the Company has been, and expects that in the future it will be, subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. These claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company. Please also see Note 15, "Commitments and Contingencies—Legal Proceedings" to the audited Consolidated and Combined Carve-Out Financial Statements included elsewhere in this annual report.

Taxation of the Company

The Company is organized as a limited liability company under the laws of the Republic of the Marshall Islands and the Company is resident in the United Kingdom for taxation purposes by virtue of being centrally managed and controlled in the United Kingdom. Certain of the Company's controlled affiliates are subject to taxation in the jurisdictions in which they are organized, conduct business or own assets. The Company intends that the Company's business and the business of the Company's controlled affiliates will be conducted and operated in a tax efficient manner. However, the Company cannot assure this result as tax laws in these or other jurisdictions may change or the Company may enter into new business transactions, which could affect the Company's tax liabilities.

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Marshall Islands

Because the Company and the Company's controlled affiliates do not conduct business or operations in the Republic of the Marshall Islands, neither the Company nor the Company's controlled affiliates will be subject to income, capital gains, profits or other taxation under current Marshall Islands law, and the Company does not expect this to change in the future. As a result, distributions OPCO receives from the Company's controlled affiliates, and distributions the Company receives from OPCO, are not expected to be subject to Marshall Islands taxation.

United Kingdom

The Company is a resident of the United Kingdom for taxation purposes. Nonetheless, the Company expects that the distributions the Company receives from OPCO, generally will be exempt from taxation in the United Kingdom under applicable exemptions for distributions from subsidiaries. As a result, the Company does not expect to be subject to a material amount of taxation in the United Kingdom as a consequence of the Company's United Kingdom residency for taxation purposes.

United States

The Company has elected to be treated as a corporation for U.S. federal income tax purposes. As a result, the Company is subject to U.S. federal income tax to the extent the Company earns income from U.S. sources or income that is treated as effectively connected with the conduct of a trade or business in the United States. The Company does not expect to earn a material amount of such taxable net income; however, the Company has controlled affiliates that conduct drilling operations in the U.S. Gulf of Mexico that are subject to taxation by the United States on their net income and may be required to withhold U.S. federal tax from distributions made to their owner.

Other Jurisdictions and Additional Information

The Company directly and indirectly owns or controls various additional subsidiaries that are subject to taxation in other jurisdictions. For additional information regarding the taxation of the Company's subsidiaries, please read "Note 5 - Taxation" of the Company's Consolidated and Combined Carve-Out Financial Statements included elsewhere in this annual report.

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C. Organizational Structure

A simplified organizational structure as of March 31, 2016 is shown below.

A full list of the Company's significant operating and rig-owning subsidiaries is included in Exhibit 8.1.

D. Property, Plant and Equipment

The Company owns a modern fleet of drilling units. The units in the Company's fleet are set out in Item 4. "Information on the Company - Business Overview".

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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The following should be read in conjunction with Item 3A “Key Information—Selected Financial Data,” Item 4 “Information on the Company” and the Company's Consolidated and Combined Carve-Out Financial Statements and Notes thereto included elsewhere in this annual report. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. The Company's Consolidated and Combined Carve-Out Financial Statements have been prepared in accordance with U.S. GAAP and are presented in U.S. Dollars.

The following discussion assumes that the Company's business was operated as a separate entity prior to the Company's IPO on October 24, 2012. References in this annual report to the Company's “initial fleet” refer to the West Aquarius, the West Capricorn, the West Capella and the West Vencedor, interests in each of which were contributed to the Company at or prior to the Company's IPO.

The Company's financial position, results of operations and cash flows reflected in the Company's Consolidated and Combined Carve-Out Financial Statements include all expenses allocable to the Company's business, but may not be indicative of future results.

Overview

The Company is a limited liability company formed by Seadrill to own, operate and acquire offshore drilling units. The Company's drilling units are under contracts with major oil companies such as Chevron, Total, BP and ExxonMobil with an average remaining term of 2.4 years as of March 31, 2016.

On October 24, 2012, the Company completed its IPO and in connection with the Company's IPO, the Company issued 10,062,500 common units to the public (including 1,312,500 common units pursuant the underwriter's option to purchase additional common unit in full) at a price of \$22.00 per common unit and issued to Seadrill 14,752,525 common units and 16,543,350 subordinated units. In addition, the Company issued to Seadrill Member LLC, a wholly owned subsidiary of Seadrill, the Seadrill Member interest, which is a non economic-limited liability company interest in the Company, and all of the Company's incentive distribution rights.

In connection with the Company's IPO, the Company acquired (i) a 30% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through the Company's 100% ownership of its general partner, Seadrill Operating GP LLC, and (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC. The Company controls Seadrill Operating LP through the Company's ownership of its general partner and Seadrill Capricorn Holdings LLC through the Company's ownership of the majority of the limited liability company interests.

On May 17, 2013, the Company's wholly-owned subsidiary, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entities that own and operate the tender rig the T-15. On October 18, 2013, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig the T-16. As consideration for the purchase of the T-16, the Company issued 3,310,622 common units to Seadrill. On December 13, 2013, Seadrill Operating LP acquired (the “Leo Acquisition”) all of the ownership interests in each of the entities that own, operate and manage the semi-submersible drilling rig, West Leo (the “Leo Business”) and Seadrill Capricorn Holdings LLC acquired (the “Sirius Acquisition”) all of the ownership interests in each of the entities that own and operate the semi-submersible drilling rig, West Sirius (the “Sirius Business”). The Leo Acquisition and the Sirius Acquisition were accomplished through a series of purchases and contributions. The implied purchase prices of the Leo Acquisition and the Sirius Acquisition were \$1.250 billion and \$1.035 billion, respectively, in each case, including working capital. The Company's portion of the purchase price after debt financing at the OPCO level for the Leo Acquisition was \$229.4 million. In addition, the owner of the West Leo, Seadrill Leo Ltd., entered into a \$485.5 million intercompany loan agreement with Seadrill, which was repaid in full in February 2014. The Company's portion of the purchase price after debt financing at the OPCO level for the Sirius Acquisition was \$298.4 million. The Company funded \$70 million of the \$298.4 million purchase price by issuing a zero coupon discount note to Seadrill which was repaid in full in March 2014. Seadrill Hungary Kft., the owner of the West Sirius, entered into a \$220.1 million intercompany loan agreement with Seadrill which was repaid in full in February 2014. In addition, Seadrill Capricorn Holdings LLC financed \$229.9 million of the purchase price of the Sirius Acquisition by issuing a zero coupon discount note to Seadrill which was repaid in full in February 2014. As a result of these transactions, the Company acquired a (i) 30% indirect interest in the Leo Business and (ii) 51% indirect interest in the Sirius Business.

In order to fund the Company's portion of the purchase price for the Sirius Acquisition and Leo Acquisition, on December 9, 2013, the Company issued an aggregate of (i) 12,880,000 common units to the public at a price of \$29.50 per unit and (ii) 3,394,916 common units to Seadrill in a concurrent private placement at a price of \$29.50 per unit.

The aggregate net proceeds from these offerings were approximately \$464.8 million.

The transactions described above that occurred through December 31, 2013, have been reflected as a reorganization of entities under common control and, therefore, the assets and liabilities acquired from Seadrill have been recorded at historical cost by the Company and the historical operating results have been retrospectively adjusted to include the results of the combined entities during the periods they were under common control of Seadrill.

As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company in accordance with US GAAP and, therefore, the Company and Seadrill are no longer deemed to be entities under common control.

On February 21, 2014, Seadrill Operating LP, Seadrill Capricorn Holdings LLC and the Company's new subsidiary, Seadrill Partners Finco LLC (the "Borrowers"), entered into Senior Secured Credit Facilities (the "Senior Secured Credit Facilities"). The Senior Secured Credit Facilities consist of (i) a \$100.0 million revolving credit facility (the "revolving facility") available for borrowing from time to time by any Borrower, and (ii) a \$1.8 billion term loan (the "term loan") which was borrowed by Seadrill Operating LP in full on February 21, 2014. The proceeds from the transaction were used to (a) refinance debt secured by the West Aquarius, West Capella, West Leo and West Sirius, (b) repay in part the

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Company's unsecured loans from Seadrill, (c) add cash to the balance sheet in support of general company purposes and (d) pay all fees and expenses associated therewith.

On March 24, 2014, Seadrill Capricorn Holdings LLC acquired from Seadrill all of the ownership interests in each of Seadrill Auriga Hungary Kft., a Hungarian company which owns the drillship, the West Auriga, and Seadrill Gulf Operations Auriga LLC, a Delaware limited liability company which operates the West Auriga (the "Auriga Acquisition"). The Auriga Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Auriga. The implied purchase price of the Auriga Acquisition was \$1.24 billion. The Company's portion of the purchase price for the Auriga Acquisition, after debt financing at the OPCO level, was \$355.4 million. In addition, Seadrill Capricorn Holdings LLC financed \$100.0 million of the purchase price by issuing a zero coupon limited recourse discount note to Seadrill. Upon maturity of such note, Seadrill Capricorn Holdings LLC was due to repay \$103.7 million to Seadrill. This note was repaid in June 2014 with the proceeds of the Amended Senior Secured Credit Facilities. The purchase price of the Auriga Acquisition was subsequently adjusted by a working capital adjustment of \$330.4 million. The working capital adjustment predominately arose as a result of related party payable balances which remained in the acquired entities. These payable balances related to funding provided by Seadrill to the acquired entities for the construction, equipping and mobilization of the West Auriga. Seadrill Auriga Hungary Kft. was a borrower under the \$1.45 billion credit facility (the "Auriga Facility") used to finance the West Auriga. As of the closing date of the Auriga Acquisition, Seadrill Auriga Hungary owed \$443.1 million in principal under the Auriga Facility. In June 2014, this facility was refinanced with proceeds from the Amended Senior Secured Credit Facilities. In order to fund the Company's portion of the cash purchase price of the Auriga Acquisition, on March 17, 2014, the Company issued an aggregate of 11,960,000 common units to the public and 1,633,987 common units to Seadrill at a price of \$30.60 per unit.

On June 24, 2014, the Company issued 6,100,000 common units to the public and 3,183,700 common units to Seadrill at a price of \$31.41 per unit.

On June 26, 2014, the Borrowers amended and restated their senior secured credit facilities (as amended and restated, the "Amended Senior Secured Credit Facilities") to provide for the borrowing by Seadrill Operating LP of \$1.1 billion of additional term loans, in addition to the \$1.8 billion term loan already outstanding under the Senior Secured Credit Facilities. Thus, following the amendment and restatement, the Amended Senior Secured Credit Facilities consisted of (i) a \$100.0 million revolving credit facility (the "revolving facility") available for borrowing from time to time by any Borrower, and (ii) a \$2.9 billion term loan (the "term loan"). The proceeds from the additional \$1.1 billion of term loans were used to (a) refinance debt secured by the West Auriga of \$443.1 million and the West Capricorn of \$426.3 million, (b) repay in part certain of our unsecured loans from Seadrill in the amount of \$100.0 million, (c) add cash to the Company's balance sheet for general company purposes, (d) pay all fees and expenses associated with the Amended Senior Secured Credit Facilities and (e) partially fund the acquisition of an additional interest in Seadrill Operating LP discussed below.

On July 21, 2014, the Company acquired an additional 28% interest in Seadrill Operating LP from Seadrill for \$373 million, bringing its total ownership interest in Seadrill Operating LP to 58%.

On September 23, 2014, the Company issued 8,000,000 common units to the public at a price of \$30.68 per unit. On November 4, 2014, Seadrill Capricorn Holdings LLC acquired from Seadrill all of the ownership interests in each of Seadrill Vela Hungary Kft., a Hungarian company which owns the drillship, the West Vela, and Seadrill Gulf Operations Vela LLC, a Delaware limited liability company which operates the West Vela (the "Vela Acquisition"). The Vela Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Vela. The implied initial purchase price of the Vela Acquisition was \$900 million. The Company's portion of the initial purchase price for the Vela Acquisition, after debt financing at the OPCO level, was \$238 million. Under the terms of the West

Vela drilling contract, the customer is paying a daily rate of \$565,000, plus approximately \$44,000 per day as a mobilization fee paid over the term of the contract. In addition to the initial purchase price, Seadrill Capricorn Holdings LLC will pay Seadrill \$40,000 per day of day rate revenue actually received, as well as the \$44,000 per day mobilization fee. These payments to Seadrill will cease at the end of the current contract. Thus, the total consideration included deferred consideration payable to Seadrill of \$73.7 million and contingent consideration of \$65.7 million. The purchase price was subsequently adjusted by a working capital adjustment of \$6.0 million. The Vela Acquisition was financed with debt and \$238 million in cash for the Company's 51% equity share.

As of the closing date of the Vela Acquisition, Seadrill Vela Hungary Kft owed \$433.1 million in principal under the \$1,450 million senior secured credit facility relating to the West Vela and the West Tellus, another drilling unit which is owned by Seadrill (the "\$1,450 Million Senior Secured Credit Facility"). Seadrill Vela Hungary's liability to repay debt under the \$1,450 Million Senior Secured Credit Facility that relates to the other rigs owned by Seadrill remains. However, Seadrill indemnified Seadrill Vela Hungary Kft. against any liability it may incur under the Vela Facility in respect of such debt.

On March 31, 2015 the Company received a notice of termination from BP for the contract for the West Sirius which became effective after having completed a well and demobilization in early May 2015. Prior to the cancellation notice, the dayrate and term for the West Sirius and West Capricorn contracts were swapped. The West Sirius dayrate was decreased by \$40,000 per day and the term was decreased by two years to expire in July 2017 while the dayrate for the West Capricorn was increased by \$40,000 per day and the term was extended by two years to expire in July 2019. Amortized payments for the West Capricorn such as mobilization and upgrades will continue on the original schedule ending

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in July 2017. In accordance with the cancellation provisions in the West Sirius contract, the Company will receive termination payments over the remaining contract term, now expiring in July 2017.

On June 16, 2015, Seadrill Operating LP, a subsidiary in which the Company owns a 58% limited partner interest, entered into an agreement with Seadrill to acquire all of the shares of Seadrill Polaris Ltd. ("Seadrill Polaris"), the entity that owns and operates the drillship the West Polaris (the "Polaris Acquisition") from Seadrill. The Polaris Acquisition was completed on June 19, 2015. The West Polaris is a 6th generation, dynamically positioned drillship delivered from the Samsung shipyard in 2008. The West Polaris is expected to carry out operations in Angola until the end of its contract with ExxonMobil in March 2018.

The consideration for the Polaris Acquisition was comprised of \$204 million in cash and \$336 million of debt outstanding under the existing facility financing the West Polaris. In addition Seadrill Operating LP issued a note (the "Seller's Credit") of \$50 million to Seadrill, repayment of which is contingent on the future re-contracted dayrate for the West Polaris. The Seller's Credit is due in 2021 and bears an interest rate of 6.5% per annum. During the three-year period following the completion of the current drilling contract with ExxonMobil, the Seller's credit may be reduced if the average contracted dayrate (net of commissions) for the period, adjusted for utilization, under any replacement contract is below \$450,000 until the Seller's Credit's maturity in 2021. Should the average dayrate of the replacement contract be above \$450,000, the entire \$50 million Seller's Credit must be paid to Seadrill upon maturity of the Seller's Credit in 2021.

In addition, Seadrill Polaris may make further contingent payments to Seadrill based upon the West Polaris's operating dayrate. In February 2016, the drilling contract for the West Polaris with ExxonMobil was amended to reduce the dayrate to \$490,000, effective January 1, 2016. Under the terms of the acquisition agreement, Seadrill Polaris has agreed to pay Seadrill (a) any dayrate it receives in excess of \$450,000 per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract (the "Initial Earn-Out"), and (b) after the expiration of the term of the existing contract until March 2025, 50% of any such excess dayrate, adjusted for daily utilization, tax and agency commission (the "Subsequent Earn-Out").

The Company's interests in OPCO represent its only cash-generating assets. The Company manages its business and analyzes and reports its results of operations in a single global segment. The Company's fleet is reviewed by the Chief Operating Decision Maker, which is the board of directors, as an aggregated sum of assets, liabilities and activities.

The Company's Drilling Contracts

In general, each of the Company's drilling units is contracted to an oil and gas company to provide offshore drilling services at an agreed dayrate and for a fixed time period. Dayrates can vary, depending on the type of drilling unit and its capabilities, operating expenses, taxes and other factors, including contract length, geographical location and prevailing economic conditions.

An important factor in understanding the Company's revenue is the economic utilization of the drilling unit. For a description of how the Company determines economic utilization, see "—Important Financial and Operational Terms and Concepts—Economic Utilization" below.

In addition to contracted daily revenue, customers may pay mobilization and demobilization fees for drilling units before and after their drilling assignments, and may also reimburse costs incurred by the Company at their request for additional supplies, personnel and other services, not covered by the contractual dayrate. Customers may also pay termination fees.

Factors Affecting the Comparability of Future Results

You should consider the following facts when evaluating the Company's historical results of operations and assessing its future prospects:

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The Company does not own all of the interests in OPCO. As a result, the Company's cash flow does not include distributions on Seadrill's interest in OPCO. The Company owns (i) a 58% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through its 100% ownership of its general partner, Seadrill Operating GP LLC, and (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC. The Company controls Seadrill Operating LP through its ownership of Seadrill Operating LP's general partner and Seadrill Capricorn Holdings LLC through its ownership of the majority of its limited liability company interests. Seadrill owns the remaining 42% limited partner interest in Seadrill Operating LP and the remaining 49% limited liability company interest in Seadrill Capricorn Holdings LLC. In July 2014 the Company acquired an additional 28% limited partner interest in Seadrill Operating LP from Seadrill bringing its total ownership interest in Seadrill Operating LP from 30% to 58%. The operating agreements of OPCO require it to distribute all of its available cash each quarter. In determining the amount of cash available for distribution by the Company to its unitholders, the Company's board of directors must approve the amount of cash reserves to be set aside, including reserves for future maintenance and replacement capital expenditures, working capital and other matters. Distributions by OPCO to Seadrill in respect of its ownership interest in OPCO are not available for distribution to unitholders of the Company.

Business combinations between entities under common control. Reorganization of entities under common control is accounted for as if the transfer occurred from the date that both the combining entity and combined entity were both under the common control of Seadrill. Therefore, the Company's financial statements prior to the date the interests in the combining entity were actually acquired are retroactively adjusted to include the results of the combined entities during the period it was under common control of Seadrill. The acquisitions of the entities that own and operate the T-15, T-16, West Leo and West Sirius in 2013 from Seadrill were accounted for under this method. As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company as

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defined by GAAP and therefore Seadrill Partners and Seadrill are no longer deemed to be entities under common control. As such acquisitions by the Company from Seadrill subsequent to this date are no longer accounted for under this method.

The size of the Company's fleet continues to change. The Company's financial statements reflect changes in the size and composition of the Company's fleet due to certain rig deliveries and contract commencement dates. For instance, the West Capricorn was delivered from the shipyard at the end of 2011, and the contract commencement date occurred in July 2012. Furthermore, during 2013 the Company acquired the T-15, T-16, West Leo and West Sirius, and during 2014 the Company acquired the West Auriga and West Vela, and during 2015 the Company acquired the West Polaris. The Company expects the Company's fleet will continue to change over time. Furthermore, the Company may grow in the future through the acquisition of additional drilling units as part of the Company's growth strategy.

The Company may enter into different financing agreements. The financing agreements, including the interest expense relating thereto, currently in place may not be representative of the agreements that will be in place in the future. For example, the Company may amend its existing credit facilities or enter into new financing agreements and such new agreements may not be on the same terms as Seadrill's financing agreements. In connection with the closing of the Company's IPO, the Company entered into a \$300 million revolving credit facility with Seadrill as the lender, which the Company refers to as the "sponsor credit facility". In 2014 the sponsor credit facility was reduced to \$100 million. In addition, in February 2014, the Company entered into the Senior Secured Credit Facilities and refinanced its debt secured by the West Aquarius, West Capella, West Leo and West Sirius, and in June 2014 entered into the Amended Senior Secured Credit Facilities and refinanced its debt secured by the West Capricorn and the West Auriga and in November 2014, refinanced its debt secured by the West Vela. For descriptions of the Company's current financing agreements, please read "Liquidity and Capital Resources—Borrowing Activities."

Factors Affecting the Company's Results of Operations

The Company believes the principal factors that will affect its future results of operations include:

- the Company's ability to successfully employ its drilling units at economically attractive dayrates as contracts expire or are otherwise terminated;
- the ability to maintain good relationships with the Company's existing customers and to increase the number of customer relationships;
- the number and availability of the Company's drilling units, including the Company's ability to exercise any options to purchase additional drilling units that may arise under the omnibus agreement or otherwise;
- changes in the Company's ownership of OPCO;
- fluctuations and current decline in the price of oil and gas, which influence the demand for offshore drilling services;
- the effective and efficient technical management of drilling units;
- The Company's ability to obtain and maintain major oil and gas company approvals and to satisfy their quality, technical, health, safety and compliance standards;
- economic, regulatory, political and governmental conditions that affect the offshore drilling industry;
- accidents, natural disasters, adverse weather, equipment failure or other events outside of its control that may result in downtime;
- the financial condition of Seadrill
- The ability of the Company/OPCO and Seadrill to comply with financing agreements and the effect of the restrictive covenants in such agreements
 - mark-to-market changes in interest rate swaps;
- foreign currency exchange gains and losses;
- the Company's access to capital required to acquire additional drilling units or equity interests in OPCO and/or to implement its business strategy;
- increases in crewing and insurance costs and other operating costs;

the level of debt and the related interest expense and amortization of principal; and
the level of any distribution on the Company's common units.

Please read Item 3 “Key Information—Risk Factors” for a discussion of certain risks inherent in the Company's business.

Important Financial and Operational Terms and Concepts

The Company uses a variety of financial and operational terms and concepts when analyzing its performance. These include the following:

Contracted Revenues and Dayrates. In general, each of the Company’s drilling units is contracted for a fixed term to an oil and gas company to provide offshore drilling services at an agreed dayrate. A drilling unit will be “stacked” if it has no contract in place. Drilling units may be either warm stacked or cold stacked. When a rig is warm stacked, the rig is idle but operational and typically retains most of its crew and can

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deploy quickly if an operator requires its services. Cold stacking a rig involves reducing the crew to either zero or just a few key individuals and storing the rig in a harbor, shipyard or designated area offshore.

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

The Company's contracts may generally be terminated by the customer in the event the drilling unit is destroyed or lost or if drilling operations are suspended for an extended period of time as a result of a breakdown of major rig equipment, "force majeure" or upon the occurrence of other specified conditions.

The terms and conditions of the contracts allow for compensation when factors beyond the Company's control, including weather conditions, influence the drilling operations and, in some cases, for compensation when the Company performs planned maintenance activities. In many of the Company's contracts, the Company is entitled to cost escalation to compensate for industry specific cost increases as reflected in publicly available cost indices. In connection with drilling contracts, the Company may receive lump sum fees for the mobilization of equipment and personnel or for capital additions and upgrades prior to commencement of drilling services. These up-front fees are recognized as revenue over the original contract term, excluding any extension option periods.

In some cases, the Company may receive lump sum non-contingent fees or dayrate based fees from customers for demobilization upon completion of a drilling contract. Non-contingent demobilization fees are recognized as revenue on a straight line basis over the original contract term, excluding any extension option periods. Contingent demobilization fees are recognized as earned upon completion of the drilling contract.

Fees received from customers under drilling contracts for capital upgrades are deferred and recognized over the remaining contract term, excluding any extension option periods not exercised.

In certain countries in which the Company operates, taxes such as sales, use, value-added, gross receipts and excise may be assessed by the local government on the Company's revenues. The Company generally records tax-assessed revenue transactions on a net basis in the consolidated and combined carve-out statement of income.

Other revenues. Other revenues include amounts recognized as early termination fees under the drilling contracts which have been terminated prior to the contract end date. Contract termination fees are recognized on a daily basis as and when any contingencies or uncertainties associated with the Company's rights to receive are resolved. Other revenues also include revenues earned within the Company's Nigerian service company relating to certain services, including the provision of onshore and offshore personnel.

Economic Utilization. Economic utilization is calculated as the total revenue, excluding bonuses, received divided by the full operating dayrate multiplied by the number of days in the period. In arriving at economic utilization, the Company has taken into account certain contractual elements that generally exist in its drilling contracts. For example, drilling contracts generally provide for a repair allowance for preventive maintenance or repair of equipment, which could range between 18 to 48 hours per month. Such allowance varies from contract to contract, and the Company may be compensated at the full operating dayrate or at a reduced operating dayrate for such general repair allowance. In addition, drilling contracts typically provide for situations where the drilling unit would operate at reduced operating dayrates, such as, among others, a standby rate, where the rig is prevented from commencing operations for reasons such as bad weather, waiting for customer orders, waiting on other contractors; a moving rate, where the drilling unit is in transit between locations; a reduced performance rate in the event of major equipment failure; or a force majeure rate in the event of a force majeure that causes the suspension of operations. In addition, the drilling unit could operate at a zero rate in the event of a shutdown of operations for repairs where the general repair allowance has been exhausted or for any period of force majeure in excess of a specific number of days allowed under a drilling contract. Operating at these reduced rates impacts the economic utilization of the rig. The Company then use this metric to determine if changes in the operations of a rig should be implemented to increase economic utilization.

Vessel and Rig Operating Expenses. Rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked, and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel in various locations where

the Company operates the rigs and are expensed as incurred.

Amortization of Favorable Contracts. Favorable drilling contracts are recorded as an intangible asset at fair value on the date of acquisition less accumulated amortization. The amortization is recognized in the statement of operations under "amortization of favorable contracts". The amounts of these assets are amortized on a straight-line basis over the estimated remaining economic useful life or contractual period.

Reimbursable Revenues and Expenses. Reimbursable revenues are revenues that constitute reimbursements from the Company's customers for reimbursable expenses. Reimbursable expenses are expenses the Company incurs on behalf, and at the request, of customers, and include provision of supplies, personnel and other services that are not covered under the drilling contract.

Mobilization and Demobilization Expenses. Mobilization costs incurred as part of a contract are capitalized and recognized as an expense over the original contract term, excluding any extension option periods. Costs related to first time mobilization are capitalized and depreciated over the lifetime of the drilling unit. The costs of relocating drilling units that are not under contract are expensed as incurred. Demobilization costs are costs related to the transfer of a rig to a safe harbor or different geographic area and are expensed as incurred.

General and Administrative Expenses. General and administrative expenses are composed of general overhead, including personnel costs, legal and professional fees, property costs and other general administration expenses. For the historical periods presented, certain administrative expenses have been carved out from the administrative expenses of Seadrill and allocated or charged to the Company based on rig type, with a greater portion of costs allocated or charged to the larger drilling units compared to the smaller drilling units.

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Depreciation and Amortization. Depreciation and amortization costs are based on the historical cost of the Company's drilling units. Drilling units are recorded at historical cost less accumulated depreciation. The cost of these assets less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of the Company's rigs, when new, is thirty years. Costs related to periodic surveys of drilling units are capitalized as part of drilling units and amortized over the anticipated period between surveys, which is generally five years. These costs are primarily shipyard costs and the cost of employees directly involved in the work. Amortization costs for periodic surveys are included in depreciation and amortization expense.

Interest Expense. The Company's interest expense depends on the overall level of debt, and may significantly increase if the Company incurs additional debt, for instance to acquire additional drilling units or additional equity interests in the Company. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes.

Interest expense may be reduced as a consequence of capitalization of interest expenses relating to drilling units under construction. Interest expense is capitalized during construction of newbuildings based on accumulated expenditures for the applicable project at its current rate of borrowing. The amount of interest expense capitalized in an accounting period is determined by applying an interest rate ("the capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period are based on the rates applicable to borrowings outstanding during the period. Amounts beyond the actual interest expense incurred in the period are not capitalized.

The Combined Carve-Out Financial Statements include an allocation of interest expense on Seadrill's general corporate debt, based upon the fair value of the Company's fleet in proportion to the fair value of Seadrill's fleet for periods prior to the Company's IPO. This allocation has not occurred for periods subsequent to its IPO and actual interest expense is included in the consolidated financial statements.

Deferred Charges. Loan related costs, including debt arrangement fees, are capitalized and amortized over the term of the related loan and are included in interest expense.

Impairment of Long-Lived Assets. The carrying value of long-lived assets that are held and used by the Company are reviewed for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Gain/loss on Interest Rate Swaps. A portion of Seadrill's mark-to-market adjustments for interest rate swap derivatives were allocated to the Combined Carve-Out Statement of Operations for periods prior to the Company's IPO on the basis of the Company's portion of Seadrill's floating rate debt. Post IPO any mark-to-market adjustments for interest rate swap derivatives are based on specific swaps that the Company entered into with Seadrill.

Inflation

As of March 31, 2016, the average remaining term of the Company's contracts was 2.4 years. The majority of these contracts have dayrates that are fixed over the contract term. In order to mitigate the effects of inflation on revenues from long term contracts, most of the Company's long term contracts include escalation provisions. These provisions allow the Company to adjust the dayrates based on stipulated cost increases, including wages, insurance and maintenance cost. However, because these escalations are normally performed on an annual basis, the timing and amount awarded as a result of such adjustments may differ from actual cost increases, which could adversely affect the stability of the Company's cash flow and ability to make cash distributions.

Critical Accounting Estimates

The preparation of the Consolidated and Combined Carve-Out Financial Statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures about contingent assets and liabilities. The Company bases these estimates and assumptions on historical experience and on various other information and assumptions that the Company believes to be reasonable. Critical accounting estimates are important to the portrayal of both the Company's financial condition and results of operations and require the Company to make subjective or complex assumptions or estimates about matters that are uncertain.

Basis of preparation and significant accounting policies are discussed in Note 1 “General Information”, and Note 2 “Accounting Policies”, to the Company's Consolidated and Combined Carve-Out Financial Statements included in this annual report. The Company believes that the following are the critical accounting estimates used in the preparation of the Consolidated and Combined Carve-Out Financial Statements. In addition, there are other items within the Consolidated and Combined Carve-Out Financial Statements that require estimation.

Drilling Units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of the Company's semi-submersible drilling rigs, drillships and tender rigs, when new, is 30 years.

Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

The Company determines the carrying value of these assets based on policies that incorporate its estimates, assumptions and judgments relative to the carrying value, remaining useful lives and residual values. The assumptions and judgments the Company uses in determining the estimated useful lives of its drilling units reflect both historical experience and expectations regarding future operations, utilization and performance. The

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use of different estimates, assumptions and judgments in establishing estimated useful lives could result in materially different net book values of its drilling units and results of operations.

The useful lives of rigs and related equipment are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. The Company re-evaluates the remaining useful lives of its drilling units as and when certain events occur which directly impact its assessment of their remaining useful lives and include changes in operating condition, functional capability and market and economic factors.

The carrying values of the Company's long-lived assets are reviewed for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In general, impairment analyses are based on expected costs, utilization and dayrates for the estimated remaining useful lives of the asset or group of assets being assessed. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable. Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by the Company's assets, and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in significantly different carrying values of its assets and could materially affect its results of operations.

Income Taxes

Income tax expense is based on reported income or loss before income taxes.

Seadrill Partners LLC is organized in the Republic of the Marshall Islands and resident in the United Kingdom for taxation purposes. The Company does not conduct business or operate in the Republic of the Marshall Islands, and is not subject to income, capital gains, profits or other taxation under current Marshall Islands law. As a tax resident of the United Kingdom the Company is subject to tax on income earned from sources within the United Kingdom.

Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently income taxes have been recorded in these jurisdictions when appropriate. Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. The Company recognizes tax liabilities based on its assessment of whether its tax positions are more likely than not sustainable, based on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedence.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules. Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards. A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

The Company has recognized a deferred tax liability due to a change in tax legislation in Nigeria which required a retrospective adjustment in 2015. The Nigerian tax regime has changed from a deemed profit percentage of revenue to an actual profit regime using 30% of net income. As such, a deferred tax liability arises on the difference between book value and the assumed tax write-down value of the West Capella, the Company's drilling unit operating in Nigeria. The deferred tax liability is expected to reverse in approximately 2020. The Company has interpreted the legislation retrospectively when calculating the tax basis of the West Capella drilling unit, and estimates have been used in the calculations. No formal guidance however has been provided by the Nigerian tax authorities in this regard. Therefore, if a different interpretation were to be issued, it may have a material impact on the deferred tax liability

recognized.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the fair value of consideration given and the fair value of any non-controlling interest over the fair values of the identifiable assets and liabilities acquired is recorded as goodwill. When the fair value of the identifiable assets and liabilities acquired is in excess of the fair value of consideration given and the fair value of any non-controlling interest, the Company recognizes in earnings a gain on bargain purchase. Before recognizing any gain on bargain purchase, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and recognizes any additional assets or liabilities that are identified in that review. The determination of the estimated fair values of acquired tangible and intangible assets, as well as the useful economic life ascribed to finite lived assets, requires the use of significant judgment.

When acquiring drilling units with attached customer contracts the Company has recognized the value of the drilling unit separately from the associated contract. The drilling unit has been valued at fair value which was estimated using an income approach based upon market participant assumptions and prevailing market conditions. The fair value of the drilling contract has been also been assessed separately using an 'excess earnings' technique where the terms of the contract are assessed relative to current prevailing market rates. The assumptions and judgments made by management are subjective and derived from unobservable inputs. The use of different judgments and assumptions to those used by the Company could result in a materially different valuation of acquired assets, which could have a material effect on the Company's results of operations.

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The following critical accounting estimates regarding business combinations significantly impacted the Company's business during the year ended December 31, 2015 relate to the Polaris Acquisition which closed on June 19, 2015.

During the year ended December 31, 2015, the Company recognized a gain on bargain purchase from the Polaris Acquisition of \$9.3 million, which is the excess of the total identifiable net assets acquired over the consideration transferred. The key accounting estimates in regards to this transaction are (i) valuation of the drilling unit; (ii) valuation of the drilling contract; and (iii) valuation of the deferred and contingent considerations recognized.

(i) The West Polaris drilling unit has been valued at fair value separately from the related drilling contract. The estimated fair value of the drilling unit was derived using an income approach with market participant based assumptions, including the Company's expectations around dayrates, drilling unit utilization, operating costs, capital and long term maintenance expenditures and applicable tax rates. The cash flows were estimated over the remaining useful economic life of the drilling unit. At the acquisition date, cash flows were discounted using an estimated market participant weighted average cost of capital of 8.5%. At the acquisition date, the fair value of the drilling unit recognized is \$575.3 million. As detailed below, if a larger/(smaller) value was attributed to the drilling unit, then a larger/(smaller) gain on bargain purchase would have been recognized on acquisition, and there would be higher/(lower) depreciation expenses recognized in future periods.

(ii) The fair value of the drilling contract has been assessed separately. The contract was valued using an "excess earnings" technique where the terms of the contract are assessed relative to current market conditions. The value of the contract related intangible was determined by means of calculating the incremental cash flows arising over the life of the contract compared with a contract with terms at prevailing market rates. The fair value of the favorable contract has been recognized as an intangible asset totaling \$124.3 million. This intangible asset will be amortized over the remaining contract period until March 2018. As detailed below, if a larger/(smaller) value was attributed to this intangible asset, then a larger/(smaller) gain on bargain purchase would have been recognized on acquisition, and there would be higher/(lower) amortization expenses recognized in future periods.

(iii) At the time of acquisition, the fair value of contingent consideration consisted of the fair value of the Initial Earn-Out of \$61.8 million, the fair value of the Subsequent Earn-Out of \$33.5 million and the fair value of the Seller's Credit of \$44.6 million. The fair value was determined using future estimated contract revenues based upon estimates of re-contracted dayrate, average utilization, less any expected commissions and taxes. The contingent consideration has been discounted to present value using a weighted average cost of capital of 8.5%.

At the time of acquisition, the Initial Earn-Out has a maximum possible outcome (based on undiscounted cash flows) of \$67.6 million, assuming the West Polaris achieves 100% utilization for the remainder of the ExxonMobil contract and the contracted dayrate was not re-negotiated. The lowest possible outcome of the Initial Earn-Out is nil, assuming the utilization for the West Polaris is 0% and or the contracted dayrate is re-negotiated to less than \$450 thousand per day. It is not possible to calculate a range of possible outcomes for the Subsequent Earn-Out as it is impossible to determine a maximum possible re-contract dayrate and as such the maximum amount of the payment is unlimited. The lowest possible outcome for the subsequent earn-out is nil, assuming the utilization for the West Polaris is 0%, and or the re-contracted dayrate is less than \$450 thousand per day. The range of undiscounted outcomes for the Seller's Credit varies from nil to \$50.0 million.

If the fair value recognized for the deferred contingent consideration was higher/(lower), then a lower/(higher) gain on bargain purchase would have been recognized on acquisition.

The fair value of the deferred contingent consideration is reassessed at each period end. At the acquisition date, the Company initially recognized a gain on bargain purchase from the Polaris Acquisition of \$39.6 million, which was the

excess of the total identifiable net assets acquired over the consideration transferred. In February 2016, customer negotiations were concluded and the customer contract for the West Polaris was adjusted to \$490 thousand per day. This adjustment provided further information regarding the value of the favorable contract intangible asset and the Initial Earn-Out. The information is further evidence of a condition that existed at the time of the acquisition and therefore should be accounted for as a measurement period adjustment. The favorable contract intangible asset and the Initial Earn-Out liability were reduced by \$47.9 million and \$17.6 million, respectively. If the fair value of the deferred contingent consideration is determined to be higher/(lower) in the future, then an equivalent loss/(gain) will be recognized in the statement of operations.

An approximate impact of a 5% variation in long term dayrate and a 0.5% variation in the discount factor, on the valuation and resulting variation in the gain on bargain purchase relating to the Polaris acquisition is tabled below:

(In \$ millions)	Fair Value of Drilling Unit	Favorable Contract	Deferred Contingent Consideration	Gain on Bargain Purchase
Long term dayrate +5%	57.7	—	9.2	48.5
Long term dayrate -5%	(57.7)	—	(31.2)	(26.5)
Discount factor + 0.5%	(22.4)	(0.3)	(2.3)	(20.2)
Discount factor - 0.5%	23.9	0.3	2.3	21.6

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New Accounting Pronouncements

Refer to Note 2 “Accounting policies” of the Consolidated and Combined Carve-Out Financial Statements included elsewhere in this annual report.

A. Operating Results

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table summarizes the Company's operating results for the years ended December 31, 2015 and 2014:

	Year Ended December 31, Increase/Decrease			
	2015	2014	\$	%
(US\$ in millions)				
Operating revenues:				
Contract revenues	\$ 1,603.6	\$ 1,302.7	\$300.9	23.1 %
Reimbursable revenues	49.9	39.9	10.0	25.1 %
Other revenues	88.1	—	88.1	100.0 %
Total operating revenues	1,741.6	1,342.6	399.0	29.7 %
Operating expenses:				
Vessel and rig operating expenses	495.5	425.0	70.5	16.6 %
Amortization of favorable contracts	66.9	14.8	52.1	352.0 %
Reimbursable expenses	45.7	37.9	7.8	20.6 %
Depreciation and amortization	237.5	198.7	38.8	19.5 %
General and administrative expenses	52.3	51.4	0.9	1.8 %
Total operating expenses	897.9	727.8	170.1	23.4 %
Net operating income	\$ 843.7	\$ 614.8	\$228.9	37.2 %
Financial items:				
Interest income	9.8	3.7	6.1	164.9 %
Interest expense	(192.5)	(140.9)	(51.6)	36.6 %
(Loss) / gain on derivative financial instruments	(82.9)	(124.9)	42.0	(33.6) %
Currency exchange gain / (loss)	1.6	(3.3)	4.9	(148) %
Gain on bargain purchase	9.3	—	9.3	100.0 %
Total financial items	(254.7)	(265.4)	10.7	(4.0) %
Income before income taxes	589.0	349.4	239.6	68.6 %
Income taxes	(100.6)	(34.8)	(65.8)	189.1 %
Net Income	\$ 488.4	\$ 314.6	\$ 173.8	55.2 %
Net income attributable to the non-controlling interest	\$ (231.2)	\$ (176.4)	\$ (54.8)	31.1 %
Net income attributable to Seadrill Partners LLC	\$ 257.2	\$ 138.2	\$ 119.0	86.1 %

Contract revenues

Contract revenues increased by \$300.9 million, or 23.1%, to \$1,603.6 million, for the year ended December 31, 2015, from \$1,302.7 million in the year ended December 31, 2014. The increase was primarily due to contract revenues from the West Auriga which was acquired on March 21, 2014, contract revenues from the West Vela, which was acquired on November 4, 2014, and contract revenues from the West Polaris, which was acquired on June 19, 2015. The acquisitions of the West Auriga, West Vela and West Polaris contributed approximately \$56.4 million, \$183.4 million and \$123.3 million respectively to the increase compared to the year ended December 31, 2014. Lower downtime on the West Aquarius in the the year ended December 31, 2015 compared to the year ended December 31,

2014 also contributed to an increase of approximately \$65.7 million. Lower downtime on the West Capricorn contributed to the increase in revenues by approximately \$33.5 million. The increase was partly offset by a decrease in contract revenues of approximately \$122.2 million relating to the West Sirius which came off contract in April 2015, and is now receiving a termination fee rather than the full dayrate. The termination fee is included in "Other revenues". Also offsetting

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the increase was a decrease of approximately \$38.5 million in initial contract revenues from the West Vencedor, which was stacked after its contract ended in June 2015, before commencing a short-term contract in Myanmar in late 2015. The remaining movements are due to variations in the operations of the drilling units.

The following table summarizes average daily revenues and economic utilization percentage by drilling unit type of the Company's fleet for the periods presented:

	Year Ended December 31,			Year Ended December 31,	
	2015			2014	
	Average	Economic		Average	Economic
	Daily	Utilization		Daily	Utilization
	Revenues	(2)		Revenues	(2)
	(1)			(1)	
Semi-submersible rigs ⁽³⁾	\$551,590	93.0 %		\$444,149	83.2 %
Drillship	\$608,444	98.7 %		\$578,856	98.3 %
Tender rigs	\$148,634	98.5 %		\$154,611	98.0 %

(1) Average daily revenues are the average revenues for each type of unit, based on the actual days available for each unit of that type, while on contract.

(2) Economic utilization is calculated as the total revenue, excluding bonuses, received divided by the full operating dayrate multiplied by the number of days in the period.

(3) Average daily revenue excludes the termination payments received as part of the termination of the drilling contract by BP for the West Sirius.

Reimbursable revenues

Reimbursable revenues increased by \$10.0 million, or 25.1%, to \$49.9 million for the year ended December 31, 2015, from \$39.9 million for the year ended December 31, 2014. The increase is due to additional equipment purchased on behalf of customers, for which we have been reimbursed.

Other revenues

Other revenues were \$88.1 million for the year ended December 31, 2015, compared to nil for the year ended December 31, 2014. During the year ended December 31, 2015, we earned other revenues within our Nigerian service company billed to Seadrill for certain services, including the provision of onshore and offshore personnel, which we provided to Seadrill's West Jupiter and West Saturn drilling rigs, amounting to approximately \$13.4 million. There were no such services provided in the year ended December 31, 2014. In addition the termination fee relating to the West Sirius of \$297,000 per day, or \$74.7 million for the year ended December 31, 2015 is classified within other revenues.

Vessel and rig operating expenses

Rig operating expenses increased by \$70.5 million, or 16.6%, to \$495.5 million in the year ended December 31, 2015, from \$425.0 million in the year ended December 31, 2014. This increase was primarily due to operating expenses of the West Auriga, which was acquired on March 21, 2014, operating expenses of the West Vela, which was acquired on November 4, 2014, and operating expenses of the West Polaris, which was acquired on June 19, 2015. The acquisitions of the West Auriga, West Vela and West Polaris contributed approximately \$7.1 million, \$43.9 million and \$36.3 million respectively to the increase in vessel and rig operating expenses for the year ended December 31, 2015, compared to the year ended December 31, 2014. This was partially offset by the decrease in operating costs of \$21.3 million relating to the West Sirius, which was stacked beginning in April 2015 after its drilling contract was cancelled. Lower operating costs across the rest of the fleet as part of the Seadrill cost reduction plan also contributed to the offset in increased rig operating expenses for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Amortization of favorable contracts

Amortization of favorable contracts increased to \$66.9 million for the year ended December 31, 2015 from \$14.8 million in the year ended December 31, 2014. The increase was due to the favorable contracts recognized on the purchase of the West Auriga in March 2014, and the acquisition of the West Vela in November 2014, and the acquisition of the West Polaris in June 2015, each of which contributed \$1.7 million, \$28.7 million and \$21.7 million, respectively. The favorable drilling contracts are recorded as an intangible asset at fair value on the date of acquisition. These intangibles are amortized on a straight-line basis over the remaining contract period.

Reimbursable expenses

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Reimbursable expenses increased by \$7.8 million, or 20.6%, to \$45.7 million for the year ended December 31, 2015 from \$37.9 million in the year ended December 31, 2014. The increase was due to additional equipment purchased on behalf of customers, for which we have been reimbursed.

Depreciation and amortization

Depreciation and amortization expenses increased by \$38.8 million, or 19.5%, to \$237.5 million for the year ended December 31, 2015, from \$198.7 million for the year ended December 31, 2014. The increase was primarily due to the acquisitions of the West Auriga and West Vela in 2014, which contributed approximately \$7.2 million and \$17.1 million to the increase respectively. The West Polaris also contributed to the increase by \$14.6 million, as it was acquired on June 19, 2015.

General and administrative expenses

General and administrative expenses increased by \$0.9 million, or 1.8%, to \$52.3 million for the year ended December 31, 2015, from \$51.4 million for the year ended December 31, 2014. The increase was due to higher administrative management fees charged by Seadrill due to the increased size of the Company's fleet, offset in part by reductions in recharges due to cost efficiencies achieved and passed through by Seadrill.

Interest expense

Interest expense increased by \$51.6 million, or 36.6%, to \$192.5 million for the year ended December 31, 2015, compared to \$140.9 million for the year ended December 31, 2014. The increase was primarily due to the increase in the average outstanding debt, resulting from the acquisition of the West Vela in November 2014, the acquisition of the West Polaris in June 2015, and the debt issued under the Company's Amended Senior Secured Credit Facilities, consisting of a \$100 million revolving credit facility and \$2.8 billion term loan in February and June 2014.

Loss on derivative financial instruments

In the year ended December 31, 2015, the Company recognized losses from derivative financial instruments of \$82.9 million compared to losses of \$124.9 million in 2014. The loss on the derivatives during 2015 was due to a decrease in short and long term interest rates which reduced the mark to market value of the interest rate swap liabilities. The corresponding fair market value of the interest rate swaps was an \$82.0 million liability as at December 31, 2015 compared to a liability of \$50.1 million as at December 31, 2014. The unrealized portion of the loss on the derivatives during the year was \$31.9 million and the realized portion of the loss on derivatives during the year was \$51.1 million. In the prior year, the unrealized loss was \$99.1 million and the realized loss was \$25.8 million.

Gain on bargain purchase

A gain on bargain purchase of \$9.3 million was recognized in the year ended December 31, 2015 as a result of the acquisition of the West Polaris in June 2015. The gain has been attributed to the Company's belief that Seadrill may obtain additional value through the transaction, over and above the consideration transferred. This may include, but is not limited to, the potential future realization of value through Seadrill's investments in Seadrill Partners. These investments include direct ownership interests, common and subordinated units and incentive distribution rights. As a result of these investments Seadrill has a continuing interest in the growth and success of Seadrill Partners. Please refer to "Note 2 - Accounting policies" and "Note 3 - Business Acquisitions" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

Other financial items

Other financial items reported in the income statement include the following items:

	Year Ended	
	December 31,	
(US\$ millions)	2015	2014
Interest income	\$ 9.8	\$ 3.7

Currency exchange gain (loss) 1.6 (3.3)

Total other financial items \$ 11.4 \$ 0.4

Other financial items increased by \$11.0 million to \$11.4 million for the year ended December 31, 2015, compared to \$0.4 million for the year ended December 31, 2014. The increase is related to an increase in interest earned on receivables relating to the West Vela and an increase in the gains of foreign currency translation.

Income taxes

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Income tax expense was \$100.6 million and \$34.8 million, and the Company's effective income tax rate was 17.1% and 10.0% for the years ended December 31, 2015 and 2014 respectively. The increase in the Company's effective income tax rate was partially due to the change in taxing jurisdictions in which the Company generated taxable profits. The increase was also due to the recognition of a deferred tax liability of \$43.7 million during the year ended December 31, 2015 due to a change in tax legislation in Nigeria which required retrospective adjustment in 2015. The Nigerian tax regime has changed from a deemed profit percentage of revenue to an actual profit regime taxing 30% of net income. As such a deferred tax liability arises on the difference between the book value and the assumed tax write-down value of the West Capella, our drilling unit operating in Nigeria. The deferred tax liability is expected to reverse in approximately 2020. This was partially offset by an increase of \$18.2 million within deferred tax assets relating to the termination of the bareboat agreement for the West Sirius, whereby the termination payment revenue is taxable upon signing the termination agreement but recognized as revenue rateably under U.S. GAAP. Please refer to "Note 2 - Accounting policies" and "Note 5 – Taxation" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased by \$54.8 million, or 31.1%, to \$231.2 million for the year ended December 31, 2015, which represents 47.3% of net income. For the year ended December 31, 2014 net income attributable to non-controlling interest was \$176.4 million, or 56.1% of net income. The decrease in the relative proportion of net income which is attributable to the non-controlling interest is as a result of the acquisition of an additional 28% of the limited partner interests in Seadrill Operating by Seadrill Partners on July 21, 2014. There is an equal and opposite impact on net income attributable to Seadrill Partners LLC Members.

As a result of the acquisition, the Company's limited partner interest in Seadrill Operating increased from 30% to 58%, decreasing the net income attributable to non-controlling interest.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table summarizes the Company's operating results for the years ended December 31, 2014 and 2013:

(\$US in millions)	Year Ended December 31, Increase/Decrease				
	2014	2013	\$	%	
Operating revenues:					
Contract revenues	\$ 1,302.7	\$ 1,047.1	\$ 255.6	24.4	%
Reimbursable revenues	39.9	11.4	28.5	250.0	%
Other revenues	—	5.8	(5.8)	(100.0)	%
Total operating revenues	1,342.6	1,064.3	278.3	26.1	%
Operating expenses:					
Vessel and rig operating expenses	425.0	375.2	49.8	13.3	%
Amortization of favorable contracts	14.8	—	14.8	100.0	%
Reimbursable expenses	37.9	10.6	27.3	257.5	%
Depreciation and amortization	198.7	141.2	57.5	40.7	%
General and administrative expenses	51.4	49.6	1.8	3.6	%
Total operating expenses	727.8	576.6	151.2	26.2	%
Net operating income	\$ 614.8	\$ 487.7	\$ 127.1	26.1	%
Financial items:					
Interest income	3.7	4.4	(0.7)	(15.9)	%
Interest expense	(140.9)	(92.2)	(48.7)	52.8	%
Loss / (Gain) on derivative financial instruments	(124.9)	49.9	(174.8)	(350.3)	%
Currency exchange loss	(3.3)	(1.2)	(2.1)	175.0	%
Total financial items	(265.4)	(39.1)	(226.3)	578.8	%

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Income before income taxes	349.4	448.6	(99.2)	(22.1)%
Income taxes	(34.8)	(33.2)	(1.6)	4.8 %
Net Income	\$ 314.6	\$ 415.4	\$(100.8)	(24.3)%
Net income attributable to the non-controlling interest	\$ (176.4)	\$ (271.0)	\$94.6	(34.9)%
Net income attributable to Seadrill Partners LLC	\$ 138.2	\$ 144.4	\$(6.2)	(4.3)%

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Contract revenues

Contract revenues increased by \$255.6 million, or 24.4%, to \$1,302.7 million, for the year ended December 31, 2014, from \$1,047.1 million for the same period in 2013. The increase was primarily due to the results of the West Auriga which was acquired by the Company in March 2014 and contributed contract revenues of \$158.3 million since acquisition, and the results of the West Vela which was acquired in November 2014 and contributed contract revenues of \$32.3 million since acquisition. The T-15 and T-16 commenced operations in July 2013 and September 2013, and therefore their full year impact contributed additional contract revenues. An increase in the day rate on the West Capella also contributed to increased contract revenues. This was partly offset by a decrease in contract revenues compared to 2013 for the West Aquarius attributable to the downtime of the rig in the first and fourth quarters of 2014.

The following table summarizes average daily revenues and economic utilization percentage by drilling unit type of the Company's fleet for the periods presented:

	Year Ended December 31,					
	2014			2013		
	Average Daily Revenues		Economic Utilization	Average Daily Revenues		Economic Utilization
Semi-submersible rigs	\$444,149	83.2	%	\$464,300	90.4	%
Drillship	\$578,856	98.3	%	\$541,800	96.9	%
Tender rigs	\$154,611	98.0	%	\$154,967	100.0	%

(1) Average daily revenues are the average revenues for each type of unit, based on the actual days available for each unit of that type, while on contract.

(2) Economic utilization is calculated as the total revenue, excluding bonuses, received divided by the full operating dayrate multiplied by the number of days in the period.

Reimbursable revenues

Reimbursable revenues increased by \$28.5 million, or 250.0%, to \$39.9 million, for the year ended December 31, 2014, from \$11.4 million for the same period in 2013. The increase is due to additional equipment purchased on behalf of customers, for which we have been reimbursed.

Other revenues

During the year ended December 31, 2013, the Company earned other revenues within its Nigerian service company of \$5.8 million. The revenues relate to certain services, including the provision of onshore and offshore personnel, which the Company provided to Seadrill's West Polaris drilling rig while it operated in Nigeria during that period. There were no such services provided for the year ended December 31, 2014.

Vessel and rig operating expenses

Rig operating expenses increased by \$49.8 million, or 13.3%, to \$425.0 million, for the year ended December 31, 2014, from \$375.2 million for the year ended December 31, 2013. The increase was primarily due to the acquisition of the West Auriga in March 2014, the acquisition of the West Vela in November 2014, and the full year of expenses of the T-15 and T-16, which commenced operations in the third quarter of 2013. The increases were partly offset by lower operating costs of the West Aquarius due to downtime.

Amortization of favorable contracts

Amortization of favorable contracts increased to \$14.8 million for the year ended December 31, 2014 from nil in the year ended December 31, 2013. The increase was due to the favorable contracts recognized on the purchase of the West Auriga in March 2014, and the acquisition of the West Vela in November 2014. The favorable drilling contracts are recorded as an intangible asset at fair value on the date of acquisition. These intangibles are amortized on a straight-line basis over the remaining contract period.

Reimbursable expenses

Reimbursable expenses increased by \$27.3 million, or 257.5%, to \$37.9 million, for the year ended December 31, 2014, from \$10.6 million in the year ended December 31, 2013. The increase was due to additional equipment purchased on behalf of customers, for which we have been reimbursed.

Depreciation and amortization

Depreciation and amortization increased by \$57.5 million, or 40.7%, to \$198.7 million, for the year ended December 31, 2014, from \$141.2 million in the year ended December 31, 2013. The increase was primarily due to the acquisition of the West Auriga in March 2014, the acquisition of the West Vela in November 2014, and depreciation relating to the T-15 and T-16, which had a lower expense in the comparative period as they commenced operations during the third quarter of 2013.

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General and administrative expenses

General and administrative expenses increased by \$1.8 million, or 3.6%, to \$51.4 million, for the year ended December 31, 2014, from \$49.6 million for the year ended December 31, 2013. The increase was due to higher administrative management fees charged by Seadrill due to the increased size of the Company's fleet.

Interest expense

Interest expense increased by \$48.7 million, or 52.8%, to \$140.9 million for the year ended December 31, 2014, compared to interest expense of \$92.2 million in the year ended December 31, 2013. The increase in the interest expense was primarily due to the increase in the outstanding debt, which was driven by the acquisition of the West Auriga in March 2014, the acquisition of the West Vela in November 2014, and the debt issued under the new Amended Senior Secured Credit Facilities.

Loss/gain on derivative financial instruments

In the year ended December 31, 2014, the Company recognized losses from derivative instruments of \$124.9 million compared to gains of \$49.9 million in 2013. The loss on the derivatives during 2014 was due to adverse movements in future expected interest rates which impact the interest rate swaps, compared to favorable movements in 2013. The corresponding fair market value of the interest rate swaps was a \$50.1 million liability as at December 31, 2014 compared to an asset of \$42.4 million as at December 31, 2013. The unrealized portion of the loss on the derivatives during 2014 was \$99.1 million and the realized portion of the loss on derivatives during 2014 was \$25.8 million. In 2013, the unrealized gain was \$60.2 million and the realized loss was \$10.3 million.

The decrease was related to an interest rate swap gain incurred by Seadrill in 2013, which was charged to the Company on a back to back basis under the agreements with Seadrill.

Other financial items

Other financial items reported in the income statement include the following items:

	Year Ended	
	December 31,	
(US\$ millions)	2014	2013
Interest income	3.7	4.4
Currency exchange loss	(3.3)	(1.2)
Total other financial items	0.4	3.2

Other financial items decreased by \$2.8 million, or 87.5%, to \$0.4 million for the year ended December 31, 2014, compared to \$3.2 million for the year ended December 31, 2013. The decrease is related to a decrease in interest earned on cash balances and an increase in the losses of foreign currency translation, primarily relating to the West Capella and West Leo operating in Nigeria and Ghana respectively.

Income taxes

Income tax expense was \$34.8 million and \$33.2 million, and the Company's effective income tax rate was 10.0% and 7.5% for the years ended December 31, 2014 and 2013 respectively. The increase in the Company's effective income tax rate was due to the change in taxing jurisdictions in which the Company's drilling units operated and/or were owned.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest decreased by \$94.6 million, or 34.9%, from \$271.0 million for the year ended December 31, 2013, to \$176.4 million for the year ended December 31, 2014. This was due primarily due to the acquisition by the Company of an additional 28% limited partner interest in Seadrill Operating LP.

Net income attributable to Seadrill Partners LLC Members

Net income attributable to Seadrill Partners LLC decreased by \$6.2 million, or 4.3%, to \$138.2 million, primarily due to a reduction in net income of \$100.8 million offset by a reduction in the proportion of income attributable to non-controlling interest as a result of the Company's purchase of an additional 28% limited partner interest in Seadrill Operating LP on July 21, 2014.

Table of Contents**B. Liquidity and Capital Resources****Overview**

The Company operates in a capital-intensive industry, and its primary liquidity needs are to finance the purchase of additional drilling units, maintenance and ongoing capital expenditure on drilling units, service its significant debt, fund investments (including the equity portion of investments in drilling units), fund working capital, maintain cash reserves against fluctuations in operating cash flows, and pay distributions. Most of our contract and other revenues are received monthly in arrears, and most of our operating costs are paid on a monthly basis. Our funding and treasury activities are conducted within corporate policies to maximize returns while maintaining appropriate liquidity for our operating requirements.

This section discusses the most important factors affecting the liquidity and capital resources of the Company, including:

• Analysis of cash flows for the years ending December 31, 2015, 2014 and 2013

• Estimated maintenance and replacement capital expenditures

• Borrowing activities

• Restrictive covenants

• Liquidity requirements

• Derivative instruments and hedging activities

Analysis of Cash Flows for the years ending December 31, 2015, 2014 and 2013

The following table summarizes the Company's net cash flows from operating, investing and financing activities and our cash and cash equivalents for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$859.8	\$608.7	\$564.0
Net cash used in investing activities	(376.3)	(1,542.8)	(159.3)
Net cash (used in) / provided by financing activities	(407.6)	1,087.1	(336.2)
Effect of exchange rate changes on cash	0.4	—	—
Net increase in cash and cash equivalents	76.3	153.0	68.5
Cash and cash equivalents at beginning of period	242.7	89.7	21.2
Cash and cash equivalents at end of period	319.0	242.7	89.7

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$859.8 million and \$608.7 million for the years ended December 31, 2015 and 2014, respectively, an increase of \$251.1 million or 41.3%. The increase was primarily due to higher operating income due to the acquisitions of the West Polaris in June 2015, the West Auriga in March 2014 and the West Vela in November 2014. The decrease in downtime on the West Aquarius and West Capricorn and improved cash collections from customers also contributed to the increase in net cash provided by operating activities.

Net cash provided by operating activities was \$608.7 million and \$564.0 million for the years ended December 31, 2014 and 2013, respectively. The increase was \$44.7 million or 7.9%. The increase was primarily due to an increase in operating income for the year due to a larger fleet, offset by increased interest expenses and realized losses on derivative financial instruments.

Net Cash Used in Investing Activities

Net cash used in investing activities of \$376.3 million in 2015 was primarily due to the Company's acquisition of the entity that owns and operates the West Polaris from Seadrill. The cash consideration, net of cash acquired, paid to acquire the West Polaris was \$214.7 million. The Company also made a loan to a subsidiary of Seadrill of \$143.0

million in order to restore Seadrill's liquidity following a loan made by a subsidiary of Seadrill to an operating subsidiary of the Company.

Net cash used in investing activities of \$1,542.8 million in 2014 was due to the Company's acquisitions of the entities that own and operate the West Auriga and the West Vela from Seadrill. The cash consideration, net of cash acquired, paid to acquire the West Auriga and the West Vela was \$672.6 million and \$465.1 million respectively. The Company also purchased from Seadrill an additional 28% limited partner interest in Seadrill Operating LP for \$373.5 million.

As a result of the acquisition, the Company's limited partner interest in Seadrill Operating LP increased from 30% to 58%. Additions to drilling units were \$31.6 million, relating mainly to the West Aquarius.

Net cash used in investing activities of \$159.3 million in 2013 was mainly due to the costs of construction of the T-15 and T-16.

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Net Cash (Used in) / Provided by Financing Activities

Net cash used for financing activities was \$407.6 million during the year ended December 31, 2015. Net cash used for financing activities was impacted by (i) net proceeds from the revolving credit facility of \$50.0 million, (ii) repayments of debt of \$97.6 million, (iii) repayments of related party debt with Seadrill of \$40.3 million, (iv) payment of contingent consideration to Seadrill of \$26.6 million, (v) proceeds from a loan from Seadrill of \$143.0 million, and (vi) cash distributions totaling \$435.3 million.

Net cash provided by financing activities was \$1,087.1 million during the year ended December 31, 2014. Net cash provided by financing activities was impacted by (i) net proceeds from long term debt of \$2,825.4 million due to the new Amended Senior Secured Credit Facility (Term Loan B), (ii) repayments of debt of \$472.1 million, (iii) repayments of related party debt with Seadrill of \$1,588.3 million, (iv) repayment of the revolving credit facility with Seadrill of \$125.9 million, (v) repayments of related party discount notes with Seadrill of \$399.9 million, (vi) cash distributions totaling \$660.2 million, (vii) proceeds from the issuance of common units of \$937.8 million, and (viii) proceeds from the issuance of units by Seadrill Capricorn Holdings LLC of \$570.3 million.

Net cash used in financing activities was \$336.2 million during the year ended December 31, 2013. Net cash used in financing activities of \$336.2 million was impacted by (i) repayments of debt of \$348.8 million, (ii) a repayment of the revolving credit facility with Seadrill of \$43.7 million, (iii) cash distributions totaling \$140.9 million, (iv) \$112.4 million relating to changes in invested equity and (v) \$939.2 million relating to distributions to Seadrill for the acquisition of T-15, T-16, West Leo and West Sirius. This was offset by \$98.0 million from the proceeds of debt, \$169.6 million relating to proceeds from borrowings under the revolving credit facility with Seadrill, \$409.5 million relating to proceeds from related party vendor financing, \$464.8 million relating to proceeds from issuing equity relating to the acquisition of the T-16, West Leo and West Sirius and \$106.9 million relating to proceeds from issuing equity to related parties.

Net Increase in Cash and Cash Equivalents

As a result of the foregoing, cash and cash equivalents increased in 2015 by \$76.3 million, increased in 2014 by \$153 million, and increased in 2013 by \$68.5 million.

Estimated Maintenance and Replacement Capital Reserves

The Company's operating agreement requires it to distribute its available cash each quarter. In determining the amount of cash available for distribution, the Company's board of directors determines the amount of cash reserves to set aside, including reserves for future maintenance capital expenditures, working capital and other matters. Because of the substantial capital expenditures the Company is required to make to maintain its fleet, the Company's current annual estimated maintenance and replacement capital reserves will be \$201 million per year, which is comprised of \$75 million for long term maintenance and society classification surveys and \$126 million, including financing costs, for replacing the Company's existing drilling units at the end of their useful lives.

The estimate for future rig replacement is based on assumptions regarding the remaining useful life of the Company's drilling units, a net investment rate applied on reserves, replacement values of the Company's existing rigs based on current market conditions, and the residual value of the rigs. The actual cost of replacing the drilling units in the Company's fleet will depend on a number of factors, including prevailing market conditions, drilling contract operating dayrates and the availability and cost of financing at the time of replacement. The Company's operating agreement requires its board of directors to deduct from the Company's operating surplus each quarter estimated maintenance and replacement capital reserves, as opposed to actual maintenance and replacement capital expenditures, in order to reduce disparities in operating surplus caused by fluctuating maintenance and replacement capital expenditures, such as society classification surveys and rig replacement. The Company's board of directors, with the approval of the conflicts committee, may determine that one or more of the assumptions should be revised, which could cause the board of directors to increase the amount of estimated maintenance and replacement capital reserves. The Company may elect to finance some or all of its actual maintenance and replacement capital expenditures through the issuance of additional common units which could be dilutive to existing unitholders. As the Company's fleet matures and

expands, estimated long-term maintenance reserves will likely increase.

Please read Item 3 “Key Information—Risk Factors—Risks Inherent in the Company's Business - The Company must make substantial capital and operating expenditures to maintain and replace the operating capacity of its fleet, which will reduce its cash available for distribution. In addition, each quarter the Company is required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted.”

Borrowing Activities

Please refer to Note 11 - “Debt” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report for detailed information on our borrowings and credit facilities.

As of December 31, 2015, we had total outstanding borrowings under our credit facilities of \$3,592.3 million, compared to \$3,303.9 million as at December 31, 2014. In addition, we had interest bearing debt under loan agreements with related parties of \$306.0 million, compared to \$346.5 million as at December 31, 2014.

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We have issued a variety of secured and unsecured borrowings. The secured debt is secured by, among other things, liens on our drilling units. In addition, some of our loan agreements contain cross-default provisions, meaning that if we are in default under one of our loan agreements, amounts outstanding under our other loan agreements may also be in default, accelerated and become due and payable. Our unsecured debt consists of related party borrowings from Seadrill to fund the acquisitions of drilling units from Seadrill. Some of the Company's existing financing agreements contain cross-default provisions that may be triggered if Seadrill defaults under the terms of its existing or future financing agreements. In turn, Seadrill's existing financing arrangements contain cross-default provisions that may be triggered if its key subsidiaries, including North Atlantic Drilling Ltd. and Sevan Drilling ASA, default under the terms of their existing or future financing arrangements.

Some of the Company's existing financing agreements contain cross-default provisions that may be triggered if Seadrill defaults under the terms of its existing or future financing agreements. In turn, Seadrill's existing financing arrangements contain cross-default provisions that may be triggered if any of its key subsidiaries default under the terms of their existing or future financing arrangements. In addition Seadrill also consolidates certain Variable Interest Entities (VIEs) owned by Ship Finance International Limited (NYSE: SFL), or Ship Finance. Seadrill's cross-default provisions could also be triggered if Ship Finance or one of the consolidated VIEs breached the terms of their financing arrangements.

Effective as of December 31, 2015, an operating subsidiary of the Company borrowed \$143.0 million (the "West Sirius loan") from Seadrill in order to provide sufficient immediate liquidity to meet the terms of its bareboat charter termination payment in connection with the West Sirius contract termination. Concurrently, Seadrill borrowed \$143.0 million (the "Seadrill loan") from a rig owning subsidiary of the Company in order to restore its liquidity with respect to the West Sirius loan. Each loan bears an interest rate of one-month LIBOR plus 0.56% and matures in August 2017. Each of the loan parties understand and agree that the loan agreements act in parallel with each other. As of December 31, 2015, \$143.0 million was outstanding under each such loan (December 31, 2014: nil).

During the year ended December 31, 2015, in connection with the completion of the Polaris Acquisition, Seadrill Polaris as borrower, entered into an amendment and restatement of the \$420.0 million term loan facility, (the "West Polaris Facility") secured by the West Polaris. Upon closing of the Polaris Acquisition the outstanding debt of the West Polaris Facility was \$336.0 million. Refer to "Note 3 - Business Acquisitions" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report. During the year ended December 31, 2015, the Company also drew down \$50 million under the revolving credit tranche of the Amended Senior Secured Credit Facilities. The outstanding balance under the West Polaris Facility as of December 31, 2015 was \$315.0 million.

The senior secured credit facility relating the West Vencedor was repaid in full by Seadrill in June 2014, and subsequently the related party agreement between the Company's subsidiary, Seadrill Vencedor Ltd., and Seadrill was amended to carry on this facility on the same terms, referred to as the West Vencedor Loan Agreement. The West Vencedor Loan Agreement was scheduled to mature in June 2015 and all outstanding amounts thereunder would be due and payable, including a balloon payment of \$69.9 million. On April 14, 2015 the Loan Agreement was amended and the maturity date was extended to June 25, 2018. The West Vencedor Loan Agreement bears a margin of 2.25%, a guarantee fee of 1.4% and a balloon payment of \$20.6 million due at maturity in June 2018. As at December 31, 2015 the total net book value of the West Vencedor pledged as security was \$178.4 million. The outstanding balance under the West Vencedor Loan Agreement due to Seadrill was \$57.5 million as of December 31, 2015.

During the year ended December 31, 2014, we raised a total of \$2.9 billion under our new Amended Senior Secured Credit Facilities, which are secured by the West Capella, West Aquarius, West Sirius, West Leo, West Auriga, and West Capricorn. In 2014, in connection with the completion of the Vela Acquisition. We acquired Seadrill Vela Hungary Kft, a borrower under the \$1,450 Million Senior Secured Credit Facility secured by the West Vela and one other drilling unit owned by Seadrill. Under the terms of such facility, certain subsidiaries of Seadrill and Seadrill

Vela Hungary Kft are jointly and severally liable for their own debt and obligations under the facility and the debt and obligations of other borrowers who are also party to such facility. These obligations are continuing and extend to amounts payable by any borrower under the facility. The total amount owed by all parties under this facility as of December 31, 2015 is \$775.6 million. The Company has not recognized any amounts that are related to amounts owed under the facility by other borrowers. Seadrill has provided an indemnity to the Company for any payments or obligations related to this facility that are not related to the West Vela. As of December 31, 2015, the outstanding balance relating to the West Vela was \$382.6 million. Refer to "Note 3 - Business Acquisitions" of the notes to the Consolidated and Combined Carve-Out Financial Statements included herein.

During the year ended December 31, 2015 we made external debt repayments of \$97.6 million, compared to \$472.1 million in 2014. In addition, during the year ended December 31, 2015 we made related party debt repayments of \$40.3 million compared to \$1,588.3 million in 2014. In 2015 this included the normal debt amortizations on secured debt, whereas in 2014 we repaid existing loans with proceeds from our new Amended Senior Secured Credit Facilities.

As at December 31, 2015 we had a total of \$50 million of undrawn borrowing capacity under our the Amended Senior Secured Credit Facilities, and a further \$100 million of undrawn borrowing capacity under the Sponsor Revolving Credit Facility with Seadrill.

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As of December 31, 2015 and December 31, 2014, the Company had the following debt amounts outstanding:

(In US\$ millions)	December 31, 2015	December 31, 2014
External debt agreements		
Amended Senior Secured Credit Facilities	2,894.7	2,881.0
\$1,450 Senior Secured Credit Facility	382.6	422.9
\$420 West Polaris Facility	315.0	—
Sub-total external debt	3,592.3	3,303.9
Less current portion long term external debt	(105.3)	(76.5)
Long-term external debt	3,487.0	3,227.4
Related party debt agreements		
Rig Financing and Loan Agreements		
West Vencedor Loan Agreement (previously \$1,200 facility)	57.5	78.2
\$440 Rig Financing Agreement	139.0	158.8
Sub-total Rig Financing Agreements	196.5	237.0
Other related party debt		
\$109.5 T-15 vendor financing facility	109.5	109.5
Total related party debt	306.0	346.5
Less current portion of related party debt	(145.8)	(40.4)
Long-term related party debt and related party loan notes	160.2	306.1
Total external and related party debt	3,898.3	3,650.4

The outstanding debt as of December 31, 2015 is repayable as follows:

(In US\$ millions)	As at December 31,
2016	251.1
2017	240.8
2018	598.8
2019	29.0
2020	29.0
2021 and thereafter	2,749.6
Total external and related party debt	3,898.3

As discussed in Note 2-Accounting policies, the Company has adopted Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interest, (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as of June 30, 2015. As a result, the consolidated balance sheet as of December 31, 2014 has been restated to reflect this change in accounting principle. Details of the debt issuance costs netted against the current and long-term debt for each of the period presented are shown below.

(In \$ millions)	Outstanding debt as of December 31, 2015		
	Principal outstanding	Debt Issuance Costs	Total Debt
Current portion of long-term external debt	\$105.3	\$ (11.5)	\$93.8
Long-term external debt	3,487.0	(46.6)	3,440.4
Total external debt	\$3,592.3	\$ (58.1)	\$3,534.2

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(In \$ millions)	Outstanding debt as of December 31, 2014		
	Principal outstanding	Debt Issuance Costs	Total Debt
Current portion of long-term external debt	\$76.5	\$ (7.6)	)\$68.9
Long-term external debt	3,227.4	(70.8)	)3,156.6
Total external debt	\$3,303.9	\$ (78.4)	)\$3,225.5

Restrictive Covenants

For a list of financial and non-financial covenants for the Company's financing agreements please refer to "Note 11 - Debt" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

Some of the Company's existing financing agreements contain cross-default provisions that may be triggered if the Company defaults on any of its indebtedness or if the terms of its existing or future financing agreements. In turn, Seadrill's existing financing arrangements contain cross-default provisions that may be triggered if its key subsidiaries default under the terms of their existing or future financing arrangements. Further, because the Company's drilling units are pledged as security for Seadrill's obligations under these financing agreements, lenders thereunder could foreclose on the Company's drilling units in the event of a default thereunder. Seadrill's failure to comply with covenants and other provisions in its existing or future financing agreements could result in cross-defaults under the Company's other existing financing agreements, which could have a material adverse effect on us.

On April 28, 2016, Seadrill executed amendment and waiver agreements in respect of all of its senior secured credit facilities, as part of its efforts to maintain liquidity. The amendment and waiver agreements, among other things, amend the equity ratio, leverage ratio, minimum value clauses and minimum liquidity requirements under Seadrill's and some of our secured credit facilities until June 30, 2017. The key terms and conditions related to the amendment and waiver agreements in respect of our credit facilities are set forth in "Note 11-Debt" of the notes to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

The Company and Seadrill were in compliance with applicable covenants as of December 31, 2015. The Company and Seadrill expects to remain in compliance with the amended covenants in 2016.

Liquidity Requirements

Our short-term liquidity requirements relate to servicing our debt amortizations, interest payments, funding working capital requirements, and making distributions. Sources of liquidity include existing cash balances, restricted cash balances for certain debt, short-term investments, amounts available under revolving credit facilities and contract and other revenues. As of December 31, 2015, the Company's cash and cash equivalents were \$319.0 million, compared to \$242.7 million as of December 31, 2014. We have historically relied on our cash generated from operations to meet our working capital needs. The Company believes its current resources, including the potential borrowings under the revolving credit facilities, and cash generated from operations, provided by our current contract backlog, are sufficient to meet its working capital requirements and other obligations as they fall due for at least the next twelve months.

The amendment and waiver agreements are subject to, among other things, Seadrill's compliance with the processes and undertakings set forth therein, including agreements in respect of progress milestones towards the agreement of, and implementation plan in respect of, a comprehensive financing package. There can be no assurance that Seadrill will maintain compliance with the processes and undertakings set forth in the amendment and waiver agreements, or that any potential debt restructuring, reorganization or recapitalization will be undertaken or be successful. In the event of a default by Seadrill under one of its financing agreements, the cross-default clauses described above that are

in some of our existing financing agreements could cause us to be unable to make additional borrowings under our credit facilities and amounts outstanding under our loan agreements to be accelerated and become due and payable.

Our long-term liquidity requirements include the repayment of long-term debt balances, and funding any potential purchases of drilling units. Generally, the Company's long-term sources of funds will be a combination of borrowings from and leasing arrangements with commercial banks, cash generated from operations and debt and equity financing. Because the Company distributes all of its available cash, the Company expects that it will rely upon financing from external financing sources and related parties, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and other expansion capital expenditures.

Under the Marshall Islands Act or the Marshall Islands Limited Partnership Act, as applicable, OPCO may be prohibited from making distributions to the Company. OPCO may not make a distribution to its members or partners if, after giving effect to the distribution, all of the distributing entity's liabilities, other than liabilities to its members or partners on account of their interests in the entity and liabilities for which the recourse of creditors is limited to specified property of the entity, exceed the fair value of the assets of the entity, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the entity only to the extent that the fair value of that property exceeds that liability. Moreover, subsidiaries of the Company and OPCO not organized in the Marshall Islands are subject to certain restrictions on payment of distributions pursuant to the law of their jurisdictions of organization.

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Derivative Instruments and Hedging Activities

The Company uses financial instruments to reduce the risk associated with fluctuations in interest rates. These agreements do not qualify for hedge accounting and any changes in the fair values of interest rate swap agreements are included in the Consolidated and Combined Carve-Out Statement of Operations within "Loss/(gain) on derivative financial instruments".

Total realized and unrealized loss on interest-rate swap agreements, not qualified for hedge accounting, amounted to \$82.9 million for the year ended December 31, 2015.

As of December 31, 2015, the Company and its consolidated subsidiaries had entered into interest rate swap contracts with Seadrill with a combined outstanding principal amount of \$655.3 million, swapping LIBOR for fixed rates between 1.10% per annum and 1.93% per annum.

As of December 31, 2015, the Company and its consolidated subsidiaries had entered into interest rate swap contracts with external parties with a combined outstanding principal amount of \$2,851.9 million, swapping LIBOR for an average fixed rate of 2.49% per annum.

As of December 31, 2015, the Company's net exposure to short term fluctuations in interest rates on its outstanding debt was \$391.1 million, based on its total net interest bearing debt of \$3,898.3 million, including related party debt agreements, less the \$3,507.2 million outstanding balance of fixed interest rate swaps.

The Company's funding and treasury activities are intended to maintain appropriate liquidity. Cash and cash equivalents are held primarily in U.S. Dollars with minor balances held in Canadian Dollars, Euros, Thai Baht, and Nigerian Naira. The Company has not entered into any foreign currency derivatives related to the Canadian Dollar, Euro, Thai Baht or Nigerian Naira in the periods presented, and, therefore, the Consolidated and Combined Carve-Out Financial Statements do not include any unrealized gains or losses on foreign currency derivatives. The Company receives part of its revenue in the Euro, Canadian dollar and Nigerian Naira. Because the Company incurs operating costs related to the West Capella in Nigerian Naira, the Company is able to offset a portion of its foreign currency exposure with respect to revenues earned in Nigerian Naira. Depending on the level of the Company's currency exposure, the Company may in the future enter into derivative instruments to manage currency risk.

C. Research and Development

The Company does not undertake any significant expenditures on research and development, and has no significant interests in patents or licenses.

D. Trend Information

As a result of the decline in oil prices and reductions in oil company expenditures, the offshore drilling market is currently entering its third year of a downturn. Rig owners are bidding for available work extremely competitively with a focus on utilization over returns, which will likely drive dayrates down to or below cash breakeven levels.

The offshore drilling market continues to be oversupplied with multiple drilling rigs chasing the few opportunities that are available and contracting activity is at the lowest levels since the 1980's. Oil company capital expenditures are expected to decline further in 2016 following two consecutive years of decline. It is expected that the majority of rigs with contracts expiring in 2016 will be unable to find suitable follow on work and many are likely to be idle for a protracted period. Consequently, cold stacking and scrapping activity will likely accelerate.

Oil companies continue to work on managing their existing rig capacity. They are in many cases overcommitted based on reduced activity levels and there is very little appetite for adding new units. Near term budgetary constraints are the

primary focus of many oil companies, with short term cash conservation ranking ahead of long term value generation. However, the near term cost cutting needed to support dividend payments can be expected to negatively impact the long term production profiles of existing development projects.

At today's oil prices the full cycle cost of many of the hydrocarbon provinces globally are uneconomic. A supply response is inevitable, however it may take some time due to the high degree of sunk costs in producing projects. When also considering the eventual demand response to low prices a rebalancing in the oil markets is expected at some point. Offshore oil fields represent a material portion of most major oil company's reserves and their production remains a cost competitive source of hydrocarbons.

Floaters

It is likely that the majority of floaters with contracts expiring in 2016 will be unable to find reasonable follow on work. It will be important to observe how rig owners react when faced with idle time on their units and face the choice to warm stack, cold stack or scrap units. For the most part, customer conversations remain focused on extending existing contracted assets or trade-offs between existing assets and newer assets rather than contracting new units for work.

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In light of the current environment, the Company is encountering and may in the future encounter situations where counterparties request relief to contracted dayrates or seek early contract termination. In the event of early termination for the customer's convenience, an early termination amount is typically payable to the Company, in accordance with the terms of the drilling contract. While the Company believes that its contract terms are enforceable, it may be willing to engage in discussions to modify such contracts if there is a commercial agreement that is beneficial to both parties.

Over the past 18 months 70 units have been scrapped, representing more retirements than over the prior 9 years combined, and more than any other 18 month period in history. Over the next 6 quarters, 26 of the 72 rigs rolling off contract are 5th generation or below units that will be challenged to find work for the foreseeable future as they are priced out of the market by more capable units. 15 or 20 year old assets require significant capital investments to remain part of the active fleet and very few rig owners will find economic justification to keep these old assets working.

Larger drilling companies with diversified fleets will find it easier to make sound economic decisions and cold stack idle rigs as each individual unit represents a smaller percentage of the overall fleet. Cold stacked units will generally require an improvement in dayrates sufficient to overcome reactivation costs before they are reintroduced into marketed supply. Significant cold stacking activity would represent a positive development in the market, effectively reducing marketed supply and helping to stabilize utilization and pricing until a more fundamental recovery is in place.

Currently 170 floaters are contracted, representing 56% marketed utilization. It is estimated that 180-200 rigs are needed in the floater fleet to maintain current decline curves.

Currently the orderbook stands at approximately 69 units. A significant number of these newbuild orders have been delayed or cancelled and we expect this trend to continue. Delayed or cancelled newbuildings will ultimately be added to the fleet, however until an improved market justifies taking deliveries, the vast majority will likely remain in the shipyards. Between now and 2018 there is a high likelihood that there will be overall contraction in the floater fleet due to delivery delays and scrapping activity.

Tender Rigs

The worldwide fleet of tender rigs currently totals 37 units. Overall, the global fleet is 14 years old on average. Currently the orderbook stands at approximately 8 units. 5 are scheduled for delivery in 2016, and 3 in 2017.

Activity in the tender rig market is focused primarily in South-east Asia and West Africa. Tendering activity is typically more stable in this market due to these types of units being employed on development projects, however capacity utilization and dayrates have remained under pressure, similar to the worldwide floater market. Currently 22 tender rigs are contracted, representing 59% utilization.

E. Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2015 or 2014, other than operating lease obligations and other commitments in the ordinary course of business that it is contractually obligated to fulfill with cash under certain circumstances. These commitments include guarantees in favor of banks as well as guarantees towards third parties such as surety performance guarantees towards customers as it relates to the Company's drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these guarantees are not normally called, as the Company typically complies with the underlying performance requirement. As of December 31, 2015, the Company had not been required to make collateral deposits with respect to

these agreements.

The maximum potential future payments are summarized in Note 16 -“Commitments and contingencies” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

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F. Tabular Disclosure of Contractual Obligations

The following table summarizes the Company's long-term contractual obligations as of December 31, 2015:

(\$ in millions)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt obligations	\$3,898.3	\$ 251.1	\$ 839.6	\$ 58.0	\$ 2,749.6
Interest expense commitments on long-term debt obligations ⁽¹⁾	585.7	120.3	217.2	200.6	47.6
Commitment fee on undrawn facility ⁽²⁾	16.1	2.3	4.6	4.6	4.6
Deferred consideration payable ⁽³⁾	290.5	35.8	74.3	73.4	107.0
Total	\$4,790.6	\$ 409.5	\$ 1,135.7	\$ 336.6	\$ 2,908.8

(1) The Company's interest commitment on long-term debt is calculated based on the applicable interest rates contained in its loan agreements as of December 31, 2015 and the associated interest rate swap rates.

The \$100 million revolving credit facility with Seadrill and the \$100.0 million revolving credit facility under the

(2) Amended Senior Secured Credit Facilities incur commitment fees on the undrawn balance of 2% per annum and 0.5% per annum respectively.

The Company recognized deferred consideration payable as a result of the purchase from Seadrill of the entities that own and operate the West Vela on November 4, 2014 and the West Polaris on June 19, 2015. The payment of (3) these amounts is contingent on the amount of contract revenues and mobilization revenues received from the customer. For further information on the nature of these payments please see "Note 3 - Business Acquisitions" of the notes to the Consolidated and Combined Carve-Out Financial Statements in this annual report.

G. Safe Harbor

See the section entitled "Important Information Regarding Forward-Looking Statements" in this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors

The following provides information about each of the Company's directors. The business address through which the board can be contacted is 2nd Floor, Building 11, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YS, United Kingdom.

Name	Age	Position
Graham Robjohns	51	Director
Bert Bekker	77	Director and Audit Committee Member
Kate Blankenship	51	Director and Audit Committee Member
Harald Thorstein	36	Director
Andrew Cumming	61	Director and Conflicts Committee Member
Keith MacDonald	57	Director, Audit Committee Member and Conflicts Committee Member

Graham Robjohns has served as a Director since September 2012. Mr. Robjohns currently serves as a director of Seadrill UK Ltd., a wholly owned subsidiary of Seadrill, and has served in such position since June 2010. Mr. Robjohns was also the Chief Executive Officer of the Company from June 2012 to August 2015. Mr. Robjohns has also served as Principal Executive Officer of Golar LNG Partners LP since July 2011, and prior to that, served as its Chief Executive Officer and Chief Financial Officer from April 2011 to July 2011. Mr. Robjohns served as the Chief Financial Officer of Golar Management from November 2005 until June 2011. Mr. Robjohns also served as Chief Executive Officer of Golar LNG Management from November 2009 until July 2011. Mr. Robjohns served as Group

Financial Controller of Golar Management from May 2001 to November 2005 and as Chief Accounting Officer of Golar Management from June 2003 until November 2005. He was the Financial Controller of Osprey Maritime (Europe) Ltd from March 2000 to May 2001. From 1992 to March 2000 he worked for Associated British Foods Plc. and then Case Technology Ltd (Case), both manufacturing businesses, in various financial management positions and as a director of Case. Prior to 1992, Mr. Robjohns worked for PricewaterhouseCoopers in their corporation tax department. He is a member of the Institute of Chartered Accountants in England and Wales.

Bert Bekker has served as a director of the Company since September 2012, and serves on the Company's audit committee. Mr. Bekker has been in the heavy marine transport industry since 1978 when he co-founded Dock Express Shipping Rotterdam (the predecessor of Dockwise Transport). Mr. Bekker retired from his position as Chief Executive Officer of Dockwise Transport B.V. in May 2003. Mr. Bekker served as Chief Executive Officer of Cableship Contractors N.V. Curacao from March 2001 until June 2006. In May 2006, Mr. Bekker was appointed Executive Advisor Heavy Lift of Frontline Management AS, an affiliate of Frontline Ltd. ("Frontline"), and in January 2007, he was appointed CEO of Sealift

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Management B.V. Mr. Bekker held that position until its merger with Dockwise Ltd in May 2007. Mr. Bekker served as a director of Dockwise Ltd. from June 2007 until December 2009. Mr. Bekker has served as a director of Wilh. Wilhelmsen Netherlands B.V., part of the Wilh. Wilhelmsen ASA Group, since July 2003. Mr. Bekker has served as a director of Seadrill since April 2013.

Kate Blankenship has served as a director of the Company since June 2012, and serves on the Company's audit committee. Mrs. Blankenship has served as a director of Seadrill since its inception in May 2005. Mrs. Blankenship has also served as a director of Frontline since 2003. Mrs. Blankenship joined Frontline in 1994 and served as its Chief Accounting Officer and Company Secretary until October 2005. Mrs. Blankenship has been a director of Ship Finance since October 2003, North Atlantic Drilling Limited since February 2011, Independent Tankers Corporation Limited since February 2008, Golden Ocean Group Limited since November 2004, Archer since its incorporation in 2007 and Avance Gas Holding Limited since October 2013. Mrs. Blankenship served as a director of Golar LNG Limited from July 2003 until September 2015 and Golar LNG Partners LP from September 2007 until September 2015. She is a member of the Institute of Chartered Accountants in England and Wales.

Harald Thorstein has served as a director of the Company since September 2012. Mr. Thorstein has been employed by Frontline Corporate Services since 2011, prior to which he was employed in the Corporate Finance division of DnB NOR Markets from 2008 to 2011, specializing in the offshore and shipping sectors. Mr. Thorstein has an MSc in Industrial Economics and Technology Management from the Norwegian University of Science and Technology. Mr. Thorstein has served as a director of Archer since 2015, Ship Finance since 2011, North Atlantic Drilling Limited since September 2013 and Northern Offshore Limited since 2012, Golden Ocean Group Limited since 2014, Frontline 2012 since 2014 and has served as the Chairman of the Board of Directors Deep Sea Supply PLC since May 2013.

Andrew Cumming was appointed by the remaining elected directors to replace Bart Veldhuizen as a Class III elected director in June 2015. Mr. Cumming has almost 40 years of experience in banking and risk management. Prior to retirement in 2014, Mr. Cumming spent 17 years of his career in a variety of positions at Lloyds Bank, including seven years as Chief Credit Officer, Commercial Banking Division and membership of Group Risk and Commercial Banking Executive Committees. He is a graduate of the University of London and a Fellow of the Chartered Institute of Bankers Scotland. Mr Cumming also currently acts as a director of a UK hotels company, MacDonald Hotel Group, a mortgage company, Bluestone Holdings Group, and a private equity company, Lloyds Development Capital. Mr. Cumming also serves on the Company's conflicts committee.

Keith MacDonald was appointed to the Company's board of directors in October 2014. Mr. MacDonald also serves on the Company's audit and conflicts committees. Mr. MacDonald has over 30 years of experience in asset finance as an adviser, banker and independent board director. From 2009 to 2013 he was Global Head of Structured Corporate Finance for Lloyds Banking Group which included the Shipping and other asset finance operations of the Bank. Prior to Lloyds he held a number of senior roles for Citibank from 1990 to 2006 culminating in being Asia-Pacific Head of Structured Corporate Finance based in Hong Kong and was extensively involved in the Bank's ship finance activities for the Asian market. From 2006 to 2009 he was a Founding Partner of Manresa Partners, a London-based Corporate Finance boutique that specialized in cross-border asset financing. Mr. MacDonald currently acts as an adviser to a number of companies and financial institutions. He is also an Independent Director of two asset finance entities, AABS Limited and RISE Limited and is a Non-Executive Director of First Derivatives plc, a financial technology company listed in London and Dublin. He is a graduate of the National University of Ireland, a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Directors.

Executive Officers

The Company currently does not employ any of the Company's executive officers and relies solely on Seadrill Management to provide the Company with personnel who perform executive officer services for the Company's

benefit pursuant to the management and administrative services agreements and who are responsible for the Company's day-to-day management subject to the direction of the Company's board of directors. Seadrill Management also provides certain advisory, technical management services to the Company's fleet and administrative services to the Company pursuant to the management and administrative services agreement. The following table provides information about each of the personnel of Seadrill Management who perform executive officer services for us. The business address for the Company's executive officers is 2nd Floor, Building 11, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YS, United Kingdom.

Name	Age	Position
Mark Morris (1)	52	Chief Executive Officer
John T. Roche (2)	36	Chief Financial Officer

- (1) Mark Morris replaced Graham Robjohns as Chief Executive Officer of the Company in September 2015. Mr. Robjohns had served as Chief Executive Officer since June 2012
- (2) John Roche replaced Rune Magnus Lundetræ as Chief Financial Officer of the Company in June 2015. Mr. Lundetræ had served as Chief Financial Officer since June 2012

Mark Morris replaced Graham Robjohns as Chief Executive Officer of the Company, commencing September 1, 2015. Effective September 1, 2015, Mark Morris also began serving as the Chief Financial Officer of Seadrill. Prior to joining Seadrill Partners and Seadrill, Mr. Morris was most recently Chief Financial Officer for Rolls-Royce Group plc. During his 28 year career at Rolls Royce, amongst other roles, Mark

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served as Group Treasurer, Managing Director, Rolls-Royce Capital and Treasurer of International Aero Engines, a Rolls-Royce Joint Venture. Mr. Morris is employed by Seadrill Management Ltd.

John T. Roche replaced Rune Magnus Lundetrae as Chief Financial Officer of the Company, effective June 1, 2015. Mr. Roche is also currently Vice President of Investor Relations for Seadrill and will continue with this responsibility on a part time basis. Prior to joining Seadrill in May 2013, Mr. Roche spent 12 years at Morgan Stanley, most recently as an Executive Director in its Investment Banking Division. Mr. Roche is employed by Seadrill Management Ltd. and is a Chartered Financial Analyst.

B. Compensation

Reimbursement of Expenses

The Seadrill Member does not receive compensation from the Company for any services it may provide on the Company's behalf, although it is entitled to reimbursement for expenses incurred on the Company's behalf. In addition, the Company reimburses Seadrill Management for expenses incurred pursuant to the management and administrative services agreement that the Company entered into with Seadrill Management in connection with the closing of the Company's IPO. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions—Management and Administrative Services Agreement."

Executive Compensation

Under the management and administrative services agreements, the Company is obligated to reimburse Seadrill Management for its reasonable costs and expenses incurred in connection with the provision of executive officer and other administrative services to us. In addition, the Company is obligated to pay Seadrill Management a management fee equal to 5% of the costs and expenses incurred on the Company's behalf. For the year ended December 31, 2015, the Company incurred total costs, expenses and fees under these agreements of approximately \$0.5 million. During the year ended December 31, 2015, the Company also paid a management fee to Seadrill UK Ltd. equal to 5% of its costs and expenses pursuant to an additional management and administrative services agreement in connection with the provision of services by Graham Robjohns as Chief Executive Officer of the Company. This agreement was terminated concurrently with the end of Mr. Robjohns' service as an officer of the Company. The amount of the Company's reimbursement to Seadrill Management for the time of the Company's officers depends on an estimate of the percentage of time the Company's officers spend on the Company's business and is based upon a percentage of the salary and benefits Seadrill Management, as applicable, pays to such officers. Seadrill Management Ltd. provides for the compensation of Mr. Morris and Mr. Roche in accordance with its own policies and procedures. The Company does not pay any additional compensation to the Company's officers. Officers and employees of affiliates of Seadrill may participate in employee benefit plans and arrangements sponsored by Seadrill or its affiliates, including plans that may be established in the future. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions—Management and Administrative Services Agreement."

Compensation of Directors

The Company's officers or officers of Seadrill who also serve as the Company's directors receive additional compensation for their service as directors. Additionally the Company's directors receive compensation for their service as directors and members of the audit committee and conflicts committee receive additional compensation for their services on these committees. During the year ended December 31, 2015, the Company's directors received aggregate compensation for services of \$0.3 million. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director is fully indemnified by the Company for actions associated with being a director to the extent permitted under Marshall Islands law.

C. Board Practices

General

The Company's operating agreement provides that the Company's board of directors has authority to oversee and direct the Company's operations, management and policies on an exclusive basis. The Company's executive officers

manage the Company's day-to-day activities consistent with the policies and procedures adopted by the Company's board of directors. Certain of the Company's current executive officers and directors are also executive officers or directors of Seadrill or its subsidiaries.

The Company's current board of directors consists of six members: Kate Blankenship, Graham Robjohns, Bert Bekker, Harald Thorstein, Andrew Cumming, and Keith MacDonald. The Company's board has determined that each of Mrs. Blankenship, Mr. Bekker, Mr. Cumming and Mr. MacDonald satisfies the independence standards established by The New York Stock Exchange, or NYSE, and Rule 10A-3 of the Exchange Act as applicable to the Company. Ms. Blankenship, Mr. Robjohns and Mr. MacDonald, were appointed by the Seadrill Member in its sole discretion and will serve as directors for terms determined by the Seadrill Member. Mr. Thorstein and Mr. Bekker were elected by the Company's common unitholders. Mr. Cumming was appointed by the remaining elected directors pursuant to our operating agreement to replace Bart Veldhuizen upon his resignation from our board of directors in June 2015. Directors elected by its common unitholders are divided into three classes serving staggered three-year terms. Harald Thorstein is designated as the Class I elected director and will serve until the Company's annual meeting of unitholders in 2017, Bert Bekker is designated as the Class II elected director and will serve until the Company's annual meeting of unitholders in 2018, and Andrew Cumming is designated as a Class III elected director and will serve until the Company's annual meeting of unitholders in 2016. At each annual meeting of unitholders, directors will be elected to succeed the class of directors whose terms have expired by a plurality of the votes of the common unitholders. Directors elected

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by the Company's common unitholders will be nominated by the board of directors or by any member or group of members that holds at least 10% of the outstanding common units.

On November 3, 2015, the Company announced that Mr. Tony Curry, a Class III elected director, passed away following a period of illness. Mr. Curry served as a director since April 2013 and was a member of the conflicts committee. The remaining elected directors of the Company are entitled to elect Mr. Curry's replacement to serve the remainder of Mr. Curry's term, which expires at the 2016 annual meeting of members of the Company.

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, if at any time, any person or group owns beneficially more than 5% or more of any class of units then outstanding, any such units owned by that person or group in excess of 5% may not be voted (except for purposes of nominating a person for election to the board). The voting rights of any such unitholders in excess of 5% will effectively be redistributed pro rata among the other common unitholders holding less than 5% of the voting power of such class of units. The Seadrill Member, its affiliates and persons who acquired common units with the prior approval of its board of directors is not subject to this 5% limitation except with respect to voting their common units in the election of the elected directors.

Committees

The Company has an audit committee that, among other things, reviews the Company's external financial reporting, engages external auditors and oversees its internal audit activities and procedures and the adequacy of its internal accounting controls. The Company's audit committee is currently composed of three directors, Ms. Blankenship, Mr. Bekker and Mr. MacDonald. The Company's board has determined that each of Ms. Blankenship, Mr. Bekker and Mr. MacDonald satisfies the independence standards established by the NYSE. Ms. Blankenship qualifies as an "audit committee expert" for purposes of SEC rules and regulations.

The Company also has a conflicts committee composed of two members of its board of directors. The conflicts committee is available at the board's discretion to review specific matters that the board believes may involve conflicts of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to the Company. The members of the conflicts committee may not be officers or employees of the Company or directors, officers or employees of the Seadrill Member or its affiliates, and must meet the independence standards established by the NYSE to serve on an audit committee of a board of directors and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to the Company, approved by all of its members, and not a breach by its directors, the Seadrill Member or its affiliates of any duties any of them may owe the Company or its unitholders. The current members of the Company's conflicts committee are Mr. Cumming and Mr. MacDonald.

Exemption from NYSE Corporate Governance Rules

Because the Company qualifies as a foreign private issuer under SEC rules, the Company is permitted to follow the corporate governance practices of the Marshall Islands (the jurisdiction in which the Company is organized) in lieu of certain NYSE corporate governance requirements that would otherwise be applicable to U.S. companies. NYSE rules do not require a listed company that is a foreign private issuer to have a board of directors that is composed of a majority of independent directors. Under Marshall Islands law, the Company is not required to have a board of directors composed of a majority of directors meeting the independence standards described in NYSE rules. NYSE rules do not require foreign private issuers like us to establish a compensation committee or a nominating/corporate governance committee. Similarly, under Marshall Islands law, the Company is not required to have a compensation committee or a nominating/corporate governance committee. Accordingly, the Company does not have a compensation committee or a nominating/corporate governance committee. For a listing and further discussion of how the Company's corporate governance practices differ from those required of U.S. companies listed on the NYSE, please see Item 16G or visit the corporate governance section of our website at www.seadrillpartners.com.

Management of OPCO

The Company's wholly owned subsidiary, Seadrill Operating GP LLC, the general partner of Seadrill Operating LP, manages Seadrill Operating LP's operations and activities. The Company's board of directors has the authority to appoint and elect the directors of Seadrill Operating GP LLC, who in turn appoint the officers of Seadrill

Operating GP LLC. Certain of the Company's directors and officers also serve as directors or executive officers of Seadrill Operating GP LLC. The partnership agreement of Seadrill Operating LP provides that certain actions relating to Seadrill Operating LP must be approved by its board of directors. These actions include, among other things, establishing maintenance and replacement capital and other cash reserves and the determination of the amount of quarterly distributions by Seadrill Operating LP to its partners, including us. In addition, the Company owns 51% of the limited liability company interests in Seadrill Capricorn Holdings LLC and controls its operations and activities. The Company also owns 100% of the limited liability company interests in Seadrill Partners Operating LLC and controls its operations and activities. Please read Item 7 "Major Unitholders and Related Party Transactions—Related Party Transactions—OPCO Operating Agreements."

D. Employees

The Company's Chief Executive Officer and Chief Financial Officer provide their services to us pursuant to the management and administrative services agreement.

As of December 31, 2015, approximately 1,507 offshore staff served on the Company's offshore drilling units and approximately 88 staff served onshore in technical, commercial and administrative roles in various countries. Certain subsidiaries of Seadrill provide onshore advisory, operational and administrative support to the Company's operating subsidiaries pursuant to service agreements. Please read Item 7 "Major

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Unitholders and Related Party Transactions—Related Party Transactions—Advisory, Technical and Administrative Services Agreement,” and “Major Unitholders and Related Party Transactions—Related Party Transactions—Management and Administrative Services Agreement”.

Some of Seadrill’s employees that provide services for the Company and the Company’s contracted labor are represented by collective bargaining agreements. Some of these agreements require the contribution of certain amounts to retirement funds and pension plans and special procedures for the dismissal of employees. In addition, many of these represented individuals are working under agreements that are subject to salary negotiation. These negotiations could result in higher personnel costs for the Company, other increased costs or increased operating restrictions that could adversely affect its financial performance. Seadrill considers its relationships with the various unions as stable, productive and professional.

E. Unit Ownership

See Item 7 “Major Unitholders and Related Party Transactions—Major Unitholders.”

Item 7. Major Unitholders and Related Party Transactions

A. Major Unitholders

The following table sets forth the beneficial ownership of units of Seadrill Partners LLC owned by beneficial owners of 5% or more of the units, and its directors and executive officers as of April 28, 2016:

Name of Beneficial Owner	Common Units Beneficially Owned		Subordinated Units Beneficially Owned		Percentage of Total Common and Subordinated Units Beneficially Owned	
	Number	Percent	Number	Percent		
Seadrill Limited ⁽¹⁾	26,275,750	34.9 %	16,543,350	100.0%	46.6	%
OppenheimerFunds, Inc. and Oppenheimer SteelPath MLP Alpha Fund ⁽²⁾	6,802,915	9.0 %	—	— %	7.4	%
Mark Morris (Chief Executive Officer)	—	— %	—	— %	—	
John Roche (Chief Financial Officer)	—	— %	—	— %	—	
Graham Robjohns (Director)	*	*	—	— %	—	%
Bert Bekker (Director)	—	— %	—	— %	—	%
Kate Blankenship (Director)	*	*	—	— %	*	
Harald Thorstein (Director)	—	— %	—	— %	—	%
Andrew Cumming (Director)	—	— %	—	— %	—	%
Keith MacDonald (Director)	*	*	—	— %	—	%
All directors and executive officers as a group (8 persons)	*	*	—	— %	*	

* Less than 1%.

(1) Seadrill’s principal shareholder is Hemen Holdings Limited. Hemen Holding Limited, a Cyprus Holding Company, and other related companies which are collectively referred to herein as Hemen, the shares of which are held in trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the 119,097,583 shares, or 24.2%, of the common stock of Seadrill, except to the extent of his voting and dispositive interest in such shares of common stock. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen. In addition to the holdings of shares above, as of March 31, 2016, Hemen is party to Total

Return Swap agreements relating to 3,900,000 of Seadrill's common shares.

- Oppenheimer Funds, Inc. has shared voting power and shared dispositive power as to 6,802,915 common units, which represents 9.0% of the common units outstanding and 7.4% of the common and subordinated units outstanding. Oppenheimer SteelPath MLP Alpha Fund has shared voting power and shared dispositive power as to (2) 4,147,646 common units, which represents 5.5% of the common units outstanding and 4.5% of the common and subordinated units outstanding. This information is based solely on the Schedule 13G/A filed by Oppenheimer Funds, Inc. and Oppenheimer SteelPath MLP Alpha Fund on February 4, 2016.

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, if at any time any person or group owns beneficially more than 5% of any class of units then outstanding, any units beneficially owned by that person or group in excess of 5% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to the board), determining the presence of a quorum or for other similar purposes under the Company's operating agreement, unless otherwise required by law. The voting rights of any such unitholders in excess of 5% will effectively be redistributed pro rata among the other common unitholders holding less than 5% of the voting power of all classes of units entitled to vote. The Seadrill Member, its affiliates and persons who acquired common units with the prior approval of the Company's board of directors will not be subject to this 5% limitation except with respect to voting their common units in the election of the elected directors.

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B. Related Party Transactions

From time to time the Company has entered into agreements and has consummated transactions with certain related parties. The Company may enter into related party transactions from time to time in the future. In connection with the Company's IPO, the Company established a conflicts committee, comprised entirely of independent directors, which must approve all proposed material related party transactions.

Additional disclosure of related party transactions for the years ended December 31, 2015, 2014, and 2013 are presented in Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

The following is a summary of the significant related party agreements with Seadrill:

- i. Omnibus agreement
- ii. Acquisitions
- iii. Management and administrative services agreements
- iv. Advisory, Technical and Administrative Services Agreements
- v. Operating Agreements for Seadrill Operating LP and Seadrill Capricorn Holdings LLC
- vi. Loans and financing agreements
- vii. Derivative interest rate swap agreements
- viii. Bareboat charter agreements

i. Omnibus Agreement

At the closing of the Company's IPO, the Company and OPCO entered into an omnibus agreement with Seadrill, the Seadrill Member and certain of the Company's other subsidiaries. The following discussion describes certain provisions of the omnibus agreement.

Noncompetition

Under the omnibus agreement, Seadrill agreed, and caused its controlled affiliates (other than the Company and the Seadrill Member) to agree, not to acquire, own, operate or contract for any drilling rig operating under a contract for five or more years. For purposes of the omnibus agreement, the term drilling rigs refers only to semi-submersibles, drillships and tender rigs. The Company refers to these drilling rigs, together with any related contracts, as "Five-Year Drilling Rigs" and to all other drilling rigs, together with any related contracts, as "Non-Five-Year Drilling Rigs." The restrictions in this paragraph do not prevent Seadrill or any of its controlled affiliates (including us and its subsidiaries) from:

- (1) acquiring, owning, operating or contracting for Non-Five-Year Drilling Rigs;
 - acquiring one or more Five-Year Drilling Rigs if Seadrill promptly offers to sell the drilling rig to us for the
- (2) acquisition price plus any administrative costs (including reasonable legal costs) associated with the transfer to us at the time of the acquisition;
 - putting a Non-Five-Year Drilling Rig under contract for five or more years if Seadrill offers to sell the drilling rig
- (3) to us for fair market value (x) promptly after the time it becomes a Five-Year Drilling Rig and (y) at each renewal or extension of that contract for five or more years;
- (4) acquiring one or more Five-Year Drilling Rigs as part of the acquisition of a controlling interest in a business or package of assets and owning, operating or contracting for those drilling rigs; provided, however, that:
 - if less than a majority of the value of the business or assets acquired is attributable to Five-Year Drilling Rigs, as determined in good faith by Seadrill's board of directors, Seadrill must offer to sell such drilling rigs to us for their
 - a. fair market value plus any additional tax or other similar costs that Seadrill incurs in connection with the acquisition and the transfer of such drilling rigs to us separate from the acquired business; and
 - b. if a majority or more of the value of the business or assets acquired is attributable to Five-Year Drilling Rigs, as determined in good faith by Seadrill's board of directors, Seadrill must notify us of the proposed acquisition in

advance. Not later than 10 days following receipt of such notice, the Company will notify Seadrill if the Company wishes to acquire such drilling rigs in cooperation and simultaneously with Seadrill acquiring the Non-Five-Year Drilling Rigs. If the Company does not notify Seadrill of its intent to pursue the acquisition within 10 days, Seadrill may proceed with the acquisition and then offer to sell such drilling rigs to us as provided in (a) above;

- (5) acquiring a non-controlling interest in any company, business or pool of assets;
- (6) acquiring, owning, operating or contracting for any Five-Year Drilling Rig if the Company does not fulfill its obligation to purchase such drilling rig in accordance with the terms of any existing or future agreement; acquiring, owning, operating or contracting for a Five-Year Drilling Rig subject to the offers to us
- (7) described in paragraphs (2), (3) and (4) above pending the Company's determination whether to accept such offers and pending the closing of any offers the Company accepts;
- (8) providing drilling rig management services relating to any drilling rig;
- (9) owning or operating a Five-Year Drilling Rig that Seadrill owned and operated as of October 24, 2012, and that was not included in the Company's initial fleet; or
- (10) acquiring, owning, operating or contracting for a Five-Year Drilling Rig if the Company has previously advised Seadrill that the Company consents to such acquisition, operation or contract.

If Seadrill or any of its controlled affiliates (other than us or its subsidiaries) acquires, owns, operates or contracts for Five-Year Drilling Rigs pursuant to any of the exceptions described above, it may not subsequently expand that portion of its business other than pursuant to those exceptions.

Under the omnibus agreement the Company is not restricted from acquiring, operating or contracting for Non-Five-Year Drilling Rigs.

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Upon a change of control of us or the Seadrill Member, the noncompetition provisions of the omnibus agreement will terminate immediately. Upon a change of control of Seadrill, the noncompetition provisions of the omnibus agreement applicable to Seadrill will terminate at the time that is the later of the date of the change of control and the date on which all of our outstanding subordinated units have converted to common units.

Rights of First Offer on Drilling Rigs

Under the omnibus agreement, the Company and its subsidiaries granted to Seadrill a right of first offer on any proposed sale, transfer or other disposition of any Five-Year Drilling Rigs or Non-Five-Year Drilling Rigs owned by us. Under the omnibus agreement, Seadrill agreed (and will cause their subsidiaries to agree) to grant a similar right of first offer to us for any Five-Year Drilling Rigs they might own. These rights of first offer do not apply to a (a) sale, transfer or other disposition of drilling rigs between any affiliated subsidiaries, or pursuant to the terms of any current or future contract or other agreement with a contractual counterparty or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third-party.

Prior to engaging in any negotiation regarding any drilling rig's disposition with respect to a Five-Year Drilling Rig with a non-affiliated third-party or any Non-Five-Year Drilling Rig, the Company or Seadrill, as the case may be, will deliver a written notice to the other relevant party setting forth the material terms and conditions of the proposed transaction. During the 30 day period after the delivery of such notice, the Company and Seadrill will negotiate in good faith to reach an agreement on the transaction. If the Company does not reach an agreement within such 30 day period, the Company or Seadrill, as the case may be, will be able within the next 180 calendar days to sell, transfer, dispose or re-contract the drilling rig to a third party (or to agree in writing to undertake such transaction with a third party) on terms generally no less favorable to us or Seadrill, as the case may be, than those offered pursuant to the written notice.

Upon a change of control of us or the Seadrill Member, the right of first offer provisions of the omnibus agreement will terminate immediately. Upon a change of control of Seadrill, the right of first offer provisions applicable to Seadrill under the omnibus agreement will terminate at the time that is the later of the date of the change of control and the date on which all of its outstanding subordinated units have converted to common units.

Rights of First Offer on OPCO Equity Interests

Pursuant to the omnibus agreement, Seadrill granted (and caused its controlled affiliates other than us to grant) to us a 30 day right of first offer on any proposed transfer, assignment, sale or other disposition of any equity interests in OPCO upon agreement of the purchase price of such equity interests by Seadrill and us. The right of first offer under the omnibus agreement does not apply to a transfer, assignment, sale or other disposition of any equity interest in OPCO between any controlled affiliates.

Prior to engaging in any negotiation regarding any disposition of equity interests in OPCO to an unaffiliated third party, Seadrill will deliver a written notice setting forth the material terms and conditions of the proposed transactions. During the 30 days period after the delivery of such notice, the Company and Seadrill will negotiate in good-faith to reach an agreement on the transaction. If the parties do not reach an agreement within such 30 day period, Seadrill will be able within the next 180 days to transfer, assign, sell or otherwise dispose of any equity interest in OPCO to an unaffiliated third party (or agree in writing to undertake such transaction with a third party) on terms generally no less favorable to the third party than those included in the written notice.

If Seadrill or its affiliates no longer control the Seadrill Member or the Company, the provisions of the omnibus agreement relating to the right of first offer with respect to the equity interests in OPCO will terminate automatically. Upon a change of control of Seadrill, the provisions of the omnibus agreement relating to the right of first offer with

respect to the equity interests in OPCO will terminate at the later of (a) the date on which all of the outstanding subordinated units have converted into common units and (b) the date of the change of control of Seadrill.

Indemnification

Under the omnibus agreement, Seadrill has agreed to indemnify us until October 24, 2017 against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to us to the extent arising prior to the time they were contributed or sold to us. Liabilities resulting from a change in law after October 24, 2012 are excluded from the environmental indemnity. There is an aggregate cap of \$10 million on the amount of indemnity coverage provided by Seadrill for environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds \$500,000, in which case Seadrill is liable for claims only to the extent such aggregate amount exceeds \$500,000.

Seadrill has also agreed to indemnify us for liabilities related to:

certain defects in title to Seadrill's assets contributed or sold to OPCO and any failure to obtain, prior to the time they were contributed, certain consents and permits necessary to conduct, own and operate such assets, which liabilities arise on or before October 24, 2015 (or, in the case of the T-15 or the T-16, within three years after its purchase of the T-15 or the T-16); and

tax liabilities attributable to the operation of the assets contributed or sold to OPCO prior to the time they were contributed or sold.

Amendments

The omnibus agreement may not be amended without the prior approval of the conflicts committee of the Company's board of directors if the proposed amendment will, in the reasonable discretion of its board of directors, adversely affect holders of its common units.

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ii. Acquisitions

The Company has made the following acquisitions since the IPO:

T-15 Acquisition

On May 17, 2013, Seadrill Partners Operating LLC acquired Seadrill T-15 Ltd., or Seadrill T-15, the entity that owns the T-15, and Seadrill International Limited, the entity that is party to the T-15 and T-16 drilling contracts, from Seadrill for a total purchase price of \$210.0 million, less \$100.5 million of debt assumed relating to the proportion of Seadrill's existing \$440 million credit facility. Working capital adjustments reduced the purchase price by \$34.9 million, which was settled in cash during the year.

In connection with the T-15 acquisition, Seadrill T-15 entered into a related party loan agreement with Seadrill in the amount of approximately \$100.5 million, corresponding to the aggregate principal amount outstanding under the \$440 Million Rig Financing Agreement allocable to the T-15. Pursuant to the related party loan agreement, Seadrill T-15 can make payments of principal and interest directly to the lenders under the \$440 Million Rig Financing Agreement on Seadrill's behalf or to Seadrill, corresponding to payments of principal and interest due under the \$440 Million Rig Financing Agreement that are allocable to the T-15. Seadrill has the option to make the payments of principal and interest directly to the lenders themselves, and specify an alternate method of compensation from Seadrill T-15. The \$440 Million Rig Financing Agreement is a \$440 million senior secured term loan with a syndicate of banks. The T-15 and the T-16 are pledged to secure Seadrill's obligations under \$440 Million Rig Financing Agreement. The \$440 Million Rig Financing Agreement bears interest at a rate of LIBOR plus 3.25% and will mature in December 2017.

T-16 Acquisition

On October 18, 2013, Seadrill Partners Operating LLC acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig T-16 for a total purchase price of \$200.0 million, less \$93.1 million of debt assumed relating to the proportion of the existing \$440 million credit facility, relating to the T-16. Working capital adjustments reduced the purchase price by \$39.0 million, which was recognized within related party receivables at December 31, 2013. In connection with the T-16 acquisition, Seadrill T-16 entered into a related party loan agreement with Seadrill in the amount of approximately \$93.1 million, corresponding to the aggregate principal amount allocable to the T-16 outstanding under the \$440 Million Rig Financing Agreement. Pursuant to the related party loan agreement, Seadrill T-16 can make payments of principal and interest directly to the lenders under the \$440 Million Rig Financing Agreement on Seadrill's behalf or to Seadrill, corresponding to payments of principal and interest due under the \$440 Million Rig Financing Agreement that are allocable to the T-16.

West Leo and West Sirius Acquisitions

On December 13, 2013, Seadrill Operating LP acquired all of the ownership interests in each of the entities that own, operate and manage the semi-submersible drilling rig, West Leo and Seadrill Capricorn Holdings LLC acquired all of the ownership interests in each of the entities that own and operate the semi-submersible drilling rig, West Sirius. The Leo Acquisition and the Sirius Acquisition were accomplished through a series of purchases and contributions. The implied purchase prices of the Leo Acquisition and the Sirius Acquisition were \$1.250 billion and \$1.035 billion, respectively, in each case, including working capital. The Company's portion of the purchase price after debt financing at the OPCO level for the Leo Acquisition was \$229.4 million. The Company's portion of the purchase price after debt financing at the OPCO level for the Sirius Acquisition was \$298.4 million. The Company funded \$70 million of the \$298.4 million purchase price by issuing a zero coupon discount note to Seadrill which was repaid in full in March 2014. In addition, Seadrill Capricorn Holdings LLC financed \$229.9 million of the purchase price of the Sirius Acquisition by issuing a zero coupon discount note to Seadrill which was repaid in full in February 2014. As a result of these transactions, the Company acquired a (i) 30% indirect interest in the Leo Business and (ii) 51% indirect interest in the Sirius Business.

In connection with the acquisitions, Seadrill Capricorn Holdings LLC and Seadrill Leo Ltd each entered into related party loan agreements with Seadrill in the amount of approximately \$220.1 million and \$485.5 million, respectively, corresponding to the aggregate principal amount outstanding under Seadrill's rig financing facilities allocable to the West Sirius and the West Leo, respectively. These loans were repaid in full in February 2014.

West Auriga Acquisition

On March 24, 2014, Seadrill Capricorn Holdings LLC completed the acquisition from Seadrill all of the ownership interests in each of Seadrill Auriga Hungary Kft., a Hungarian company which owns the drillship, the West Auriga, and Seadrill Gulf Operations Auriga LLC, a Delaware limited liability company which operates the West Auriga. The Auriga Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Auriga, pursuant to a Contribution, Purchase and Sale Agreement, dated as of March 11, 2014, by and among the Company, Seadrill, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc.

The implied purchase price of the Auriga Acquisition was \$1.24 billion. The Company's portion of the purchase price for the Auriga Acquisition, after debt financing at the OPCO level, was \$355.4 million. In addition, Seadrill Capricorn Holdings LLC financed \$100.0 million of the purchase price by issuing a zero coupon limited recourse discount note to Seadrill. At the time of the acquisition, Seadrill Auriga Hungary Kft. was a borrower under the \$1.45 billion credit facility used to finance the West Auriga. As of the closing date of the Auriga Acquisition, Seadrill Auriga

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Hungary Kft owed \$443.1 million in principal under this facility. The liabilities relating to the Company under the facility were subsequently extinguished when the facility was repaid in June 2014.

Purchase of Additional Limited Partner Interest in Seadrill Operating LP

On July 21, 2014, the Company purchased a 28% limited partner interest in Seadrill Operating LP from Seadrill for cash consideration of \$372.8 million.

West Vela Acquisition

On November 4, 2014, the Company's 51% owned subsidiary, Seadrill Capricorn Holdings LLC, completed the purchase of 100% of the ownership interests in each of Seadrill Vela Hungary Kft, a Hungarian company which owns the drillship, the West Vela, and Seadrill Gulf Operations Vela LLC, a Delaware limited liability company which operates the West Vela, pursuant to a Contribution, Purchase and Sale Agreement, dated as of November 4, 2014, by and among Seadrill, the Company, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc. The Vela Acquisition was accomplished through a series of purchases and contributions. As a result of these transactions, the Company acquired a 51% indirect interest in the ownership and operations of the West Vela. The initial purchase price was \$900.0 million. Seadrill Vela Hungary Kft. is a borrower under the \$1.45 billion credit facility (the "Vela Facility") used to finance the West Vela, and under which its obligations are secured by the West Vela. As of the closing date of the Vela Acquisition, Seadrill Vela Hungary Kft owed \$433.1 million in principal under the Vela Facility. Seadrill Vela Hungary Kft's liability to repay debt under the Vela Facility that relates to another rig owned by Seadrill and financed under the Vela Facility remains. However, Seadrill has agreed to indemnify us, Seadrill Capricorn Holdings LLC and Seadrill Vela Hungary Kft. against any liability we may incur under the Vela Facility in respect of such debt.

As part of the acquisition agreement, Seadrill Capricorn Holdings LLC also has an obligation to pay \$44,000 per day for the West Vela's current contract with BP which expires in November 2020. In addition Seadrill Capricorn Holdings LLC will pay contingent consideration of up to \$40,000 per day for the remainder of the BP contract, depending on the actual amount of contract revenue received from BP per day. The purchase price was subsequently adjusted by a working capital adjustment of \$6.0 million.

West Polaris Acquisition

On June 19, 2015, Seadrill Operating completed the purchase of 100% of the ownership interests in Seadrill Polaris, the entity that owns and operates the drillship the West Polaris. The initial consideration for the Polaris Acquisition was comprised of \$204.0 million of cash and \$336.0 million of debt outstanding under the existing credit facility financing the West Polaris.

In addition, Seadrill Operating issued a note (the "Seller's Credit") of \$50.0 million to Seadrill, payment of which is contingent on the future re-contracted dayrate for the West Polaris. The Seller's Credit is due in 2021 and bears an interest rate of 6.5% per annum. During the three-year period following the completion of the current drilling contract with ExxonMobil, the Seller's Credit may be reduced if the average contracted dayrate (net of commissions) for the period, adjusted for utilization, under any replacement contract is below \$450 thousand per day until the Seller's Credit's maturity in 2021. Should the average dayrate of the replacement contract be above \$450 thousand per day, the entire Seller's Credit must be paid to Seadrill upon maturity of the Seller's Credit in 2021. In addition, Seadrill Polaris may make further contingent payments to Seadrill based upon the West Polaris's operating dayrate. At the time of acquisition, the West Polaris was contracted with ExxonMobil on a dayrate of \$653 thousand per day until March 2018. Under the terms of the acquisition agreement, Seadrill Polaris has agreed to pay Seadrill (a) any dayrate it receives in excess of \$450 thousand per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract (the "Initial Earn-Out") and (b) after the expiration of the term of the existing contract until March 2025, 50% of any day rate above \$450 thousand per day, adjusted for daily utilization, tax and agency commission (the "Subsequent Earn-Out").

Refer to Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements for more information on each acquisition.

iii. Management and Administrative Service Agreements

In connection with the IPO, subsidiaries of Seadrill Partners, entered into a management and administrative services agreement with Seadrill Management, a wholly owned subsidiary of the Company, pursuant to which Seadrill Management provides Seadrill Partners certain management and administrative services. The services provided by Seadrill Management are charged at cost plus management fee equal to 5% of Seadrill Management's costs and expenses incurred in connection with providing these services. The agreement has an initial term for 5 years and can be terminated by providing 90 days written notice. Effective as of April 1, 2013, this agreement was novated from Seadrill Management AS to Seadrill Management Ltd.]

During the years ended December 31, 2015, 2014 and 2013, the Company also paid a management fee to Seadrill UK Ltd. equal to 5% of its costs and expenses pursuant to an additional management and administrative services agreement in connection with the provision of services by Graham Robjohns as Chief Executive Officer of the Company. This agreement was terminated concurrently with the end of Mr. Robjohns' service as an officer of the Company.

iv. Advisory, Technical and Administrative Services Agreements

Each of the Company's operating subsidiaries have entered into certain advisory, technical and administrative services agreements with subsidiaries of Seadrill, pursuant to which such subsidiaries provide advisory, technical and administrative services. Each quarter, the Company's

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subsidiaries will reimburse such Seadrill subsidiaries for their reasonable costs and expenses incurred in connection with the provision of these services. In addition, the Company's subsidiaries will pay to such Seadrill subsidiaries a service fee equal to approximately 5% of their costs and expenses incurred in connection with providing services to the Company's subsidiaries for the quarter. Amounts payable under advisory, technical and administrative services agreements must be paid within 30 days after such Seadrill subsidiary submits to the applicable subsidiary an invoice for such fees, costs and expenses, together with any supporting detail that may be reasonably required. Such services include:

Operations Services: assistance and support for the development of technical standards, supervision of third-party contractors, development of maintenance practices and strategies, development of operating policies, improvement of efficiency, minimizing environmental and safety incidents, periodic auditing of operations and purchasing and logistics;

Technical Supervision Services: assistance and advice on maintaining vessel classification and compliance with local regulatory requirements, compliance with contractual technical requirements for the drilling units, ensuring that technical operations are professional and satisfactory in every respect;

Accidents-Contingency Plans: assistance in handling all accidents in the course of operations, and development of a crisis management procedure, and other advice and assistance in connection with crisis response, including crisis communications assistance; and

General Administrative Services: any general administrative services as needed.

Under the advisory, technical and administrative services agreements, the Company's operating subsidiaries have agreed to indemnify certain affiliates of Seadrill and their officers, employees, agents and sub-contractors against all actions which may be brought against them under the advisory, technical and administrative services agreements; provided, however that such indemnity excludes losses which may be caused by or due to the fraud, gross negligence or willful misconduct of Seadrill Management or its officers, employees, agents and sub-contractors. Except for losses that are caused by or due to the fraud of Seadrill Management or its officers, employees, agents and sub-contractors, in no event shall such affiliates of Seadrill's liability to us exceed ten times the annual services fee.

v. Operating Agreements for Seadrill Operating LP and Seadrill Capricorn Holdings LLC

The Company's wholly-owned subsidiary, Seadrill Operating GP LLC, and Seadrill have entered into an agreement of limited partnership of Seadrill Operating LP. This agreement governs the ownership and management of Seadrill Operating LP, designates Seadrill Operating GP LLC as the general partner of Seadrill Operating LP, and provides for quarterly distributions of available cash to its partners, as determined by us as the sole member of the general partner of Seadrill Operating LP. Seadrill owns 42% of the limited partner interests in Seadrill Operating LP and the Company owns 58% of such interests.

The Company owns 51% of the limited liability company interests in Seadrill Capricorn Holdings LLC and controls its operations and activities. Seadrill owns 49% of the limited liability company interests. The limited liability company agreement that governs the ownership and management of Seadrill Capricorn Holdings LLC provides for quarterly distributions of available cash to its members, as determined by its board of directors.

These operating agreements provide that the amount of cash reserves for future maintenance and replacement capital expenditures, working capital and other matters and the amount of quarterly cash distributions to owners will be determined by the Company as the sole member of Seadrill Operating GP LLC and by the board of directors of Seadrill Capricorn Holdings LLC. In addition, its approval as the sole member of Seadrill Operating GP LLC and as the controlling member of Seadrill Capricorn Holdings LLC is required for the following actions relating to Seadrill Operating LP or Seadrill Capricorn Holdings LLC:

- effecting any merger or consolidation involving Seadrill Operating LP or Seadrill Capricorn Holdings LLC;
- effecting any sale or exchange of all or substantially all of Seadrill Operating LP or Seadrill Capricorn Holdings LLC's assets;
- dissolving or liquidating Seadrill Operating LP or Seadrill Capricorn Holdings LLC;
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creating or causing to exist any consensual restriction on the ability of Seadrill Operating LP or Seadrill Capricorn Holdings LLC to make distributions, pay any indebtedness, make loans or advances or transfer assets to us or its subsidiaries;

settling or compromising any claim, dispute or litigation directly against, or otherwise relating to indemnification by Seadrill Operating LP or Seadrill Capricorn Holdings LLC of, any of the directors or officers of Seadrill Operating GP LLC or Seadrill Capricorn Holdings LLC; or

issuing additional interests in Seadrill Operating LP or Seadrill Capricorn Holdings LLC.

Approval of the conflicts committee of the Company's board of directors is required to amend these operating agreements.

vi. Loans and Financing Agreements

Seadrill has provided the Company and its subsidiaries with various loans and financing agreements. Below is information regarding the loans outstanding during the year ended December 31, 2015 and 2014. For additional disclosure regarding these agreements, please read Note 11 - "Debt" and Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

\$440 Million Rig Financing Agreement

Seadrill financed the construction of the drilling units in the Company's fleet with borrowings under third party credit facilities. In connection with the Company's IPO and certain subsequent acquisitions from Seadrill, Seadrill amended and restated the various third party credit facilities ("Rig Financing Agreements") to allow for the transfer of the respective drilling units to OPCO and to provide for OPCO and its subsidiaries that, directly or indirectly, own the drilling units to guarantee the obligations under the facilities. In connection therewith, such subsidiaries

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entered into intercompany loan agreements with Seadrill corresponding to the aggregate principal amount outstanding under the third party credit facilities allocable to the applicable drilling units.

During the twelve months ended December 31, 2014, certain Rig Financing Agreements were repaid with the proceeds of the Senior Secured Credit Facilities as further discussed above. As of December 31, 2015, the only remaining Rig Financing Agreement with Seadrill related to the T-15 and T-16 (the “\$440 Million Rig Financing Agreement”).

In December 2012, Seadrill entered into a \$440 million secured term loan facility with a syndicate of banks in part to fund the acquisition of the T-15 and T-16. This secured term loan is referred to herein as the \$440 Million Rig Financing Agreement. The \$440 Million Rig Financing Agreement is secured by the T-15 and T-16 and two other rigs owned by Seadrill. The T-15 and T-16 Credit Facility bears interest at a rate of LIBOR plus 3.25% and will mature in December 2017. In May 2013, Seadrill entered into an amendment to the \$440 Million Rig Financing Agreement to allow for the transfer of the T-15 to Seadrill Partners Operating LLC and to add Seadrill Partners Operating LLC as a guarantor under the \$440 Million Rig Financing Agreement. In October 2013, Seadrill entered into an amendment to the \$440 Million Rig Financing Agreement to allow for the transfer of the T-16 to Seadrill Partners Operating LLC. Effective from the respective dates of transfer of the T-15 and the T-16 from Seadrill to Seadrill Partners Operating LLC, the entities that own the T-15 and T-16 entered into intercompany loan agreements with Seadrill in the amount of approximately \$100.5 million and \$93.1 million, respectively. Pursuant to the intercompany loan agreements, the entities which own the T-15 and T-16 make payments of principal and interest directly to the lenders under the \$440 Million Rig Financing Agreement, at Seadrill’s direction and on its behalf. Such payments correspond to payments of principal and interest due under the \$440 Million Rig Financing Agreement that are allocable to the T-15 and the T-16.

The total amounts owed under the \$440 Million Rig Financing Agreement, totaled \$139 million as of December 31, 2015 (December 31, 2014: \$159 million). Certain subsidiaries of the Company are guarantors under the external facilities in which the T-15 and T-16 are pledged as security. Under the terms of the facilities, the guarantors are jointly and severally liable for other guarantors and the borrower who are party to this facility. Seadrill has provided an indemnification to the Company for any payments or obligations related to these facilities for any losses incurred which do not relate to the T-15 and T-16.

West Vencedor Loan Agreement

The senior secured credit facility relating to the West Vencedor was repaid in full by Seadrill in June 2014, and subsequently the related party agreement between the Company's subsidiary, Seadrill Vencedor Ltd., and Seadrill was amended to carry on this facility on the same terms (the “West Vencedor Loan Agreement”) The West Vencedor Loan Agreement was scheduled to mature in June 2015 and all outstanding amounts thereunder would be due and payable, including a balloon payment of \$70 million. On April 14, 2015 the Loan Agreement was amended and the maturity date was extended to June 25, 2018. The West Vencedor Loan Agreement bears a margin of 2.25%, a guarantee fee of 1.4% and a balloon payment of \$21 million due at maturity in June 2018. The total amount owed to Seadrill under the remaining West Vencedor Loan Agreement as of December 31, 2015, was \$58 million (December 31, 2014: \$78 million).

\$1,450 Million Senior Secured Credit Facility

Under the terms of the \$1,450 Million Senior Secured Credit Facility, certain subsidiaries of Seadrill and the Company are jointly and severally liable for their own debt and obligations under the facility and the debt and obligations of other borrowers who are also party to such agreement. These obligations are continuing and extend to amounts payable by any borrower under the facility. Seadrill has provided an indemnity to the Company for any payments or obligations related to this facility that are not related to the West Vela. The facility has a final maturity in 2025, with a commercial tranche due for renewal in 2018, and bears interest at a rate equal to LIBOR plus a margin that varies from 1.2% to 3% depending on which of the four loan tranches to which it is applicable. The total amount owed by all parties under this facility as of December 31, 2015 is \$775.6 million (December 31, 2014: \$856 million).

\$109.5 Million Vendor Financing Loan

In May, 2013, the Company borrowed from Seadrill \$109.5 million as vendor financing to fund the acquisition of the T-15. The loan bears interest at a rate of LIBOR plus a margin of 5% and matures in May 2016. The outstanding balance as of December 31, 2015 was \$109.5 million (December 31, 2014: \$109.5 million).

\$143 Million Loan Agreement

Effective as of December 17, 2015, an operating subsidiary of the Company borrowed \$143.0 million (the “West Sirius loan”) from Seadrill in order to provide sufficient immediate liquidity to meet the terms of its bareboat charter termination payment in connection with the West Sirius contract termination. Concurrently, Seadrill borrowed \$143.0 million (the “Seadrill loan”) from a rig owning subsidiary of the Company in order to restore its liquidity with respect to the West Sirius loan.

Each loan bears an interest rate of one-month LIBOR plus 0.56% and matures in August 2017. Each of the loan parties understand and agree that the loan agreements act in parallel with each other. As of December 31, 2015, \$143.0 million was outstanding under each such loan.

Sponsor Credit Facility

On October 24, 2012, in connection with the closing of the Company's IPO, OPCO entered into a \$300 million revolving credit facility with Seadrill, as the lender, to be used to fund working capital requirements, acquisitions and other general company purposes. On March 1, 2014, the revolving credit facility was amended to reduce its capacity to \$100 million. The sponsor credit facility is for a term of 5 years, and bears

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interest at a rate of LIBOR plus 5% per annum, with an annual 2% commitment fee on the undrawn balance. The outstanding balance of \$125.9 million was repaid in full in March 2014. The outstanding balance as of December 31, 2015 was nil (December 31, 2014: nil).

vii. Derivative Interest Rate Swap Agreements

As of December 31, 2015, the Company was party to interest rate swap agreements with Seadrill for a combined outstanding principal amount of approximately \$655.3 million at rates between 1.10% per annum and 1.93% per annum. The swap agreements mature between July 2018 and December 2020. The net loss recognized on the Company's interest rate swaps for the year ended December 31, 2015, was \$10.2 million (year ended December 31, 2014: loss of \$41.6 million). Refer to Note 14 - "Risk management and financial instruments" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report for further information.

viii. Bareboat Charter Agreements

In connection with the transfer of the West Aquarius operations to Canada, the West Aquarius drilling contract was assigned to Seadrill Canada Ltd., a wholly owned subsidiary of OPCO, necessitating certain changes to the inter-company contractual arrangements relating to the West Aquarius. Seadrill China Operations Ltd, the owner of the West Aquarius and a wholly-owned subsidiary of OPCO, had previously entered into a bareboat charter arrangement with Seadrill Offshore AS, a wholly-owned subsidiary of Seadrill, providing Seadrill Offshore AS with the right to use the West Aquarius. In October 2012, this bareboat charter arrangement was replaced with a new bareboat charter between Seadrill China Operations Ltd and Seadrill Offshore AS, and at the same time, Seadrill Offshore AS entered into a bareboat charter arrangement providing Seadrill Canada Ltd. with the right to use the West Aquarius in order to perform its obligations under the drilling contract described above. The net effect to OPCO of these bareboat charter arrangements is a cost of \$25,500 per day, but due to the downtime of the rig during 2015 the total effect was income of \$2.1 million.

Seadrill T-15 Ltd. and Seadrill International Ltd. are each party to a bareboat charter agreement with Seadrill UK Ltd., a wholly owned subsidiary of Seadrill. Under this arrangement, the difference in the charter hire rate between the two charters is retained by Seadrill UK Ltd., in the amount of approximately \$820 per day.

Seadrill T-16 Ltd. and Seadrill International Ltd. are each party to a bareboat charter agreement with Seadrill UK Ltd. Under this arrangement, the difference in the charter hire rate between the two charters is retained by Seadrill UK Ltd., in the amount of approximately \$770 per day.

For the year ended December 31, 2015 the net effect to OPCO of the above bareboat charters was net income of \$1.6 million.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Please see "Item 18—Financial Statements" below for additional information required to be disclosed under this item. Legal Proceedings

From time to time the Company has been, and expects that in the future it will be, subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. These claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a

material adverse effect on the Company. Please also see "Note 15 - Commitments and Contingencies" to the audited Consolidated and Combined Carve-Out Financial Statements included elsewhere in this annual report.

The Company's Cash Distribution Policy

Rationale for the Company's Cash Distribution Policy

The Company's cash distribution policy reflects a judgment that its unitholders will be better served by the Company distributing its available cash (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves) rather than retaining it. The Company will generally finance any expansion capital expenditures from external financing sources, including borrowings from commercial banks and the issuance of equity and debt securities. The Company's cash distribution policy is consistent with the terms of its operating agreement, which requires that the Company distribute all of the Company's available cash quarterly (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves).

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Limitations on Cash Distributions and the Company's Ability to Change the Company's Cash Distribution Policy

There is no guarantee that unitholders will receive quarterly distributions from us. The Company's distribution policy is subject to certain restrictions and may be changed at any time, including:

The Company's unitholders have no contractual or other legal right to receive distributions other than the obligation under the Company's operating agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of the Company's board of directors to establish reserves and other limitations.

The board of directors of Seadrill Operating LP's general partner, Seadrill Operating GP LLC (subject to approval by the Company's board of directors), has authority to establish reserves for the prudent conduct of its business. In addition the Company's board of directors controls Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC, and has the authority to establish reserves for the prudent conduct of their respective businesses. The establishment of these reserves could result in a reduction in cash distributions to the Company's unitholders from levels the Company currently anticipates pursuant to the Company's stated cash distribution policy.

The Company's ability to make cash distributions will be limited by restrictions on distributions under its financing agreements. The Company's financing agreements contain material financial tests and covenants that must be satisfied in order to pay distributions. If the Company is unable to satisfy the restrictions included in any of its financing agreements or is otherwise in default under any of those agreements, it could have a material adverse effect on the Company's ability to make cash distributions to its unitholders, notwithstanding the Company's stated cash distribution policy. These financial tests and covenants are described in this annual report in Item 5 "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowing Activities."

The Company will be required to make substantial capital expenditures to maintain and replace its fleet. These expenditures may fluctuate significantly over time, particularly as drilling units near the end of their useful lives. In order to minimize these fluctuations, the Company is required to deduct estimated, as opposed to actual, maintenance and replacement capital expenditures from the amount of cash that the Company would otherwise have available for distribution to the Company's unitholders. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted.

Although the Company's operating agreement requires the Company to distribute all of the Company's available cash, the Company's operating agreement, including provisions requiring the Company to make cash distributions, may be amended. During the subordination period, with certain exceptions, the Company's operating agreement may not be amended without the approval of a majority of the units held by non-affiliated common unitholders. After the subordination period has ended, the Company's operating agreement can be amended with the approval of a majority of the outstanding common units, including those held by Seadrill. As of March 31, 2016, Seadrill owns approximately 34.9% of the Company's common units and all of the Company's subordinated units.

Even if the Company's cash distribution policy is not modified or revoked, the amount of distributions the Company pays under the Company's cash distribution policy and the decision to make any distribution is determined by the Company's board of directors, taking into consideration the terms of the Company's operating agreement.

Under Section 40 of the Marshall Islands Act, the Company may not make a distribution to the Company's unitholders if, after giving effect to the distribution, all liabilities of the Company, other than liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability. Identical restrictions exist on the payment of distributions by OPCO to its members or partners, as applicable.

The Company may lack sufficient cash to pay distributions to the Company's unitholders due to, among other things, changes in the Company's business, including decreases in total operating revenues, decreases in dayrates, the loss of a drilling unit, increases in operating or general and administrative expenses, principal and interest payments on outstanding debt, taxes, working capital requirements, maintenance and replacement capital expenditures or

anticipated cash needs. Please read Item 3 “Key Information—Risk Factors” for a discussion of these factors. The Company's ability to make distributions to the Company's unitholders depends on the performance of the Company's controlled affiliates, including OPCO, and their ability to distribute cash to us. The Company's interests in OPCO represent the Company's only cash-generating assets. The ability of the Company's controlled affiliates, including OPCO, to make distributions to the Company may be restricted by, among other things, the provisions of existing and future indebtedness, applicable limited partnership and limited liability company laws and other laws and regulations.

Minimum Quarterly Distribution

Common unitholders are entitled under the Company's operating agreement to receive a quarterly distribution of \$0.3875 per unit prior to any distribution on the subordinated units and to the extent the Company has sufficient cash on hand to pay the distribution, after establishment of cash reserves and payment of fees and expenses. There is no guarantee that the Company will pay the minimum quarterly distribution on the common units and subordinated units in any quarter. Even if the Company's cash distribution policy is not modified or revoked, the amount of distributions paid under the Company's policy and the decision to make any distribution is determined by the Company's board of directors, taking into consideration the terms of the Company's operating agreement. The Company will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default then exists under the Company's financing agreements. Please read Item 5

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“Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a discussion of the restrictions contained in the Company's credit facilities and lease arrangements that may restrict the Company's ability to make distributions.

Subordination Period

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3875 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units.

The subordination period will extend until the second business day following the distribution of available cash from operating surplus in respect of any quarter, ending on or after September 30, 2017, that each of the following tests are met:

distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

the “adjusted operating surplus” (as defined in the partnership agreement) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted weighted average basis during those periods; and

there are no outstanding arrearages in payment of the minimum quarterly distribution on the common units.

In addition, at any time on or after September 30, 2017, provided there are no arrearages in the payment of the minimum quarterly distribution on the common units and subject to approval by our conflicts committee, the holder or holders of a majority of our subordinated units will have the option to convert each subordinated unit into a number of common units at a ratio that may be less than one-to-one on a basis equal to the percentage of available cash from operating surplus paid out over the previous four-quarter period in relation to the total amount of distributions required to pay the minimum quarterly distribution in full over the previous four quarters.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. The Seadrill Member currently holds the incentive distribution rights, which may be transferred separately from the Seadrill Member interest, subject to restrictions in the operating agreement. Except for transfers of incentive distribution rights to an affiliate or another entity as part of the Seadrill Member's merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of the Company's common units (excluding common units held by the Seadrill Member and its affiliates) generally is required for a transfer of the incentive distribution rights to a third party prior to September 30, 2017. Any transfer by the Seadrill Member of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and the holders of the incentive distribution rights up to the various target distribution levels. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of the unitholders and the holders of the incentive distribution rights in any available cash from operating surplus the Company distributes up to and including the corresponding amount in the column “Total Quarterly Distribution Target Amount,” until available cash from operating surplus the Company distributes reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the holders of the incentive distribution rights for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum

quarterly distribution.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions			
		Unitholders		Holders of IDRs	
Minimum Quarterly Distribution	\$0.3875	100	%	—	%
First Target Distribution	up to \$0.4456	100	%	—	%
Second Target Distribution	above \$0.4456 up to \$0.4844	85	%	15	%
Third Target Distribution	above \$0.4844 up to \$0.5813	75	%	25	%
Thereafter	above \$0.5813	50	%	50	%

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Quarterly distributions

The table below sets out the quarterly distributions declared and paid to unitholders since December 31, 2014.

Period in respect of:	Amount declared and paid	Amount declared and paid (\$ in		Incentive	Total
	per unit (\$)	millions)	millions)	distribution rights	
Common units	Subordinated units	Common units	Subordinated units		
2014 Q4	0.5675	0.5675	42.729.39	3.17	55.28
2015 Q1	0.5675	0.5675	42.729.39	3.17	55.28
2015 Q2	0.5675	0.5675	42.729.39	3.17	55.28
2015 Q3	0.5675	0.5675	42.729.39	3.17	55.28
2015 Q4 (1) (2)	0.2500	0.2500	18.82—	—	18.82

(1) This cash distribution was paid on February 12, 2016 to all unitholders of record as of the close of business on February 5, 2016.

(2) The distribution made, in respect of the fourth quarter of 2015 was below the Minimum Quarterly Distribution as set out above. Arrearages in the payment of the minimum quarterly distribution on the common units must be paid before any distributions of available cash from operating surplus may be made in the future on the subordinated units.

B. Significant Changes

There have been no significant changes since the date of our Consolidated Financial Statements included in this report, other than as described in Note 18 - Subsequent Events thereto.

Item 9. The Offer and Listing

3 A. Offer and Listing Details

The high and low sales prices of the Company's common units as reported by the New York Stock Exchange, for the years, quarters and months indicated, are as follows:

Year Ended	High	Low
December 31, 2015	\$17.33	\$2.92
December 31, 2014	\$35.10	\$14.57
December 31, 2013	\$33.68	\$25.65
December 31, 2012 (1)	\$28.00	\$22.90

Quarter Ended	High	Low
March 31, 2016	\$4.74	\$1.70
December 31, 2015	\$12.20	\$2.92
September 30, 2015	\$13.36	\$7.94
June 30, 2015	\$16.17	\$11.80
March 31, 2015	\$17.33	\$11.50
December 31, 2014	\$31.35	\$14.50
September 30, 2014	\$36.07	\$29.58
June 30, 2014	\$34.38	\$28.57
March 31, 2014	\$33.20	\$28.82

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Month Ended	High	Low
April 27, 2016 (2)	\$5.51	\$3.02
March 31, 2016	\$4.74	\$1.70
February 29, 2016	\$3.22	\$1.70
January 31, 2016	\$3.68	\$1.94
December 31, 2015	\$8.62	\$2.92
November 30, 2015	\$12.20	\$8.25
October 31, 2015	\$11.74	\$8.78

(1) Includes the period from October 19, 2012 through December 31, 2012.

(2) Includes the period from April 1, 2016 through April 27, 2016.

B. Plan of distribution

Not applicable.

C. Markets

The Company's common units currently trade on the New York Stock Exchange under the symbol "SDLP".

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information required to be disclosed under Item 10B is incorporated by reference to the Company's Registration Statement on Form 8-A filed with the SEC on October 17, 2012.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which the Company or any of the Company's subsidiaries is a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19:

- Contribution and Sale Agreement among Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating GP LLC, Seadrill Operating LP, Seadrill Capricorn Holdings LLC, Seadrill Opco Sub LLC, Seadrill Americas Inc., (1) Seadrill Offshore AS, and Seadrill UK Ltd., dated as of October 22, 2012, as amended by Amendment No 1, dated June 30, 2013. This agreement effected the transfer of the ownership interests in OPCO to the Company, and the use of the net proceeds of the IPO.
- Omnibus Agreement among Seadrill Limited, Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating (2) LP, Seadrill Operating GP LLC, and Seadrill Capricorn, dated as of October 24, 2012. See Item 7 "Major Unitholders and Related Party Transactions-Related Party Transactions-Omnibus Agreement."
- Amended and Restated Management and Administrative Services Agreement with Seadrill Management Ltd. See (3) Item 7 "Major Unitholders and Related Party Transactions-Related Party Transactions-Management and Administrative Services Agreement."
- Management Services Agreement with Seadrill UK Ltd. See Item 7 "Major Unitholders and Related Party (4) Transactions-Related Party Transactions-Management and Administrative Services Agreements."
- Advisory, Technical and Administrative Services Agreement with Seadrill Americas, Inc. See Item 7 "Major (5) Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements."

Advisory, Technical and Administrative Services Agreement between Seadrill Management AME Ltd and Seadrill
(6) Vencedor Ltd. dated January 1, 2012. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”

Advisory, Technical and Administrative Services Agreement between Seadrill Management AME Ltd and Seadrill
(7) Deepwater Drillship Ltd. dated January 1, 2012. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”

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- Administrative, Technical and Advisory Agreement, effective as of January 1, 2012 by and among Seadrill Management AME Ltd. and Seadrill Ghana Operations Ltd. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (8) Administrative, Technical and Advisory Agreement, effective as of January 1, 2012 by and among Seadrill Management AME Ltd. and Seadrill Ghana Operations Ltd., effective as of December 13, 2013, by and among
- (9) Seadrill Americas Inc. and Seadrill Gulf Operations Sirius LLC. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- Administrative, Technical and Advisory Agreement, effective as of March 21, 2014, by and among Seadrill Americas Inc. and Seadrill Gulf Operations Auriga LLC. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (10) Administrative, Technical and Advisory Agreement, effective as of February 15, 2013, between Seadrill Americas Inc. and Seadrill Gulf Operations Vela LLC. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (11) Administrative Support Contract, dated July 1, 2014, between Seadrill Mobile Units Nigeria Limited and Seadrill Nigeria Operations Limited. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (12) Administrative Support Contract, dated July 1, 2014, between Seadrill Mobile Units Nigeria Limited and Seadrill Offshore Nigeria Limited. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (13) Advisory, Technical and Administrative Services Agreement, dated June 19, 2015, between Seadrill Management AME Ltd. and Seadrill Polaris Ltd. See Item 7 “Major Unitholders and Related Party Transactions-Related Party Transactions-Advisory, Technical and Administrative Services Agreements.”
- (14) Amended and Restated Revolving Loan Agreement, dated August 31, 2013 among Seadrill Operating LP, Seadrill Capricorn Holdings LLC, and Seadrill Partners Operating LLC as borrowers, and Seadrill Limited, as lender, as amended by the Second Amendment to Revolving Loan Agreement, dated March 1, 2014. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (15) Amended and Restated US\$1,200,000,000 Senior Secured Credit Facility Agreement dated October 10, 2012 for Seadrill Limited, as Borrower, the subsidiaries of Seadrill Limited named therein as guarantors, and the banks and financial institutions named therein as lenders. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (16) Loan Agreement dated September 28, 2012 between Seadrill Limited and Seadrill Vencedor Ltd, as amended by Amendment No. 1, dated August 28, 2014, and Amendment No. 2, dated April 14, 2015. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (17) US\$440,000,000 Secured Credit Facility Agreement dated December 4, 2012 between Seadrill Limited, as borrower, the subsidiaries of Seadrill Limited named therein as guarantors, and the banks and financial institutions named therein as lenders, as amended by the letter agreement, dated June 18, 2015 and the waiver approval letter dated April 28, 2016. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (18) Waiver Approval Letter regarding the US\$440,000,000 Secured Credit Facility Agreement, dated April 28, 2016. Loan Agreement, dated May 16, 2013, between Seadrill Limited, Seadrill T-15 Ltd., Seadrill Partners Operating LLC and Seadrill International Limited. This is an intercompany loan agreement with Seadrill pursuant to which
- (19) Seadrill T-15 Ltd. makes payments of principal and interest to the lenders of the \$440 Million Rig Financing Agreement on Seadrill’s behalf. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (20) Intercompany Loan Agreement, dated May 16, 2013, between Seadrill Limited, as lender and Seadrill Partners Operating LLC, as borrower. Pursuant to this agreement, Seadrill Partners Operating borrowed \$109.5 million to fund the acquisition of the entities that own and operate the T-15. See Note 11 - “Debt” and Note 13 - “Related party

- transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report. Loan Agreement, dated October 11, 2013, by and among Seadrill Limited, Seadrill T-16 Ltd. and Seadrill Partners Operating LLC. Pursuant to this agreement, Seadrill T-16 makes payments of principal and interest
- (22) directly to the lenders under the \$440 Million Rig Financing Agreement on Seadrill's behalf. See Note 11 - “Debt” and Note 13 - “Related party transactions” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Amended and Restated Credit Agreement dated as of June 26, 2014, among Seadrill Operating LP, Seadrill Partners Finco LLC, Seadrill Capricorn Holdings LLC, various lenders and Deutsche Bank AG New York
- (23) Branch, as Administrative Agent and Collateral Agent. See Note 11 - “Debt” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Second Amended and Restated \$1,450 Million Senior Secured Credit Facility Agreement, dated as of November 4, 2014, among Seadrill Tellus Ltd. and Seadrill Vela Hungary Kft., as Borrowers, Seadrill Limited, as Parent, the
- (24) guarantors party thereto, ING Bank N.V., as Agent, the lenders party thereto and the other parties thereto, as amended by the letter agreement, dated May 28, 2015 and the waiver approval letter dated April 28, 2016. See Note 11 - “Debt” to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (25) Waiver Approval Letter regarding the Second Amended and Restated Agreement, dated April 28, 2016.

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- On Demand and Guarantee and Indemnity, dated November 4, 2014, between Seadrill Partners LLC and ING Bank N.V. Pursuant to this agreement, Seadrill Partners LLC has guaranteed the obligations of Seadrill Vela Hungary Kft. under the \$1,450 Million Senior Secured Credit Facility Agreement, dated as of November 4, 2014, among Seadrill Tellus Ltd. and Seadrill Vela Hungary Kft., as Borrowers, Seadrill Limited, as Parent, the guarantors party thereto, ING Bank N.V., as Agent, the lenders party thereto and the other parties thereto, in an amount up to \$497.5 million plus interest and costs.
- (26) Amendment and Restatement Agreement, dated June 19, 2015, between Seadrill Polaris Ltd. as borrower, Seadrill Limited as parent, Ship Finance International Limited as retiring guarantor and the other companies listed therein as guarantors, the banks and financial institutions listed therein as lenders, DNB Bank ASA and Nordea Bank AB, London Branch as bookrunners, the banks and financial institutions named therein as mandated lead arrangers and (27) DNB Bank ASA, as agent, relating to the US\$420,000,000 Term Loan and Revolving Credit Facilities Agreement, originally dated December 28, 2012, as previously amended. See Note 11 - "Debt" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report and as amended by the waiver approval letter dated April 28, 2016.
- (28) Waiver Approval Letter regarding the Amendment and Restatement Agreement, dated April 9, 2016.
- Loan Agreement, dated April 28, 2016, between Seadrill Hungary Kft and Seadrill Limited. See Item 7 "Major (29) Unitholders and Related Party Transactions-Related Party Transactions-Loans and Financing Agreements-\$143 Million Loan Agreement."
- Loan Agreement, dated April 28, 2016, between Seadrill Neptune Hungary Kft and Seadrill Gulf Operations (30) Sirius LLC. See Item 7 "Major Unitholders and Related Party Transactions-Related Party Transactions-Loans and Financing Agreements-\$143 Million Loan Agreement."
- Bareboat Charter Agreement between Seadrill Offshore AS and Seadrill Canada Ltd. dated October 5, 2012. See (31) Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Bareboat Charter Agreements between Seadrill China Operations Ltd. and Seadrill Offshore AS dated October 5, (32) 2012. See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill T-15 Ltd. and Seadrill UK Ltd. (33) See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill T-16 Ltd. and Seadrill UK Ltd. (34) See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill International Ltd. and Seadrill (35) UK Ltd., relating to the T-15. See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill International Ltd. and Seadrill (36) UK Ltd., relating to the T-16. See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Purchase and Sale Agreement, dated May 7, 2013, between Seadrill Limited and Seadrill Partners Operating (37) LLC. Pursuant to this agreement, Seadrill Partners Operating LLC purchased the equity interest in each of the entities that own and operate the T-15. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Purchase and Sale Agreement, dated October 11, 2013, by and among Seadrill Limited, Seadrill Partners LLC and (38) Seadrill Partners Operating LLC. Pursuant to this agreement, Seadrill Partners Operating purchased the equity interests in the entity that owns the T-16. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- (39)

Contribution, Purchase and Sale Agreement, dated December 2, 2013, as amended by Amendment to Contribution, Purchase and Sale Agreement, dated as of December 12, 2013, by and among Seadrill Limited, a Bermuda exempted company Seadrill Partners LLC, Seadrill Operating LP, Seadrill Capricorn Holdings LLC, and Seadrill Americas Inc. Pursuant to this agreement, as amended, Seadrill Operating LP acquired all of the ownership interests in each of the entities that own, operate and manage the semi-submersible drilling rig, West Leo and Seadrill Capricorn Holdings LLC acquired all of the ownership interests in each of the entities that own and operate the semi-submersible drilling rig, West Sirius. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

- Contribution, Purchase and Sale Agreement, dated March 11, 2014. Pursuant to this agreement, Seadrill
- (40) Capricorn Holdings LLC acquired the entities that own and operate the West Auriga. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.
- Promissory Discount Note, dated March 21, 2014 issued by Seadrill Capricorn Holdings LLC. See Note 3 -
- (41) "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

- Limited Partner Interest Purchase Agreement, dated as of July 17, 2014, between Seadrill Limited and Seadrill Partners LLC. Pursuant to this agreement, the Company purchased an additional 28% limited partner interest in
- (42) Seadrill Operating LP. See Note 13 - "Related party transactions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

- Contribution, Purchase and Sale Agreement, dated November 4, 2014, by and among Seadrill Limited, Seadrill Partners LLC, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc. Pursuant to this agreement, Seadrill
- (43) Capricorn Holdings LLC acquired the entities that own and operate the West Vela. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

- Purchase and Sale Agreement, dated as of June 16, 2015, by and among Seadrill Limited, Seadrill Operating LP,
- (44) Seadrill Polaris Ltd. See Note 3 - "Business Acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

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Promissory Note, dated as of June 19, 2015, between Seadrill Operating LP and Seadrill Limited. See Note 3 - (45) "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

Guaranty, dated as of June 19, 2015, between Seadrill Partners LLC as the guarantor and Seadrill Limited as the (46) holder. See Note 3 - "Business acquisitions" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

D. Exchange Controls

The Company is not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of The Marshall Islands that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

The Company is not aware of any limitations on the right of non-resident or foreign owners to hold or vote the Company's securities imposed by the laws of the Republic of The Marshall Islands or the Company's operating agreement.

E. Taxation

Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective unitholders.

This discussion is based upon provisions of the Code, Treasury Regulations, and current administrative rulings and court decisions, all as in effect or existence on the date of this prospectus and all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of unit ownership to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "we," "our" or "us" are references to Seadrill Partners LLC.

The following discussion applies only to beneficial owners of common units that own the common units as "capital assets" within the meaning of Section 1221 of the Code (i.e., generally, for investment purposes) and is not intended to be applicable to all categories of investors, such as unitholders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations, retirement plans or individual retirement accounts or former citizens or long-term residents of the United States), persons who will hold the units as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, or persons that have a functional currency other than the U.S. Dollar, each of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds the Company's common units, the tax treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding the Company's common units, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of the Company's common units.

No ruling has been or will be requested from the IRS regarding any matter affecting the Company or prospective unitholders. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

This discussion does not contain information regarding any U.S. state or local, estate, gift or alternative minimum tax considerations concerning the ownership or disposition of common units. This discussion does not comment on all aspects of U.S. federal income taxation that may be important to particular unitholders in light of their individual circumstances, and each prospective unitholder is urged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of common units.

Election to be Treated as a Corporation

The Company has elected to be treated as a corporation for U.S. federal income tax purposes. As a result, U.S. Holders (as defined below) will not be directly subject to U.S. federal income tax on the Company's income, but rather will be subject to U.S. federal income tax on distributions received from the Company and dispositions of units

as described below.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of the Company's common units that owns (actually or constructively) less than 10% of the Company's equity and that is:

- an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes),
- a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

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Distributions

Subject to the discussion below of the rules applicable to PFICs, any distributions to a U.S. Holder made by the Company with respect to the Company's common units generally will constitute dividends, to the extent of the Company's current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of the Company's earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its common units and, thereafter, as capital gain. U.S. Holders that are corporations generally will not be entitled to claim dividends received deductions with respect to distributions they receive from the Company because the Company is not a U.S. corporation. Dividends received with respect to the Company's common units generally will be treated as "passive category income" for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends received with respect to the Company's common units, by a U.S. Holder that is an individual, trust or estate (a "U.S. Individual Holder") generally will be treated as "qualified dividend income," which is taxable to such U.S. Individual Holder at preferential tax rates provided that: (i) the Company's common units are readily tradable on an established securities market in the United States (such as The New York Stock Exchange on which the Company's common units are traded); (ii) the Company is not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which the Company does not believe it is, has been or will be, as discussed below under "PFIC Status and Significant Tax Consequences"); (iii) the U.S. Individual Holder has owned the common units for more than 60 days during the 121 days period beginning 60 days before the date on which the common units become ex-dividend (and has not entered into certain risk limiting transactions with respect to such common units); and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

The Company has published on its website a copy of its I.R.S. Form 8937 in connection with its distributions paid in the year ended December 31, 2015. There is no assurance that any dividends paid on the Company's common units will be eligible for these preferential rates in the hands of a U.S. Individual Holder, and any dividends paid on the Company's common units that are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any amounts received in respect of the Company's common units that are treated as "extraordinary dividends." In general, an extraordinary dividend is a dividend with respect to a common unit that is equal to or in excess of 10% of a unitholder's adjusted tax basis (or fair market value upon the unitholder's election) in such common unit. In addition, extraordinary dividends include dividends received within a one year period that, in the aggregate, equal or exceed 20% of a unitholder's adjusted tax basis (or fair market value). If the Company pays an "extraordinary dividend" on the Company's common units that is treated as "qualified dividend income," then any loss recognized by a U.S. Individual Holder from the sale or exchange of such common units will be treated as long-term capital loss to the extent of the amount of such dividend.

Sale, Exchange or Other Disposition of Common Units

Subject to the discussion of PFIC status below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of the Company's units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in such units. The U.S. Holder's initial tax basis in its units generally will be the U.S. Holder's purchase price for the units and that tax basis will be reduced (but not below zero) by the amount of any distributions on the units that are treated as non-taxable returns of capital (as discussed above under "Distributions"). Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Certain U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder's ability to deduct capital losses is subject to limitations. Such capital gain or loss generally will be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes.

Medicare Tax on Net Investment Income

Certain U.S. Holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on, among other things, dividends and capital gains from the sale or other disposition of equity interests. For individuals, the additional Medicare tax applies to the lesser of (i) “net investment income” or (ii) the excess of “modified adjusted gross income” over \$200,000 (\$250,000 if married and filing jointly or \$125,000 if married and filing separately). “Net investment income” generally equals the taxpayer’s gross investment income reduced by deductions that are allocable to such income. Unitholders should consult their tax advisors regarding the implications of the additional Medicare tax resulting from their ownership and disposition of the Company's common units.

PFIC Status and Significant Tax Consequences

Adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. corporation that is classified as a PFIC for U.S. federal income tax purposes. In general, the Company will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which the holder held the Company's units, either:

- at least 75% of the Company's gross income (including the gross income of the Company's drilling unit owning subsidiaries) for such taxable year consists of passive income (e.g., dividends, interest, capital gains from the sale or exchange of investment property and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by the Company (including the assets of the Company's drilling unit owning subsidiaries) during such taxable year produce, or are held for the production of, passive income.

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Income earned, or treated as earned (for U.S. federal income tax purposes), by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income generally would constitute “passive income” unless the Company was treated as deriving that rental income in the active conduct of a trade or business under the applicable rules.

Based on the Company's current and projected method of operation, the Company believes that the Company was not a PFIC for the Company's 2015 taxable year, and the Company expects that the Company will not be treated as a PFIC for the current or any future taxable year. The Company expects that more than 25% of the Company's gross income for the Company's 2015 taxable year arose and for the current and each future year will arise from such drilling contracts or other income that the Company believes should not constitute passive income, and more than 50% of the average value of the Company's assets for each such year will be held for the production of such nonpassive income. Assuming the composition of the Company's income and assets is consistent with these expectations, the Company believes that the Company should not be a PFIC for the Company's 2015 taxable year or the Company's current or any future year.

Distinguishing between arrangements treated as generating rental income and those treated as generating services income involves weighing and balancing competing factual considerations, and there is no legal authority under the PFIC rules addressing the Company's specific method of operation. Conclusions in this area therefore remain matters of interpretation. The Company is not seeking a ruling from the IRS on the treatment of income generated from the Company's drilling contracts or charters. Thus, it is possible that the IRS or a court could disagree with this position. In addition, although the Company intends to conduct the Company's affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, the Company cannot assure unitholders that the nature of the Company's operations will not change in the future and that the Company will not become a PFIC in any future taxable year.

As discussed more fully below, if the Company was to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat the Company as a “Qualified Electing Fund,” which the Company refers to as a “QEF election.” As an alternative to making a QEF election, a U.S. Holder should be able to make a “mark-to-market” election with respect to the Company's common units, as discussed below. If the Company is a PFIC, a U.S. Holder will be subject to the PFIC rules described herein with respect to any of the Company's subsidiaries that are PFICs. However, the mark-to-market election discussed below will likely not be available with respect to shares of such PFIC subsidiaries. In addition, if a U.S. Holder owns the Company's common units during any taxable year that the Company is a PFIC, such holder must file an annual report with the IRS.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (an “Electing Holder”), then, for U.S. federal income tax purposes, that holder must report as income for its taxable year its pro rata share of the Company's ordinary earnings and net capital gain, if any, for the Company's taxable years that end with or within the taxable year for which that holder is reporting, regardless of whether or not the Electing Holder received distributions from the Company in that year. The Electing Holder's adjusted tax basis in the common units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in common units and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of the Company's common units. A U.S. Holder makes a QEF election with respect to any year that the Company is a PFIC by filing IRS Form 8621 with its U.S. federal income tax return. If contrary to the Company's expectations, the Company determines that the Company is treated as a PFIC for any taxable year, the Company will provide each U.S. Holder with the information necessary to make the QEF election described above.

Taxation of U.S. Holders Making a “Mark-to-Market” Election

If the Company was to be treated as a PFIC for any taxable year and, as the Company anticipates, the Company's units were treated as “marketable stock,” then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a “mark-to-market” election with respect to the Company's common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election

is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the U.S. Holder's common units at the end of the taxable year over the holder's adjusted tax basis in the common units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in its common units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of the Company's common units would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of the common units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder's indirect interest in any of the Company's subsidiaries that were determined to be PFICs.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

If the Company was to be treated as a PFIC for any taxable year, a U.S. Holder that does not make either a QEF election or a "mark-to-market" election for that year (or a Non-Electing Holder) would be subject to special rules resulting in increased tax liability with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the Company's common units in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of the units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common units;

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the amount allocated to the current taxable year and any taxable year prior to the taxable year the Company was first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayers for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of the Company's common units. If the Company was treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning the Company's common units, such holder's successor generally would not receive a step-up in tax basis with respect to such units.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of the Company's common units (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is referred to as a "Non-U.S. Holder." If you are a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holding the Company's common units, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of the Company's common units.

Distributions

Distributions the Company pays to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, the Company's distributions will be subject to U.S. federal income tax to the extent they constitute income effectively connected with the Non-U.S. Holder's U.S. trade or business. However, distributions paid to a Non-U.S. Holder that is engaged in a U.S. trade or business may be exempt from taxation under an income tax treaty if the income arising from the distribution is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Disposition of Units

In general, a Non-U.S. Holder is not subject to U.S. federal income tax or withholding tax on any gain resulting from the disposition of the Company's common units provided the Non-U.S. Holder is not engaged in a U.S. trade or business. A Non-U.S. Holder that is engaged in a U.S. trade or business will be subject to U.S. federal income tax in the event the gain from the disposition of units is effectively connected with the conduct of such U.S. trade or business (provided, in the case of a Non-U.S. Holder entitled to the benefits of an income tax treaty with the United States, such gain also is attributable to a U.S. permanent establishment). However, even if not engaged in a U.S. trade or business, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of the Company's common units if they are present in the United States for 183 days or more during the taxable year in which those units are disposed and meet certain other requirements.

Backup Withholding and Information Reporting

In general, payments to a non-corporate U.S. Holder of distributions or the proceeds of a disposition of common units is subject to information reporting. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or corporate distributions required to be reported on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by timely filing a U.S. federal income tax return with the IRS.

In addition, individual citizens or residents of the United States holding certain "foreign financial assets" (which generally includes stock and other securities issued by a foreign person unless held in account maintained by a

financial institution) that exceed certain thresholds (the lowest being holding foreign financial assets with an aggregate value in excess of: (1) \$50,000 on the last day of the tax year, or (2) \$75,000 at any time during the tax year) are required to report information relating to such assets. Significant penalties may apply for failure to satisfy the reporting obligations described above. Unitholders should consult their tax advisors regarding the reporting obligations, if any, that result from their purchase, ownership or disposition of the Company's units.

Non-United States Tax Considerations

Unless the context otherwise requires, references in this section to “we,” “our” or “us” are references to Seadrill Partners LLC.

Marshall Islands Tax Consequences

The following discussion is based upon the current laws of the Republic of the Marshall Islands applicable to persons who are not citizens of and do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

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Because the Company and the Company's subsidiaries (including those resident there) do not and do not expect to conduct business or operations in the Republic of the Marshall Islands, under current Marshall Islands law the Company's unitholders will not be subject to Marshall Islands taxation or withholding on distributions, including upon distribution treated as a return of capital, the Company makes to the Company's unitholders. In addition, the Company's unitholders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common units, and will not be required by the Republic of the Marshall Islands to file a tax return relating to their ownership of common units.

United Kingdom Tax Consequences

The following is a discussion of the material U.K. tax consequences that may be relevant to unitholders who are persons not resident for tax purposes in the United Kingdom (and who are persons who have not been resident for tax purposes in the United Kingdom), or “non-U.K. Holders.”

Unitholders who are, or have been, resident in the United Kingdom are urged to consult their own tax advisors regarding the potential U.K. tax consequences to them of an investment in the Company's common units. For this purpose, a company incorporated outside of the U.K. will be treated as resident in the United Kingdom in the event its central management and control is carried out in the United Kingdom.

The discussion that follows is based upon existing U.K. legislation and current H.M. Revenue & Customs practice as of April 28, 2016, both of which may change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences of unit ownership described below.

The Company is not required to withhold U.K. tax when paying distributions to unitholders.

Under U.K. taxation legislation, non-U.K. Holders will not be subject to tax in the United Kingdom on income or profits, including chargeable (capital) gains, in respect of the acquisition, holding, disposition or redemption of the common units, provided that:

- such holders do not use or hold and are not deemed or considered to use or hold their common units in the course of carrying on a trade, profession or vocation in the United Kingdom; and
- such holders do not have a branch or agency or permanent establishment in the United Kingdom through which such common units are used, held or acquired.

U.K. stamp duty should not be payable in connection with a transfer of units, provided that the instrument of transfer is executed and retained outside the U.K. and no other action is taken in the U.K. in relation to the transfer.

No U.K. stamp duty reserve tax will be payable in respect of any agreement to transfer units provided that the units are not registered in a register kept in the U.K. by or on behalf of the Company. The Company currently does not intend that any such register will be maintained in the U.K.

EACH PROSPECTIVE UNITHOLDER IS URGED TO CONSULT HIS OWN TAX COUNSEL OR OTHER ADVISOR WITH REGARD TO THE LEGAL AND TAX CONSEQUENCES OF UNIT OWNERSHIP UNDER HIS PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. In accordance with these requirements we file reports and other information with the Commission. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office

in Washington, D.C. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, documents referred to in this annual report may be inspected at our principal executive offices at Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5YA, United Kingdom.

I. Subsidiary Information

Not applicable.

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Item 11. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various market risks, including interest rate, foreign currency exchange and concentration of credit risks. The Company may enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Interest Rate Risks

The Company's exposure to interest rate risk relates mainly to its floating interest rate debt and balances of surplus funds placed with financial institutions. This exposure is managed through the use of interest rate swaps and other derivative arrangements. The Company's objective is to obtain the most favorable interest rate borrowings available without increasing its foreign currency exposure. Surplus funds are used to repay revolving credit tranches, or placed in accounts and deposits with reputable financial institutions in order to maximize returns, while providing the Company with flexibility to meet all requirements for working capital and capital investments. The extent to which the Company utilizes interest rate swaps derivatives to manage its interest rate risk is determined by the net debt exposure and its views on future interest rates.

As of December 31, 2015, the Company was party to interest rate swap agreements with Seadrill for a combined outstanding principal amount of approximately \$655.3 million at rates between 1.10% per annum and 1.93% per annum. The swap agreements mature between July 2018 and December 2020. The net loss recognized on the Company's interest rate swaps with Seadrill for the year ended December 31, 2015 was \$10.2 million.

As of December 31, 2015, the Company was party to interest rate swap agreements with external counterparties for a combined outstanding principal amount of approximately \$2,851.9 million at an average rate of 2.49% per annum. The swap agreements mature in February 2021. The net loss recognized on the Company's interest rate swaps with external counterparties for the year ended December 31, 2015 was \$72.7 million.

As of December 31, 2015, the Company's exposure to floating interest rate fluctuations on the Company's outstanding debt (including related party debt agreements) was \$391.1 million, compared with \$78.6 million as of December 31, 2014. An increase or decrease in short-term interest rates of 100 bps would thus increase or decrease, respectively, the Company's interest expense by approximately \$3.9 million on an annual basis as of December 31, 2015, as compared to \$0.8 million in 2014.

The fair values of the Company's interest rate swap agreements as of December 31, 2015 and 2014 were as follows:

(In millions of US dollars)	December 31, 2015		December 31, 2014	
	Outstanding principal	Fair Value	Outstanding Principal	Fair Value
Related party receivables (payables) - interest rate swap agreements	\$655.3	\$ 2.2	\$690.1	\$ 6.0
Other current assets (liabilities) - interest rate swap agreements	\$2,851.9	\$ (84.2)	\$2,881.7	\$ (56.1)

For additional disclosure of the fair value of the derivatives and debt obligations outstanding as of December 31, 2015, please read "Note 15 - Risk management and financial instruments" to the Consolidated and Combined Carve-Out Financial Statements included in this annual report.

Credit Risk

The Company has financial assets which expose the Company to credit risk arising from possible default by a counterparty. The Company considers the counterparties to be creditworthy and does not expect any significant loss to result from non-performance by such counterparties. The Company in the normal course of business does not demand collateral from its counterparties.

Foreign Currency Fluctuation Risks

The Company and all of its subsidiaries use the U.S. Dollar as their functional currency because the majority of their revenues and expenses are denominated in U.S. Dollars. Accordingly, the Company's reporting currency is also U.S. Dollars. The Company does, however, earn revenue and incur expenses in other currencies and there is a risk that currency fluctuations could have an adverse effect on the value of the Company's cash flows.

The Company receives 10% of the West Capella's revenues in Nigerian Naira. There is a natural hedge of exposure to Nigerian Naira as a portion of the Company's operating costs are denominated in Nigerian Naira. The impact of a 10% appreciation or depreciation in the exchange rate of Nigerian Naira against the US Dollar would not have a material impact on the Company. Due to the operations of the West Aquarius in Canada, a portion of the Company's revenues

and expenses are denominated in the Canadian Dollar. The impact of a 10% appreciation or depreciation in the exchange rate of Canadian Dollar against the US Dollar would not have a material impact on the Company.

The Company's foreign currency risk arises from:

- the measurement of monetary assets and liabilities denominated in foreign currencies converted to US Dollars, with the resulting gain or loss recorded as "Foreign exchange gain/(loss);"
- the impact of fluctuations in exchange rates on the reported amounts of the Company's revenues and expenses which are denominated in foreign currencies; and
- foreign subsidiaries whose accounts are not maintained in U.S. Dollars, which when converted into US Dollars can result in exchange adjustments, which are recorded as a component in shareholders' equity.

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The Company does not use foreign currency forward contracts or other derivative instruments related to foreign currency exchange risk.

Retained Risk

Physical Damage Insurance. Seadrill purchases hull and machinery insurance to cover for physical damage to its drilling units and charges the Company for the cost related to the Company's fleet.

The Company retains the risk for the deductibles relating to physical damage insurance on the Company's fleet. The deductible is currently a maximum of \$5 million per occurrence.

The Company has elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a Combined Single Limit of \$100 million in the annual aggregate, which includes loss of hire. The Company has renewed its policy to insure this windstorm risk for a further period starting May 1, 2016 through April 30, 2017.

Loss of Hire Insurance. With the exception of T-15 and T-16, Seadrill purchases insurance to cover for loss of revenue in the event of extensive downtime caused by physical damage to its drilling units, where such damage is covered under the Seadrill's physical damage insurance, and charges the Company for the cost related to the Company's fleet. The loss of hire insurance has a deductible period of 60 days after the occurrence of physical damage. Thereafter, insurance policies according to which the Company is compensated for loss of revenue are limited to 290 days per event and aggregated per year. The daily indemnity is approximately 75% of the contracted dayrate. The Company retains the risk related to loss of hire during the initial 60 day period, as well as any loss of hire exceeding the number of days permitted under insurance policy. If the repair period for any physical damage exceeds the number of days permitted under the Company's loss of hire policy, it will be responsible for the costs in such period. The Company does not have loss of hire insurance on the Company's tender rigs with the exception of the semi-tender rig the West Vencedor.

Protection and Indemnity Insurance. Seadrill purchases Protection and Indemnity insurance and Excess liability insurance for personal injury liability for crew claims, non-crew claims and third-party property damage including oil pollution from the drilling units to cover claims of up to \$250 million per event and in the aggregate for the West Vencedor, T-15 and T-16, up to \$400 million per event and in the aggregate for the West Aquarius, West Capella, West Leo and West Polaris, up to \$750 million per event and in the aggregate for each of the West Capricorn, West Auriga and West Vela. Effective June 1, 2015, the protection and indemnity insurance for the West Sirius was reduced to \$500 million.

OPCO retains the risk for the deductible of up to \$0.5 million per occurrence relating to protection and indemnity insurance.

Concentration of Credit Risk

The market for the Company's services is the offshore oil and gas industry, and the customers consist primarily of major oil and gas companies, independent oil and gas producers and government-owned oil companies. Ongoing credit evaluations of the Company's customers are performed and generally do not require collateral in the Company's business agreements. Reserves for potential credit losses are maintained when necessary.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Neither the Company, nor any of its subsidiaries has been subject to a material default in the payment of principal, interest, a sinking fund or purchase fund installment, or any other material delinquency that was not cured within 30 days.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable

Item 15. Controls and Procedures

a) Disclosure Controls and Procedures

Management assessed the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 (e) of the Exchange Act as of December 31, 2015. Based upon that evaluation the Principal Executive Officer and the Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the evaluation date.

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b) Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15 (b) promulgated under the Exchange Act. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of Company's management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management conducted the evaluation of the effectiveness of the internal controls over financial reporting using the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, published in its report entitled Internal Control- Integrated Framework (2013).

The Company's management with the participation of the Company's Principal Executive Officer and the Principal Financial Officer assessed the effectiveness of the design and operation of the Company's internal controls over financial reporting pursuant to Rule 13a-15 of the Exchange Act as of December 31, 2015. Based upon that evaluation, management, including the Principal Executive Officer and Principal Financial Officer, concluded that the Company's internal controls over financial reporting are effective as of December 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

c) Attestation report of the registered public accounting firm

The independent registered public accounting firm that audited the Consolidated Financial Statements, PricewaterhouseCoopers LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, appearing under Item 18 "Financial Statements", and such report is incorporated herein by reference.

d) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Company's board of directors has determined that Kate Blankenship qualifies as an audit committee financial expert and is independent under applicable NYSE and SEC standards.

Item 16B. Code of Ethics

The Company has adopted a Code of Ethics that applies to all entities controlled by the Company and its employees, directors, officers and agents of the Company. The Company has posted a copy of the Company's Code of Ethics on the Company's website at www.seadrillpartners.com. The Company will provide any person, free of charge, a copy of the Code of Ethics upon written request to the Company's registered office.

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Item 16C. Principal Accountant Fees and Services

The Company's principal accountant for 2015 and 2014 is PricewaterhouseCoopers LLP in the United Kingdom.

Fees Incurred by the Company for PricewaterhouseCoopers LLP's Services

In 2015, the fees incurred by the Company for its principal accountant were as follows:

	2015	2014
Audit Fees	\$912,000	\$1,205,808
Audit-Related Fees	—	—
Tax Fees	—	—
All other fees	—	—
	\$912,000	\$1,205,808

Audit Fees

Audit fees represent professional services rendered for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Not applicable.

Tax Fees

Not applicable.

All Other Fees

Not applicable.

The audit committee has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by the Company's independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to the Company's principal accountant for all periods in 2015.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrants' Certifying Accountant

Not applicable.

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Item 16G. Corporate Governance

Overview

Pursuant to an exception under the NYSE listing standards for foreign private issuers, the Company is not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, pursuant to Section 303.A.11 of the NYSE Listed Company Manual, the Company is required to state any significant differences between the Company's corporate governance practices and the practices required by the NYSE for U.S. companies. The Company believes that the Company's established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to the Company's unitholders. The significant differences between the Company's corporate governance practices and the NYSE standards applicable to listed U.S. companies are set forth below.

Independence of Directors

NYSE rules do not require a listed company that is a foreign private issuer to have a board of directors that is composed of a majority of independent directors. Under Marshall Islands law, the Company is not required to have a board of directors composed of a majority of directors meeting the independence standards described in NYSE rules. However, the Company's board has determined that each of Mrs. Blankenship, Mr. Bekker, Mr. Cumming and Mr. MacDonald satisfies the independence standards established by The New York Stock Exchange, or NYSE, as applicable to us.

Executive Sessions

The NYSE requires that non-management directors of a listed U.S. company meet regularly in executive sessions without management. The NYSE also requires that all independent directors of a listed U.S. company meet in an executive session at least once a year. As permitted under Marshall Islands law and the Company's limited liability company agreement, the Company's non-management directors do not regularly hold executive sessions without management and the Company does not expect them to do so in the future.

Nominating/Corporate Governance Committee

The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and the Company's limited liability company agreement, the Company does not currently have a nominating or corporate governance committee.

Compensation Committee

The NYSE requires that a listed U.S. company have a compensation committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and the Company's limited liability company agreement, the Company does not have a compensation committee.

Corporate Governance Guidelines

The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. The Company is not required to adopt such guidelines under Marshall Islands law and the Company has not adopted such guidelines.

Issuance of Additional Units

The NYSE requires that a listed U.S. company obtain unitholder approval in certain circumstances prior to the issuance of additional units. Consistent with Marshall Islands law and the Company's operating agreement, the Company is authorized to issue an unlimited amount of additional limited liability company interests and options, rights and warrants to buy limited liability company interests for the consideration and on the terms and conditions determined by the Company's board of directors without the approval of the unitholders.

The Company believes that the Company's established corporate governance practices satisfy the NYSE listing standards.

Item 16H. Mine Safety Disclosure
Not applicable.

PART III

Item 17. Financial Statements
Please refer to Item 18.

Item 18. Financial Statements

The following financial statements listed below and set forth on pages F-1 through F-49 together with the related report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are filed as part of this annual report:

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Item 19. Exhibits

The following exhibits are filed as part of this annual report:

Exhibit Number	Description
1.1	Certificate of Formation of Seadrill Partners LLC (incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on September 21, 2012)
1.2	First Amended and Restated Operating Agreement of Seadrill Partners LLC, dated October 24, 2012, (incorporated by reference to Exhibit 1.2 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
1.2.1	Amendment No. 1 to the First Amended and Restated Operating Agreement of Seadrill Partners LLC, dated February 23, 2014 (incorporated by reference to Exhibit 1.2.1 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
1.3	Amended and Restated Agreement of Limited Partnership of Seadrill Operating LP dated July 21, 2014 (incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 6-K for the month of July, filed on July 21, 2014)
1.4	Limited Liability Company Agreement of Seadrill Operating GP LLC, dated September 27, 2012 (incorporated by reference to Exhibit 1.4 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
1.5	Amended & Restated Limited Liability Company Agreement of Seadrill Capricorn Holdings LLC dated October 18, 2012 (incorporated by reference to Exhibit 1.5 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
4.1.	Contribution and Sale Agreement among Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating GP LLC, Seadrill Operating LP, Seadrill Capricorn Holdings LLC, Seadrill Opco Sub LLC, Seadrill Americas Inc., Seadrill Offshore AS, and Seadrill UK Ltd., dated as of October 22, 2012 (incorporated by reference to Exhibit 4.1 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
4.1.1	Amendment No. 1 to Contribution and Sale Agreement among Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating GP LLC, Seadrill Operating LP, Seadrill Capricorn Holdings LLC, Seadrill Opco Sub LLC, Seadrill Americas Inc., Seadrill Offshore AS, and Seadrill UK Ltd., dated as of June 30, 2013 (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the six month period ended June 30, 2013, filed on September 30, 2013)
4.2	Omnibus Agreement among Seadrill Limited, Seadrill Partners LLC, Seadrill Member LLC, Seadrill Operating LP, Seadrill Operating GP LLC, and Seadrill Capricorn, dated as of October 24, 2012 (incorporated by reference to Exhibit 4.2 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
4.3*	Novation and Amendment Agreement in respect of the Management and Administrative Services Agreement among Seadrill Management AS, Seadrill Management Ltd and Seadrill Partners LLC, dated October 24 2012, as amended April 28, 2016
4.4	Advisory, Technical and Administrative Services Agreement with Seadrill Americas, Inc. (incorporated by reference to Exhibit 4.4 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2012, filed on April 30, 2013)
4.5	Advisory, Technical and Administrative Services Agreement between Seadrill Management AME Ltd and Seadrill Vencedor Ltd. dated January 1, 2012 (incorporated by reference to Exhibit 10.5.1 of Amendment No. 3 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 17, 2012)
4.6	Advisory, Technical and Administrative Services Agreement between Seadrill Management AME Ltd and Seadrill Deepwater Drillship Ltd. dated January 1, 2012 (incorporated by reference to Exhibit 10.5.2 of Amendment No. 3 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 17, 2012)
4.7	

- Administrative, Technical and Advisory Agreement, effective as of January 1, 2012 by and among Seadrill Management AME Ltd. and Seadrill Ghana Operations Ltd., effective as of December 13, 2013, by and among Seadrill Americas Inc. and Seadrill Gulf Operations Sirius LLC (incorporated by reference to the Exhibit 10.4 of the registrant's Report on Form 6-K for the month of March 2014, filed on March 11, 2014)
- 4.8 Administrative, Technical and Advisory Agreement, effective as of January 1, 2012 by and among Seadrill Management AME Ltd. and Seadrill Ghana Operations Ltd., effective as of December 13, 2013, by and among Seadrill Americas Inc. and Seadrill Gulf Operations Sirius LLC (incorporated by reference to Exhibit 10.5 of the registrant's Report on Form 6-K for the month of March 2014, filed on March 11, 2014)
- 4.9 Administrative, Technical and Advisory Agreement, effective as of March 21, 2014 between Seadrill Americas Inc. and Seadrill Gulf Operations Auriga LLC. (incorporated by reference to Exhibit 4.7.5 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 30, 2014).
- 4.10 Administrative, Technical and Advisory Agreement, effective as of February 15, 2013, between Seadrill Americas Inc. and Seadrill Gulf Operations Vela LLC (incorporated by reference to Exhibit 4.7.6 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015).
- 4.11 Administrative Support Contract, dated July 1, 2014, between Seadrill Mobile Units Nigeria Limited and Seadrill Nigeria Operations Limited. (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the six month period ended June 30, 2015, filed on October 5, 2015)
- 4.12 Administrative Support Contract, dated July 1, 2014, between Seadrill Mobile Units Nigeria Limited and Seadrill Offshore Nigeria Limited. (incorporated by reference to the Exhibit 10.2 of the registrant's Report on Form 6-K for the six month period ended June 30, 2015, filed on October 5, 2015)
- 4.13 Advisory, Technical and Administrative Services Agreement, dated June 19, 2015, between Seadrill Management AME Ltd. and Seadrill Polaris Ltd. (incorporated by reference to the Exhibit 10.4 of the registrant's Report on Form 6-K for the three month period ended March 31, 2015, filed on July 2, 2015)
- 4.14 Amended and Restated Revolving Loan Agreement, dated August 31, 2013, among Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC, as borrowers, and Seadrill Limited, as lender (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the six month period ended June 30, 2013, filed on September 30, 2013)
- 4.14.1 Second Amendment to Revolving Loan Agreement, dated March 1, 2014, among Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC, as borrowers, and Seadrill Limited, as lender (incorporated by reference to Exhibit 4.8.3 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 30, 2014)
- 4.15 Amended and Restated US\$1,200,000,000 Senior Secured Credit Facility Agreement dated October 10, 2012 for Seadrill Limited, as Borrower, the subsidiaries of Seadrill Limited named therein as guarantors, and the banks and financial institutions named therein as lenders, dated October 10, 2012 (incorporated by reference to Exhibit 10.9 of Amendment No. 3 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 17, 2012)
- 4.16 Loan Agreement dated September 28, 2012 between Seadrill Limited and Seadrill Vencedor Ltd. (incorporated by reference to Exhibit 10.15 of Amendment No. 1 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 5, 2012)

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Exhibit Number	Description
4.16.1	Amendment to the Loan Agreement between Seadrill Limited and Seadrill Vencedor Limited dated August 28, 2014 (incorporated by reference to Exhibit 4.42 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
4.16.2	Amendment to the Loan Agreement between Seadrill Limited and Seadrill Vencedor Limited dated April 14, 2015 (incorporated by reference to Exhibit 4.43 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
4.17	US\$440,000,000 Secured Credit Facility Agreement dated December 4, 2012 between Seadrill Limited, as borrower, the subsidiaries of Seadrill Limited named therein as guarantors, and the banks and financial institutions named therein as lenders (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the six months ended June 30, 2013, filed on September 30, 2013)
4.17.1*	Letter Agreement regarding the US\$440,000,000 Secured Credit Facility Agreement, dated June 18, 2015
4.17.2*	Waiver Approval Letter regarding the US\$440,000,000 Secured Credit Facility Agreement, dated April 28, 2016
4.18	Loan Agreement, dated May 16, 2013, between Seadrill Limited, Seadrill T-15 Ltd., Seadrill Partners Operating LLC and Seadrill International Limited (incorporated by reference to the Exhibit 10.3 of the registrant's Report on Form 6-K for the six months ended June 30, 2013, filed on September 30, 2013)
4.19	Intercompany Loan Agreement, dated May 16, 2013, between Seadrill Limited, as lender and Seadrill Partners Operating LLC, as borrower (incorporated by reference to the Exhibit 10.4 of the registrant's Report on Form 6-K for the six months ended June 30, 2013, filed on September 30, 2013)
4.20	Loan Agreement, dated October 11, 2013, by and among Seadrill Limited, Seadrill T-16 Ltd. and Seadrill Partners Operating LLC (incorporated by reference to Exhibit 10.6 of the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
4.21	Amended and Restated Credit Agreement dated as of June 26, 2014, among Seadrill Operating LP, Seadrill Partners Finco LLC, Seadrill Capricorn Holdings LLC, various lenders and Deutsche Bank AG New York Branch, as Administrative Agent and Collateral Agent (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the month of June, filed on June 30, 2014)
4.22	Second Amended and Restated Agreement dated November 4, 2014, among Seadrill Tellus Ltd. and Seadrill Vela Hungary Kft., as Borrowers, Seadrill Limited, as Parent, the guarantors party thereto, ING Bank N.V., as Agent, the lenders party thereto and the other parties thereto, relating to the US\$1,450,000,000 Senior Secured Credit Facility Agreement, originally dated March 20, 2013 (incorporated by reference to Exhibit 4.40 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
4.22.1*	Letter Agreement regarding the Second Amended and Restated Agreement, dated May 28, 2015
4.22.2*	Waiver Approval Letter regarding the Second Amended and Restated Agreement, dated April 28, 2016
4.23	On Demand and Guarantee and Indemnity, dated November 4, 2014, between Seadrill Partners LLC and ING Bank N.V. (incorporated by reference to Exhibit 4.41 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
4.24	Amendment and Restatement Agreement, dated June 19, 2015, between Seadrill Polaris Ltd. as borrower, Seadrill Limited as parent, Ship Finance International Limited as retiring guarantor and the other companies listed therein as guarantors, the banks and financial institutions listed therein as lenders, DNB Bank ASA and Nordea Bank AB, London Branch as bookrunners, the banks and financial institutions named therein as mandated lead arrangers and DNB Bank ASA, as agent, relating to the US\$420,000,000 Term Loan and Revolving Credit Facilities Agreement, originally dated December 28, 2012, as previously amended (incorporated by reference to the Exhibit 10.5 of the registrant's Report on Form 6-K for the three month period ended March 31, 2015, filed on July 2, 2015)
4.24.1*	Waiver Approval Letter regarding the Amendment and Restatement Agreement, dated April 28, 2016
4.25*	Loan Agreement, dated April 28, 2016, between Seadrill Hungary Kft and Seadrill Limited

- 4.26* Loan Agreement, dated April 28, 2016, between Seadrill Neptune Hungary Kft and Seadrill Gulf Operations Sirius LLC
- 4.27 Bareboat Charter Agreement between Seadrill Offshore AS and Seadrill Canada Ltd. dated October 5, 2012 (incorporated by reference to Exhibit 10.16 of Amendment No. 3 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 17, 2012)
- 4.28 Bareboat Charter Agreements between Seadrill China Operations Ltd. and Seadrill Offshore AS dated October 5, 2012 (incorporated by reference to Exhibit 10.17 of Amendment No. 3 to the registrant's Registration Statement on Form F-1 (File No. 333-184023), filed on October 17, 2012)
- 4.29 Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill T-15 Ltd. and Seadrill UK Ltd. (incorporated by reference to Exhibit 10.1 of Amendment No. 3 to the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
- 4.30 Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill T-16 Ltd. and Seadrill UK Ltd. (incorporated by reference to Exhibit 10.2 of the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
- 4.31 Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill International Ltd. and Seadrill UK Ltd., relating to the T-15 (incorporated by reference to Exhibit 10.3 of the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
- 4.32 Rig Rental Agreement, effective as of December 10, 2012, by and among Seadrill International Ltd. and Seadrill UK Ltd., relating to the T-16 (incorporated by reference to Exhibit 10.2 of the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
- 4.33 Purchase and Sale Agreement, dated May 7, 2013, between Seadrill Limited and Seadrill Partners Operating LLC (incorporated by reference to the Exhibit 10.5 of the registrant's Report on Form 6-K for the six months ended June 30, 2013, filed on September 30, 2013)
- 4.34 Purchase and Sale Agreement, dated October 11, 2013, by and among Seadrill Limited, Seadrill Partners LLC and Seadrill Partners Operating LLC (incorporated by reference to Exhibit 10.5 of the registrant's Registration Statement on Form F-3 (File No. 333-192053), filed on November 1, 2013)
- 4.35 Contribution, Purchase and Sale Agreement, dated December 2, 2013 (incorporated by reference to the Exhibit 10.2 of the registrant's Report on Form 6-K for the month of December, filed on December 9, 2013)
- 4.35.1 Amendment to Contribution, Purchase and Sale Agreement, dated as of December 12, 2013, by and among Seadrill Limited, a Bermuda exempted company Seadrill Partners LLC, Seadrill Operating LP, Seadrill Capricorn Holdings LLC, and Seadrill Americas Inc. (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the month of March, filed on March 11, 2014)
- 4.36 Contribution, Purchase and Sale Agreement, dated March 11, 2014 (incorporated by reference to the Exhibit 10.2 of the registrant's Report on Form 6-K for the month of March, filed on March 17, 2014)
- 4.37 Promissory Discount Note, dated March 21, 2014 issued by Seadrill Capricorn Holdings LLC (incorporated by reference to Exhibit 4.37 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 30, 2014)

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Exhibit Number	Description
4.38	Limited Partner Interest Purchase Agreement, dated as of July 17, 2014, between Seadrill Limited and Seadrill Partners LLC (incorporated by reference to Exhibit 10.1 of the registrant's Report on Form 6-K for the month of July, filed on July 21, 2014).
4.39	Contribution, Purchase and Sale Agreement, dated November 4, 2014, by and among Seadrill Limited, Seadrill Partners LLC, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc. (incorporated by reference to Exhibit 4.39 of the registrant's Annual Report on Form 20-F for the year ended December 31, 2014, filed on April 21, 2015)
4.40	Purchase and Sale Agreement, dated as of June 16, 2015, by and among Seadrill Limited, Seadrill Operating LP, Seadrill Polaris Ltd. (incorporated by reference to the Exhibit 10.1 of the registrant's Report on Form 6-K for the three month period ended March 31, 2015, filed on July 2, 2015)
4.41	Promissory Note, dated as of June 19, 2015, between Seadrill Operating LP and Seadrill Limited (incorporated by reference to the Exhibit 10.2 of the registrant's Report on Form 6-K for the three month period ended March 31, 2015, filed on July 2, 2015)
4.42	Guaranty, dated as of June 19, 2015, between Seadrill Partners LLC as the guarantor and Seadrill Limited as the holder (incorporated by reference to the Exhibit 10.3 of the registrant's Report on Form 6-K for the three month period ended March 31, 2015, filed on July 2, 2015)
8.1*	List of Subsidiaries of Seadrill Partners LLC
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial and Accounting Officer
13.1*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
13.2*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Financial and Accounting Officer
15.1*	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Schema Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Schema Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Schema Label Linkbase
101.PRE**	XBRL Taxonomy Extension Schema Presentation Linkbase

* Filed herewith.

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<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	<u>F-4</u>
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<u>Consolidated and Combined Carve-out Statements of Changes in Members' Capital for the years ended December 31, 2015, 2014, and 2013</u>	<u>F-7</u>
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Members of Seadrill Partners LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and of changes in members' capital present fairly, in all material respects, the financial position of Seadrill Partners LLC and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Uxbridge, United Kingdom
April 28, 2016

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SEADRILL PARTNERS LLC

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF OPERATIONS

for the years ended December 31, 2015, 2014 and 2013

(In US\$ millions, except per unit data)

	2015	2014	2013
Operating revenues			
Contract revenues	\$1,603.6	\$1,302.7	\$1,047.1
Reimbursable revenues	49.9	39.9	11.4
Other revenues	*88.1	—	5.8
Total operating revenues	1,741.6	1,342.6	1,064.3
Operating expenses			
Vessel and rig operating expenses	*495.5	425.0	375.2
Amortization of favorable contracts	66.9	14.8	—
Reimbursable expenses	45.7	37.9	10.6
Depreciation and amortization	237.5	198.7	141.2
General and administrative expenses	*52.3	51.4	49.6
Total operating expenses	897.9	727.8	576.6
Operating income	843.7	614.8	487.7
Financial items			
Interest income	9.8	3.7	4.4
Interest expense	*(192.5	) (140.9	) (92.2
(Loss)/gain on derivative financial instruments	*(82.9	) (124.9	) 49.9
Currency exchange gain / (loss)	1.6	(3.3	) (1.2
Gain on bargain purchase	*9.3	—	—
Total financial items	(254.7	) (265.4	) (39.1
Income before income taxes	589.0	349.4	448.6
Income taxes	(100.6	) (34.8	) (33.2
Net income	\$488.4	\$314.6	\$415.4
Net income attributable to the non-controlling interest	(231.2	) (176.4	) (271.0
Net income attributable to Seadrill Partners LLC owners	\$257.2	\$138.2	\$144.4
Earnings per unit (basic and diluted)			
Common unitholders	\$2.45	\$1.75	\$2.15
Subordinated unitholders	\$2.45	\$1.75	\$1.83

* Includes transactions with related parties. Refer to Note 13 - Related party transactions.

A Statement of Other Comprehensive Income has not been presented as there are no items recognized in other comprehensive income.

See accompanying notes that are an integral part of these Consolidated and Combined Carve-out Financial Statements.

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CONSOLIDATED BALANCE SHEETS

As at December 31, 2015 and 2014

(In US\$ millions)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$319.0	\$242.7
Accounts receivables, net	278.3	294.5
Amount due from related party	128.1	62.7
Other current assets	166.6	129.3
Total current assets	892.0	729.2
Non-current assets:		
Drilling units	5,547.3	5,141.1
Goodwill	3.2	3.2
Deferred tax assets	34.2	18.4
Amount due from related party	50.0	—
Other non-current assets	314.4	376.2
Total non-current assets	5,949.1	5,538.9
Total assets	\$6,841.1	\$6,268.1
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Current portion of long-term debt	\$93.8	\$68.9
Current portion of long-term related party debt	145.8	40.4
Trade accounts payable and accruals	24.1	7.9
Current portion of deferred and contingent consideration to related party	60.4	25.8
Related party payable	304.7	250.0
Other current liabilities	217.9	227.4
Total current liabilities	846.7	620.4
Non-current liabilities:		
Long-term debt	3,440.4	3,156.6
Long-term related party debt	160.2	306.1
Deferred and contingent consideration to related party	185.4	111.2
Deferred tax liability	43.7	—
Long-term related party payable	50.0	—
Other non-current liabilities	17.3	29.5
Total non-current liabilities	3,897.0	3,603.4
Commitments and contingencies (see note 15)		
Equity		
Members' Capital:		
Common unitholders (issued 75,278,250 units)	945.5	913.3
Subordinated unitholders (issued 16,543,350 units)	18.8	11.7
Seadrill member interest	—	3.2
Total members' capital	964.3	928.2
Non-controlling interest	1,133.1	1,116.1
Total equity	2,097.4	2,044.3
Total liabilities and equity	\$6,841.1	\$6,268.1

See accompanying notes that are an integral part of these Consolidated and Combined Carve-out Financial Statements.

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SEADRILL PARTNERS LLC

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

for the years ended December 31, 2015, 2014 and 2013

(In US\$ millions)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	\$488.4	\$314.6	\$415.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	237.5	198.7	141.2
Amortization of deferred loan charges	20.2	17.6	7.1
Amortization of favorable contracts	66.9	14.8	—
Gain on bargain purchase	(9.3)) —	—
Unrealized loss / (gain) related to derivative financial instruments	31.8	99.1	(60.2)
Unrealized foreign exchange gain	(1.7)) —	—
Payment for long term maintenance	(49.8)	) (39.1)	) (26.5)
Deferred income tax (benefit) / expense	27.9	(8.6)	) (9.2)
West Aquarius settlement	—	—	25.0
Accretion of discount on deferred consideration	13.3	—	—
Changes in operating assets and liabilities, net of effect of acquisitions			
Trade accounts receivable	49.8	(46.3)	) (9.4)
Prepaid expenses and accrued income	(1.9)) —	—
Trade accounts payable	15.3	(10.7)	) 48.6
Related party balances	(29.0)	) 31.4	56.9
Other assets	57.9	9.9	2.0
Other liabilities	(45.0)	) 41.7	(14.0)
Changes in deferred revenue	(12.0)	) (14.4)	) (12.9)
Other, net	(0.5)) —	—
Net cash provided by operating activities	\$859.8	\$608.7	\$564.0
Cash Flows from Investing Activities			
Additions to newbuildings and drilling units	(18.6)	) (31.6)	) (159.3)
Acquisition of subsidiaries, net of cash acquired	(214.7)	) (1,137.7)) —
Loan granted to related parties	(143.0)) —	—
Purchase of non-controlling interest in Seadrill Operating LP	—	(373.5)) —
Net cash used in investing activities	\$(376.3)	\$(1,542.8)	\$(159.3)

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SEADRILL PARTNERS LLC

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS

for the years ended December 31, 2015, 2014 and 2013

(In US\$ millions)

	2015	2014	2013
Cash Flows from Financing Activities			
Net proceeds from long term debt	\$—	\$2,825.4	\$98.0
Repayments of long term debt	(97.6)	(472.1)	(348.8)
Debt fees paid	(0.8)	—	—
Net proceeds from related party debt	143.0	—	409.5
Repayments of related party debt	(40.3)	(1,588.3)	—
Proceeds from revolving credit facility	50.0	—	169.6
Contingent consideration paid	(26.6)	—	—
Repayments of revolving credit facility	—	(125.9)	(43.7)
Repayments of related party discount notes	—	(399.9)	—
Cash distributions	(435.3)	(660.2)	(140.9)
Proceeds on issuance of equity, net of fees	—	937.8	464.8
Proceeds on issuance of equity to related parties	—	—	106.9
Proceeds on issuance of units by Seadrill Capricorn Holdings LLC	—	570.3	—
Distribution to Seadrill Limited for the acquisition of T-15, T-16, West Leo and West Sirius (1)	—	—	(939.2)
Owner's funding repaid	—	—	(112.4)
Net cash provided by/ (used in) financing activities	\$(407.6)	\$1,087.1	\$(336.2)
Effect of exchange rate changes on cash	0.4	—	—
Net increase in cash and cash equivalents	76.3	153.0	68.5
Cash and cash equivalents at beginning of the year	242.7	89.7	21.2
Cash and cash equivalents at the end of year	\$319.0	\$242.7	\$89.7

Supplementary disclosure of cash flow information

Interest paid net of capitalized interest \$228.6 \$128.3 \$92.2

Taxes paid 57.0 42.6 35.1

(1) Presented net of capital contributions from Seadrill related to the acquisition of the West Leo and West Sirius. For further information refer to Note 3 - Business Acquisitions.

See accompanying notes that are an integral part of these Consolidated and Combined Carve-out Financial Statements.

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SEADRILL PARTNERS LLC

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

for the years ended December 31, 2015, 2014 and 2013

(In US\$ millions)

	Members' Capital			Total Before	Non-	Total
	Common	Subordinated	Seadrill	Non-	Non-	Equity
	Units	Units	Member	Controlling	controlling	
				interest	Interest	
Consolidated and Combined Balance at December 31, 2012	\$294.1	\$ 3.7	\$226.8	\$ 524.6	\$899.8	\$1,424.4
Movement in invested equity	—	—	(62.3)	(62.3)	(50.1)	(112.4)
Acquisition of dropdown companies from Seadrill	—	—	(831.5)	(831.5)	(962.5)	(1,794.0)
Deemed distribution to Seadrill for the acquisition of dropdown companies	—	—	609.7	609.7	696.9	1,306.6
Allocation of deemed distribution to Seadrill for the acquisition of dropdown companies	(609.7)	—	—	(609.7)	(696.9)	(1,306.6)
Equity contribution from Seadrill to Seadrill Operating LP	—	—	—	—	511.1	511.1
Units issued by Seadrill Capricorn Holdings LLC to Seadrill Limited	—	—	—	—	338.8	338.8
Common units issued to Seadrill for the acquisition of the T-16	106.9	—	—	106.9	—	106.9
Common units issued to Seadrill and public - (net of transaction costs of \$15.3m)	464.8	—	—	464.8	—	464.8
Capital injection due to forgiveness of related party payables	9.9	6.6	—	16.5	24.0	40.5
Consolidated and Combined carve-out net income	53.4	33.7	57.3	144.4	271.0	415.4
Cash Distributions paid	(39.2)	(25.2)	—	(64.4)	(76.5)	(140.9)
Consolidated Balance at December 31, 2013	\$280.2	\$ 18.8	\$—	\$ 299.0	\$955.6	\$1,254.6
Purchase of non-controlling interest	(279.6)	—	—	(279.6)	(93.2)	(372.8)
Common units issued to Seadrill and public (net of transaction costs)	937.8	—	—	937.8	—	937.8
Contribution from non-controlling interest	—	—	—	—	570.3	570.3
Net income	102.2	26.8	9.2	138.2	176.4	314.6
Cash Distributions	(127.3)	(33.9)	(6.0)	(167.2)	(493.0)	(660.2)
Consolidated Balance at December 31, 2014	\$913.3	\$ 11.7	\$3.2	\$ 928.2	\$1,116.1	\$2,044.3
Net income	\$203.0	\$ 44.7	\$9.5	\$ 257.2	\$231.2	\$488.4
Cash Distributions	\$(170.8)	\$(37.6)	\$(12.7)	\$(221.1)	\$(214.2)	\$(435.3)
Consolidated balance at December 31, 2015	\$945.5	\$ 18.8	\$—	\$ 964.3	\$1,133.1	\$2,097.4

See accompanying notes that are an integral part of these Consolidated and Combined Carve-out Financial Statements.

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SEADRILL PARTNERS LLC

NOTES TO CONSOLIDATED AND COMBINED CARVE-OUT FINANCIAL STATEMENTS

Note 1- General information

Background

On June 28, 2012, Seadrill Limited (“Seadrill”) formed Seadrill Partners LLC (the “Company”) under the laws of the Republic of the Marshall Islands.

On October 24, 2012, the Company completed its initial public offering of its common units (“IPO”), in which the Company sold 10,062,500 common units representing limited liability company interests in the Company (including 1,312,500 common units issued in connection with the exercise by the underwriters’ of their option to purchase additional common units) to the public at a price of \$22.00 per unit, raising gross proceeds of \$221.4 million. Net proceeds from the offering were \$202.6 million, after deducting underwriting discounts, commissions, and structuring fees and expenses of \$18.8 million. As part of this transaction, the Company issued to Seadrill 14,752,525 common units and 16,543,350 subordinated units. The Company’s common units are listed on the New York Stock Exchange (“NYSE”) under the symbol “SDLP”.

In addition, the Company issued to Seadrill Member LLC, a wholly owned subsidiary of Seadrill, the Seadrill Member interest, which is a non-economic limited liability company interest in the Company, and all of the Company's incentive distribution rights, which entitle the Seadrill Member to increasing percentages of the cash the Company can distribute in excess of \$0.4456 per unit, per quarter.

On October 24, 2012, in connection with the Company's IPO, the Company acquired in return for the issuance of common and subordinated units to Seadrill and the net proceeds received from the IPO (i) a 30% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP through the Company's 100% ownership of its general partner, Seadrill Operating GP LLC, and (ii) a 51% limited liability company interest in Seadrill Capricorn Holdings LLC. Seadrill Operating LP owned: (i) a 100% interest in the entities that own the West Aquarius and the West Vencedor and (ii) an approximate 56% interest in the entity that owns and operates the West Capella. Seadrill Capricorn Holdings LLC owned 100% of the entities that own and operate the West Capricorn. Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Operating LLC are collectively referred to as “OPCO”. These transactions described above were reflected as a reorganization of entities under common control and, therefore, the assets and liabilities acquired from Seadrill were recorded at historical cost by the Company.

On May 17, 2013, the Company's wholly owned subsidiary, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entities that own and operate the tender rig T-15. To finance the acquisition of the T-15, Seadrill Partners Operating LLC, borrowed from Seadrill \$109.5 million as vendor financing.

On October 18, 2013, the Company's wholly owned subsidiary, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig T-16. As consideration for the purchase, the Company issued 3,310,622 common units to Seadrill.

On December 13, 2013, the Company completed the acquisition of the companies that own and operate the ultra-deepwater semi-submersible rigs, the West Sirius and West Leo. The West Sirius was acquired by Seadrill Capricorn Holdings LLC (51% owned by the Company) and the West Leo was acquired by Seadrill Operating LP (at the time 30% owned by the Company). In order to finance the acquisitions, the Company issued 11,200,000 common units to the public and 3,394,916 common units to Seadrill, and a further 1,680,000 units to the underwriters, issued in connection with the exercise of the underwriters’ option to purchase additional common units.

These transactions that occurred prior to the IPO and through December 31, 2013 described above, have been reflected as a reorganization of entities under common control and therefore the assets and liabilities acquired from Seadrill have been recorded at historical cost by the Company. See further discussion below for the impact on the year ending December 31, 2013.

As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company as defined under US GAAP and, therefore, Seadrill Partners and Seadrill are no longer deemed to be entities under common control.

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On March 21, 2014, Seadrill Capricorn Holdings LLC completed the acquisition of the companies that own and operate the drillship, the West Auriga which has been accounted for as a business combination. In order to finance the acquisition, the Company issued 11,960,000 common units to the public and 1,633,987 common units to Seadrill.

Refer to "Note 3 - Business acquisitions" for more information.

On June 24, 2014, the Company issued 6,100,000 common units to the public and 3,183,700 common units to Seadrill.

On July 21, 2014, the Company purchased an additional 28% limited partner interest in Seadrill Operating LP, from Seadrill for \$372.8 million. As a result of the acquisition, the Company's limited partner interest in Seadrill Operating LP increased from 30% to 58%.

On September 23, 2014, the Company issued 8,000,000 common units to the public.

On November 4, 2014, Seadrill Capricorn Holdings LLC completed the acquisition of the companies that own and operate the drillship West Vela from Seadrill which has been accounted for as a business combination. Refer to "Note 3 - Business acquisitions" for more information.

On June 19, 2015, Seadrill Operating LP (58% owned by the Company) completed the acquisition of Seadrill Polaris Ltd ("Seadrill Polaris"), the entity that owns and operates the drillship the West Polaris from Seadrill. The purchase was accounted for as a business combination. Refer to "Note 3 - Business acquisitions" for more information.

As of December 31, 2015, Seadrill owned 46.6% of the outstanding limited liability interests of the Company, which included Seadrill's interest in both the common and subordinated units (December 31, 2014: Seadrill owned 46.6%).

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Basis of consolidation and presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The amounts are presented in United States dollar (US dollar) rounded to the nearest hundred thousand, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods in these consolidated and combined carve-out financial statements, unless otherwise noted.

Basis of consolidation

Investments in companies in which the Company directly or indirectly holds more than 50% of the voting control are consolidated in the financial statements. The Company owns a 58% limited partner interest in Seadrill Operating LP, as well as the non-economic general partner interest in Seadrill Operating LP, through the Company's 100% ownership of its general partner Seadrill Operating GP LLC. Ownership of the general partner is deemed to provide the Company with a controlling financial interest and, as such, the Company consolidates Seadrill Operating LP in its financial statements. The Company also owns a 51% limited partner interest in Seadrill Capricorn Holdings LLC. All inter-company balances and transactions are eliminated. The Company allocated the initial company capital of unitholders on the basis of how distributions would be made in a liquidation situation.

Business combinations between entities under common control

Reorganization of entities under common control is accounted for similar to the pooling of interests method of accounting. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination. The excess of the proceeds paid, if any, over the historical cost of the combining entity is accounted for as a change in equity. In addition re-organization of entities under common control is accounted for as if the transfer occurred from the date that both the combining entity and combined entity were both under the common control of Seadrill. Therefore, the Company's financial statements prior to the date the interests in the combining entity were actually acquired are retroactively adjusted to include the results of the combined entities during the periods it was under common control of Seadrill.

The acquisitions of the entities that own and operate the T-15, T-16, West Leo and West Sirius in 2013 from Seadrill were accounted for under this method. The companies acquired from Seadrill relating to the T-15, T-16, West Leo and West Sirius are referred to as the "dropdown companies" throughout these financial statements.

As of January 2, 2014, the date of the Company's first annual general meeting, Seadrill ceased to control the Company as defined by US GAAP and therefore Seadrill Partners and Seadrill are no longer be deemed to be entities under common control.

Business combinations

The Company applies the acquisition method of accounting for business combinations. The acquisition method requires the total of the purchase price of acquired businesses and any non-controlling interest recognized to be allocated to the identifiable tangible and intangible assets and liabilities acquired at fair value, with any residual amount being recorded as goodwill as of the acquisition date. Costs associated with the acquisition are expensed as incurred. See "Note 3 - Business acquisitions" for further discussion on business acquisitions.

Note 2 - Accounting policies

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contract revenue

A substantial majority of the Company's revenues are derived from dayrate based drilling contracts (which may include lump sum fees for mobilization and demobilization) and other service contracts. Both dayrate base and lump sum fee revenues are recognized ratably over the contract period when services are rendered. Under some contracts, the Company is entitled to additional payments for meeting or exceeding certain performance targets. Such additional payments are recognized when any uncertainties regarding achievements of such targets are resolved or upon completion of the drilling program.

In connection with drilling contracts, the Company may receive lump sum fees for the mobilization of equipment and personnel or for capital additions and upgrades prior to commencement of drilling services. These up-front fees are recognized as revenue over the original contract term, excluding any extension option periods.

In some cases, the Company may receive lump sum non-contingent fees or dayrate based fees from customers for demobilization upon completion of a drilling contract. Non-contingent demobilization fees are recognized as revenue over the original contract term, excluding any extension

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option periods not exercised by the Company's customers. Contingent demobilization fees are recognized as earned upon completion of the drilling contract.

Fees received from customers under drilling contracts for capital upgrades are deferred and recognized over the remaining contract term, excluding any extension option periods not exercised.

In certain countries in which the Company operates, taxes such as sales, use, value-added, gross receipts and excise may be assessed by the local government on the Company's revenues. The Company generally records tax-assessed revenue transactions on a net basis in the consolidated and combined carve-out statement of income.

Reimbursable revenue and expenses

Reimbursements received for the purchases of supplies, personnel services and other services provided on behalf of and at the request of the Company's customers in accordance with a contract or agreement are recorded as revenue. The related costs are recorded as reimbursable expenses in the same period.

Other revenues

Other revenues include amounts recognized as early termination fees under the offshore drilling contracts which have been terminated prior to the contract end date. Contract termination fees are recognized on a daily basis as and when any contingencies or uncertainties are resolved.

Other revenues also include revenues earned within the Company's Nigerian service company relating to certain services, including the provision of onshore and offshore personnel. During the year ended December 31, 2015, other revenues include Seadrill's drilling rigs West Jupiter and West Saturn and to services provided to Seadrill's West Polaris drilling rig that was operating in Nigeria for the year ended December 31, 2013.

Mobilization and demobilization expenses

Mobilization costs incurred as part of a contract are capitalized and recognized as expense over the contract term, excluding any extension periods not exercised by the Company's customers. The costs of relocating drilling units that are not under contract are expensed as incurred.

Demobilization costs are costs related to the transfer of a vessel or drilling unit to a safe harbor or different geographic area and are expensed as incurred.

Vessel and rig operating expenses

Vessel and rig operating expenses are costs associated with operating a drilling unit that is either in operation or stacked, and include the remuneration of offshore crews and related costs, rig supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel in various locations where the Company operates the rigs and are expensed as incurred.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized under drilling units and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation and amortization expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Foreign currencies

The Company and all of its subsidiaries use the U.S. dollars as their functional currency because the majority of their revenues and expenses are denominated in U.S. dollars. Accordingly, the Company's reporting currency is also U.S. dollars.

Transactions in foreign currencies during a period are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the consolidated statements of operations.

Gain on Bargain Purchase

When the fair value of the identifiable assets and liabilities acquired in a business combination is in excess of the sum of the fair value of consideration and the fair value of any retained non-controlling interest, the Company recognizes in earnings a gain on bargain purchase. Before recognizing any gain on bargain purchase, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Earnings Per Unit

The Company computes earnings per unit using the two-class method set out in US GAAP. Any undistributed earnings for the period are allocated to the various unitholders in accordance with the cash distribution provisions contained in the Company's Operating Agreement across the common and subordinated members and incentive distribution right holders. Where distributions relating to the period are in excess of earnings, the deficit is also allocated according to the cash distribution model.

The sum of the distributed amounts and the allocation of the undistributed earnings or deficit to each class of unitholders is divided by the weighted average number of units outstanding during the period. Diluted earnings per unit, if applicable, reflects the potential dilution that could

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occur if potentially dilutive instruments were exercised, resulting in the issuance of additional units that would then share in the Company's net earnings.

Current and non-current classification

Assets and liabilities are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with original maturities of three months or less.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount less an allowance for doubtful accounts. The Company establishes reserves for doubtful accounts on a case-by-case basis when it is unlikely that required payments of specific amounts will occur. In establishing these reserves, the Company considers the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes. Receivable amounts determined as being unrecoverable are written off.

Drilling units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of the Company's semi-submersibles, drillships and tender rigs, when new, is 30 years. Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset.

Drilling units that are acquired in business combinations are recognized at fair value on date of acquisition.

Cost of property and equipment sold or retired, with the related accumulated depreciation and write-downs are removed from the consolidated balance sheet, and resulting gains or losses are included in the consolidated statement of operations.

Favorable drilling contracts - intangible assets

Favorable drilling contracts are recorded as an intangible asset at fair value on the date of acquisition less accumulated amortization. The amortization is recognized in the statement of operations under "amortization of favorable contracts". The amounts of these assets are amortized on a straight-line basis over the estimated remaining economic useful life or contractual period.

Impairment of long-lived assets

The carrying value of long-lived assets that are held and used by the Company are reviewed for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Derivative Financial Instruments and Hedging Activities

The Company's interest-rate swap agreements are recorded at fair value, and are recorded within related party receivables/payables on the balance sheet when the counter party to the agreements is Seadrill, and within other current assets/liabilities when the counter party to the agreements is an external party. Changes in the fair value of interest-rate swap agreements, which have not been designated as hedging instruments, are recorded as a gain or loss

as a separate line item within financial items in the statement of operations.

Income taxes

Seadrill Partners LLC is organized in the Republic of the Marshall Islands and resident in the United Kingdom for taxation purposes. The Company does not conduct business or operate in the Republic of the Marshall Islands, and is not subject to income, capital gains, profits or other taxation under current Marshall Islands law. As a tax resident of the United Kingdom the Company is subject to tax on income earned from sources within the United Kingdom. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently income taxes have been recorded in these jurisdictions when appropriate.

Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. The Company recognizes tax liabilities based on its assessment of whether its tax positions are more likely than not sustainable, based on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedent.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules. Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards. A deferred tax asset is

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recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Deferred charges

Loan related costs, including debt issuance, arrangement fees and legal expenses, are capitalized and presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, and amortized over the term of the related loan and the amortization is included in interest expense.

Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Equity allocation

Earnings attributable to unitholders of Seadrill Partners are allocated to all unitholders on a pro rata basis for the purposes of presentation in the Company's consolidated and combined carve-out statements of changes in members' capital. Earnings attributable to unitholders for any period are first reduced for any cash distributions for the period to be paid to the holders of the incentive distribution rights.

At the time of the IPO the equity attributable to unitholders was allocated using the hypothetical amounts which would be distributed to the various unitholders on a liquidation of the Company ("hypothetical liquidation method"). This method has also been used to account for issuances of common units by the Company, and the deemed distributions from equity which resulted from acquisitions of drilling units from Seadrill.

Pre-acquisition earnings presented which relates to entities acquired from Seadrill as part of common control transactions have been allocated to the Seadrill member interest. The Seadrill Member interest, and its rights to the incentive distribution rights, is owned by the predecessor owner of acquired entities, Seadrill.

Recently Adopted Accounting Standards

In September 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance further requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance will be effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and early adoption is permitted. The Company has chosen to early adopt this standard in 2015. Please refer to "Note 3 - Business acquisitions".

The Company has adopted ASU 2015-03, Interest - Imputation of Interest, (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as of June 30, 2015, which requires the debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This ASU is effective for the first interim period beginning after December 15, 2015 and early adoption is permitted. The Company has chosen to early adopt this ASU in the second quarter of 2015. As a result, the consolidated balance sheet as of December 31, 2014 has been retrospectively adjusted to reflect this change in accounting principle. \$7.6 million of debt issuance costs have been reclassified from other current assets to a direct deduction from current portion of long-term debt and \$70.8 million of debt issuance costs have been reclassified from other non-current assets to a direct deduction from long-term debt. As of December 31, 2015, \$11.5 million of debt issuance costs have been presented as a direct deduction from the current portion of long-term debt and \$46.6 million of debt issuance costs have been presented as a direct deduction from long-term debt. Refer also to Note 11 - Debt.

In April 2015, the FASB issued ASU 2015-06, Earnings Per Share (Topic 260) which includes the final version of Proposed ASU EITF -14A - Earnings Per Share - Effects on Historical Earnings per Unit of Master Limited Partnership Drop Down Transactions. The amendments in this update specify that for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a drop down transaction should be allocated entirely to the general partner interest, and previously reported earnings per unit of the limited partners would not change as a result of a drop down transaction. This ASU is effective for the first interim period beginning after December 15, 2015 and early adoption is permitted. The Company has chosen to early adopt this ASU in the first quarter of 2015. However, the adoption of this standard by the Company does not have a material impact on its consolidated financial statements and related disclosures.

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In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes in a classified statement of financial position. The update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position as opposed to the current requirement to separate these into current and non-current amounts. As permitted by ASU 2015-17, the Company early-adopted this standard as at December 31, 2015 and applied it retrospectively to all periods presented. As a result the Company has presented all deferred tax liabilities and assets, as well as any related valuation allowance, as non-current for all periods presented in this annual report. The adoption of this guidance did not have a material impact on Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides new authoritative guidance on the methods of revenue recognition and related disclosure requirements. In April 2015 the FASB proposed to defer the effective date of the guidance by one year. Based on this proposal, public entities would need to apply the new guidance for annual and interim periods beginning after December 15, 2017, and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted until periods beginning after December 15, 2016. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which provides new authoritative guidance with regards to management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The ASU will be effective for all entities in the first annual period ending after December 15, 2016 (December 31, 2016 for calendar year-end entities) and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which made targeted amendments to the current consolidation guidance that could affect all industries. The FASB issued this guidance to respond to stakeholders' concerns about the current accounting for consolidation of certain legal entities. Financial statement users asserted that in certain situations in which consolidation is ultimately required, deconsolidated financial statements are necessary to better analyze the reporting entity's economic and operational results. Previously, the FASB issued an indefinite deferral for certain entities to partially address those concerns. However, the amendments in this guidance rescind that deferral and address those concerns by making changes to the consolidation guidance. The ASU will be effective for public entities in the first annual period, and for interim periods thereafter, beginning after December 15, 2015 and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting. The update eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The update clarifies principal vs agent accounting of the new revenue standard. The guidance will be effective for annual and interim periods beginning after December 15, 2017, and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted until periods beginning after December 15, 2016. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The update simplifies the accounting for share based payment transactions. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. The update provide more clarification about identifying performance obligations and licensing. The guidance will be effective for annual and interim periods beginning after December 15, 2017, and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted until periods beginning after December

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15, 2016. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

Note 3 - Business acquisitions

For the year-ended December 31, 2015

West Polaris Acquisition

On June 19, 2015, the Company's 58% owned subsidiary, Seadrill Operating LP ("Seadrill Operating"), completed the purchase (the "Polaris Acquisition") of 100% of the ownership interests in Seadrill Polaris Ltd. ("Seadrill Polaris") the entity that owns and operates the drillship the West Polaris (the "Polaris Business") from Seadrill. Seadrill Operating is 42% owned by Seadrill. The acquisition is in line with the Company's strategy to increase quarterly cash distributions through accretive acquisitions of modern offshore drilling units with long-term contracts attached.

The initial consideration for the Polaris Acquisition was comprised of \$204.0 million of cash and \$336.0 million of debt outstanding under the existing facility financing the West Polaris.

In addition, Seadrill Operating issued a note (the "Seller's Credit") of \$50.0 million to Seadrill, payment of which is contingent on the future re-contracted dayrate for the West Polaris. The Seller's Credit is due in 2021 and bears an interest rate of 6.5% per annum. During the three-year period following the completion of the current drilling contract with ExxonMobil, the Seller's Credit may be reduced if the average contracted dayrate (net of commissions) for the period, adjusted for utilization, under any replacement contract is below \$450 thousand per day until the Seller's Credit's maturity in 2021. Should the average dayrate of the replacement contract be above \$450 thousand per day, the entire Seller's Credit must be paid to Seadrill upon maturity of the Seller's Credit in 2021.

In addition, Seadrill Polaris may make further contingent payments to Seadrill based upon the West Polaris's operating dayrate. At the time of acquisition, the West Polaris was contracted with ExxonMobil on a dayrate of \$653 thousand per day until March 2018. Under the terms of the acquisition agreement, Seadrill Polaris has agreed to pay Seadrill (a) any dayrate it receives in excess of \$450 thousand per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract (the "Initial Earn-Out") and (b) after the expiration of the term of the existing contract until March 2025, 50% of any day rate above \$450 thousand per day, adjusted for daily utilization, tax and agency commission (the "Subsequent Earn-Out").

In connection with the completion of the Polaris Acquisition, Seadrill Polaris as borrower, entered into an amendment and restatement of the \$420.0 million term loan facility secured by the West Polaris (the "West Polaris Facility"). Please refer further to "Note 11 – Debt".

The fair value of the total consideration paid was \$374.6 million, was comprised of cash of \$204.0 million, the Seller's Credit, which had a fair value of \$44.6 million as of the acquisition date, contingent consideration with a fair value of \$95.3 million as of the acquisition date, and a working capital adjustment which increased consideration by \$30.7 million.

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The following table summarizes the consideration paid, and the amounts of the assets and liabilities recognized at the acquisition date.

(In US\$ millions)	June 19, 2015
Consideration	
Cash	204.0
Contingent consideration	95.3
Seller's Credit	44.6
Plus: Working capital adjustment	30.7
Fair value of total consideration transferred	374.6
Recognized amounts of identifiable assets acquired and liabilities assumed at estimated fair value	
Cash	20.0
Current assets	52.1
Intangible asset - favorable drilling contract	124.3
Drilling unit	575.3
Long term interest bearing debt	(336.0)
Current liabilities	(20.2)
Non-current liabilities	(1.3)
Total identifiable net assets at acquisition	414.2
Measurement period adjustment	(30.3)
Gain on bargain purchase	(9.3)
Total	374.6

The West Polaris drilling unit has been valued at fair value separately from the related drilling contract. The estimated fair value of the drilling unit was derived using an income approach with market participant based assumptions, including the Company's expectations around dayrates, drilling unit utilization, operating costs, capital and long term maintenance expenditures and applicable tax rates. The cash flows are estimated over the remaining useful economic life of the drilling unit. At the acquisition date, the cash flows were discounted using an estimated market participant weighted average cost of capital of 8.5%. At the acquisition date, the fair value of the drilling unit recognized was \$575.3 million.

The fair value of the drilling contract has been assessed separately. The contract was valued using an "excess earnings" technique where the terms of the contract are assessed relative to current market conditions. The value of the contract related intangible was determined by means of calculating the incremental cash flows arising over the life of the contract compared with a contract with terms at prevailing market rates. At the acquisition date, the fair value of the favorable contract was recognized as an intangible asset totaling \$124.3 million. This intangible asset will be amortized over the remaining contract period until March 2018.

The fair value of trade receivables was \$31.9 million at the acquisition date, which was also the gross contractual amount. All amounts have since been collected.

At the time of acquisition, the fair value of contingent consideration consisted of the fair value of the Initial Earn-Out of \$61.8 million, the fair value of the Subsequent Earn-Out of \$33.5 million and the fair value of the Seller's Credit of \$44.6 million. The fair value as of the acquisition date was determined using future estimated contract revenues based upon estimates of re-contracted dayrate, average utilization, less any expected commissions and taxes. The contingent consideration has been discounted to present value using a weighted average cost of capital of 8.5%.

At the time of acquisition, the Initial Earn-Out had a maximum possible outcome (based on undiscounted cash flows) of \$67.6 million, assuming the West Polaris achieved 100% utilization for the remainder of the ExxonMobil contract and the contracted dayrate was not re-negotiated. The lowest possible outcome of the Initial Earn-Out is nil, assuming the utilization for the West Polaris is 0% and or the contracted dayrate is re-negotiated to less than \$450 thousand per day. It is not possible to calculate a range of possible outcomes for the Subsequent Earn-Out as it is impossible to determine a maximum possible re-contract dayrate and as such the maximum amount of the payment is unlimited. The lowest possible outcome for the subsequent earn-out is nil, assuming the utilization for the West Polaris is 0%, and or the re-contracted dayrate is less than \$450 thousand per day. The range of undiscounted outcomes for the Seller's Credit varies from nil to \$50.0 million.

Acquisition related transaction costs consisted of various advisory, legal, accounting, valuation and other professional fees of \$0.7 million, which were expensed as incurred and are presented in the statement of operations within general and administrative expenses.

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Measurement period adjustment

At the acquisition date, the Company initially recognized a gain on bargain purchase from the Polaris Acquisition of \$39.6 million, which was the excess of the total identifiable net assets acquired over the consideration transferred. In February 2016, customer ongoing negotiations were concluded and the customer contract for the West Polaris was adjusted to \$490 thousand per day. This provided further information regarding the value of the favorable contract intangible asset and the Initial Earn-Out. The information is further evidence of a condition that existed at the time of the acquisition and therefore should be accounted for as a measurement period adjustment. The favorable contract intangible asset and the Initial Earn-out liability were reduced by \$47.9 million and \$17.6 million, respectively. As a result, the company has recognized a \$30.3 million reduction in the Gain on Bargain Purchase since the acquisition date and a \$9.3 million Net Gain on Bargain Purchase for the year ended December 31, 2015.

The gain on the bargain purchase has been recorded in the line "Gain on bargain purchase" in the Consolidated Statement of Operations. The gain was attributed to the Company's belief that Seadrill may obtain additional value through the transaction, over and above the consideration transferred. This may include, but is not limited to, the potential future realization of value through Seadrill's investments in Seadrill Partners. These investments include direct ownership interests, common and subordinated units and incentive distribution rights. As a result of these investments Seadrill has a continuing interest in the growth and success of Seadrill Partners.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance further requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance will be effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and early adoption is permitted. The Company has early adopted this standard and has recognized the measurement period adjustment with regard to the Polaris Acquisition in the current year.

After the measurement period adjustment, and as at December 31, 2015, the Initial Earn-Out has a maximum possible outcome (based on undiscounted cash flows) of \$17.5 million, assuming the West Polaris achieves 100% utilization for the remainder of the ExxonMobil contract and the contracted dayrate is not re-negotiated. The lowest possible outcome of the Initial Earn-Out is nil, assuming the utilization for the West Polaris is 0% and or the contracted dayrate is re-negotiated to less than \$450 thousand per day.

In the consolidated statement of operations, \$131.6 million of revenue and \$7.8 million of net income have been included from the acquisition date of the Polaris Business until December 31, 2015.

The pro forma revenue and pro forma net income of the combined entity for the year ended December 31, 2015 and December 31, 2014, had the acquisition date been January 1, 2014 are as follows:

(In US\$ millions)	Year ended December 31,			
	2015		2014	
	Seadrill Partners LLC as reported	Supplemental pro forma combined entity	Seadrill Partners LLC as reported	Supplemental pro forma combined entity
Total Revenue	\$1,741.6	\$ 1,851.3	\$1,342.6	\$ 1,564.1
Net Income	488.4	535.7	314.6	388.9
Net income attributable to Seadrill Partners LLC members	257.2	284.6	138.2	181.3

For the year-ended December 31, 2014

West Auriga Acquisition

On March 21, 2014, the Company's 51% owned subsidiary, Seadrill Capricorn Holdings LLC, completed the purchase of 100% of the ownership interests in the entities that own and operate the West Auriga (the "Auriga business") from Seadrill. The acquisition is in line with the Company's strategy to increase quarterly cash distributions through accretive acquisitions of modern offshore drilling units with long-term contracts attached.

The purchase price was \$1,240.0 million, less debt of \$443.1 million that was outstanding under the existing facility related to West Auriga. The total consideration of \$797.0 million comprised of cash of \$696.9 million, and a zero coupon limited recourse discount note issued by Seadrill Capricorn Holdings LLC to Seadrill in an initial amount of \$100.0 million. This note was repaid in June 2014 with the proceeds of the Amended Senior Secured Credit Facilities. Upon maturity of such note, Seadrill Capricorn Holdings LLC was due to repay \$103.7 million to Seadrill. The purchase price was subsequently adjusted by a working capital adjustment of \$330.4 million. The working capital adjustment predominately arose as a result of related party payable balances which remained in the acquired entities. These payable balances related to funding provided by Seadrill to the acquired entities for the construction, equipping and mobilization of the West Auriga.

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In conjunction with this acquisition, the Company issued 11,960,000 common units to the public and 1,633,987 common units to Seadrill, at a price of \$30.60 per unit, raising total net proceeds after fees of \$401.3 million. Issuance costs of \$14.7 million were charged against Members' Capital.

The Company funded its 51% share of the cash purchase price with proceeds from the equity issuance described above. The remaining 49% was funded through the issuance of new units by Seadrill Capricorn Holdings LLC to Seadrill for \$341.5 million.

Following the deconsolidation of the Company from Seadrill on January 2, 2014, this transaction is deemed to constitute a business combination rather than a transaction between entities under common control. The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

(In US\$ millions)	March 21, 2014
Consideration	
Cash	696.9
Discount note issued	100.0
Working capital adjustment	(330.4)
Fair value of total consideration transferred	466.5
Recognized amounts of identifiable assets acquired and liabilities assumed at estimated fair value	
Cash	24.4
Current assets	44.4
Intangible asset - favorable drilling contract	76.2
Drilling unit	1,065.7
Non current assets	76.6
Long term interest bearing debt	(443.1)
Current liabilities	(380.6)
Total identifiable net assets	463.6
Goodwill	2.9
Total	466.5

The Company recognized goodwill from the acquisition of \$2.9 million, which is the excess of consideration transferred over the net assets acquired. The value of the goodwill is attributed to the assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

The drilling unit has been valued at fair value separately from the related drilling contract. The estimated fair value of the drilling unit was derived using an income approach with market participant based assumptions. The fair value of the drilling contract has been also been assessed separately. The contract was valued using an 'excess earnings' technique where the terms of the contract are assessed relative to current market conditions. The value of the contract related intangible was determined by means of calculating the incremental or decremental cash flows arising over the life of the contract compared with a contract with terms at prevailing market rates.

The fair value of trade receivables was \$28.3 million at the acquisition date, which was also the gross contractual amount. All amounts are expected to be collected. The fair value of the mobilization fee receivable included in other current and non-current assets was \$92.4 million at the acquisition date, which equaled the book value. All amounts are expected to be collected over the duration of the drilling contract.

Acquisition related transaction costs consisted of various advisory, legal, accounting, valuation and other professional fees of \$0.2 million, which were expensed as incurred and are presented in the statement of operations within general and administrative expenses.

In the consolidated statement of operations, revenue of \$164.5 million and net income of \$46.1 million have been included since the acquisition date of the Auriga Business until December 31, 2014.

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The pro forma revenue and pro forma net income of the combined entity for the year ended December 31, 2014 and 2013, had the acquisition date been January 1, 2013 are as follows:

	Year ended December 31,			
(In US\$ millions)	2014		2013	
	Seadrill Supplemental Partners pro forma LLC as combined reported entity		Seadrill Supplemental Partners pro forma LLC as combined reported entity	
Revenues	1,342.6	1,390.7	1,064.3	1,096.1
Net Income	314.6	331.0	415.4	412.5

Acquisition of additional limited partner interest in Seadrill Operating LP

On July 21, 2014, the Company completed the purchase of an additional 28% limited partner interest in Seadrill Operating LP from Seadrill for a total of \$372.8 million. As a result of this acquisition, the Company's limited partner interest in Seadrill Operating LP increased from 30% to 58%. Seadrill Operating LP was already a controlled subsidiary of the Company and therefore this has been accounted for as an equity transaction. Non-controlling interests of \$93.2 million were derecognized with the residual \$279.6 million recognized against members' capital.

West Vela Acquisition

On November 4, 2014, the Company's 51% owned subsidiary, Seadrill Capricorn Holdings LLC, completed the purchase of 100% of the ownership interests in the entities that own and operate the West Vela (the "Vela business") from Seadrill. The acquisition is in line with the Company's strategy to increase quarterly cash distributions through accretive acquisitions of modern offshore drilling units with long-term contracts attached.

The initial purchase price was \$900.0 million, less debt of \$433.1 million that was outstanding under the existing facility related to West Vela. As part of the agreement Seadrill Capricorn Holdings LLC also has an obligation to pay deferred consideration of \$44,000 per day for the remainder of the West Vela's current contract with BP which runs to November 2020. In addition Seadrill Capricorn Holdings will pay contingent consideration of up to \$40,000 per day for the remainder of the BP contract, depending on the actual amount of contract revenue received from BP per day. The total consideration thus included deferred consideration payable to Seadrill of \$73.7 million and contingent consideration of \$65.7 million. The purchase price was subsequently reduced by a working capital adjustment of \$6.0 million.

The Company funded its 51% share of the cash purchase price with proceeds from the equity issuance in September 2014 where the Company issued 8,000,000 common units to the public at a price of \$30.68 per unit, raising total proceeds after fees of \$245.4 million. Issuance costs of \$10.9 million were charged against Members' Capital. The remaining 49% was funded through the issuance of new units by Seadrill Capricorn Holdings LLC to Seadrill for \$228.8 million.

Following the deconsolidation of the Company from Seadrill on January 2, 2014, this transaction is deemed to constitute a business combination rather than a transaction between entities under common control. The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

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(In US\$ millions)	November 4, 2014
Consideration	
Cash	467.0
Mobilization payable	73.7
Contingent consideration	65.7
Less: Working capital adjustment	(6.0)
Fair value of total consideration transferred	600.4
Recognized amounts of identifiable assets acquired and liabilities assumed at estimated fair value	
Cash	1.9
Current assets	61.4
Intangible asset - favorable drilling contract	204.7
Drilling unit	755.8
Non current assets	61.8
Long term interest bearing debt	(433.1)
Current liabilities	(52.3)
Total identifiable net assets	600.2
Goodwill	0.2
Total	600.4

The Company recognized goodwill from the acquisition of \$0.2 million, which is the excess of consideration transferred over the net assets acquired. The value of the goodwill is attributed to the assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

The drilling unit has been valued at fair value separately from the related drilling contract. The estimated fair value of the drilling unit was derived using an income approach with market participant based assumptions. The fair value of the drilling contract has been also been assessed separately. The contract was valued using an 'excess earnings' technique where the terms of the contract are assessed relative to current market conditions. The value of the contract related intangible was determined by means of calculating the incremental or decremental cash flows arising over the life of the contract compared with a contract with terms at prevailing market rates.

The fair value of trade receivables was \$44.1 million at the acquisition date, which was also the gross contractual amount. All amounts are expected to be collected. The fair value of the mobilization fee receivable included in other current and non-current assets was \$94.2 million, at the acquisition date which equaled the book value. All amounts are expected to be collected over the duration of the drilling contract.

Acquisition related transaction costs consisted of various advisory, legal, accounting, valuation and other professional fees of \$0.2 million, which were expensed as incurred and are presented in the statement of operations within general and administrative expenses.

In the consolidated statement of operations, revenue of \$32.9 million and net income of \$5.7 million have been included since the acquisition date of the Vela Business until December 31, 2014.

The pro forma revenue and pro forma net income of the combined entity for the twelve months ended December 31, 2014 and December 31, 2013, had the acquisition date been January 1, 2013 are as follows:

	Year ended December 31,	
(In US\$ millions)	2014	2013
	Seadrill Supplemental	Seadrill Supplemental
	Partners pro forma	Partners pro forma
	LLC as combined	LLC as combined
	reported entity	reported entity

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Revenues	1,342.6	1,532.4	1,064.3	1,083.4
Net Income	314.6	407.6	415.4	403.8

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For the year-ended December 31, 2013

T-15 Acquisition

On May 17, 2013, the Company's wholly owned subsidiary, Seadrill Partners Operating LLC, acquired a 100% interest in the companies that own and operate the tender rig T-15 from Seadrill for a total purchase price of \$210.0 million, less \$100.5 million of debt assumed relating to the proportion of Seadrill's existing \$440 million credit facility, relating to the T-15. Working capital adjustments reduced the purchase price by \$34.9 million, which was settled in cash during the year. The acquisition has been accounted for as a transaction between entities under common control. The net assets acquired are recorded at the historic book value of Seadrill. The excess of the purchase price over the book value of net assets acquired of \$79.4 million has been recorded as a reduction of equity. The acquisition was funded by a vendor financing loan from Seadrill of \$109.5 million.

T-16 Acquisition

On October 18, 2013, Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig T-16 for a total purchase price of \$200.0 million, less \$93.1 million of debt assumed relating to the proportion of Seadrill's existing \$440 million credit facility, relating to the T-16. Working capital adjustments reduced the purchase price by \$39.0 million, which was recognized within related party receivables at December 31, 2013. The acquisition has been accounted for as a transaction between entities under common control. The net assets acquired are recorded at the historic book value of Seadrill. The excess of the purchase price over the book value of net assets acquired of \$67.6 million has been recorded as a reduction of equity. As consideration for the purchase, the Company issued 3,310,622 common units to Seadrill in a private placement transaction at a price of \$32.29 per unit, which was valued at \$106.9 million.

West Sirius and West Leo Acquisition

On December 13, 2013, the acquisition of the companies that own and operate the West Sirius (the "Sirius Business") and West Leo (the "Leo Business") was completed. The Sirius Business was acquired by Seadrill Capricorn Holdings LLC (51% owned by the Company) and the Leo Business was acquired by Seadrill Operating LP (30% owned by the Company).

The total purchase price of the Sirius Business was \$1,035.0 million, less debt assumed of \$220.2 million, relating to the proportion of Seadrill's existing \$1,500 million credit facility relating to the West Sirius. Working capital adjustments increased the purchase price by \$106.7 million. 51% (which corresponds to the Company's ownership share of Seadrill Capricorn Holdings LLC) of this was recognized within related party payables at December 31, 2013. The remaining amount was recognized as an increase in the equity contribution from Seadrill described below. The acquisition has been accounted for as a transaction between entities under common control. The net assets acquired are recorded at the historic book value of Seadrill. The excess of the purchase price over the book value of net assets acquired of \$546.9 million has been recorded as a reduction of equity. The Company funded its share of the purchase price through the equity issue described below, the issuance of a \$229.9 million discount note by Seadrill Capricorn Holdings LLC, the issuance of a \$70.0 million discount note by the Company, with the remaining 49% (which corresponds to Seadrill's share of Seadrill Capricorn Holdings LLC) being funded by an issuance of common units by Seadrill Capricorn Holdings LLC to Seadrill, totalling \$338.8 million.

The total purchase price of the Leo Business was \$1,250.0 million, less debt assumed of \$485.0 million, relating to the proportion of Seadrill's existing \$1,121 million credit facility relating to the West Leo. Working capital adjustments reduced the purchase price by \$35.0 million. 30% (which corresponds to the Company's ownership share of Seadrill Operating LP) of this was recognized within related party payables at December 31, 2013. The remaining amount was recognized as a reduction in the equity contribution from Seadrill described below. The acquisition has been accounted for as a transaction between entities under common control. The net assets acquired are recorded at the historic book value of Seadrill. The excess of the purchase price over the book value of net assets acquired of \$612.7 million has been recorded as a reduction of equity. The Company funded its share of the purchase price through the

equity issue described below, with the remaining 70% (which corresponds to Seadrill's share of Seadrill Operating LP) being funded by an equity contribution to Seadrill Operating LP, by Seadrill totaling \$511.1 million.

In order to fund the cash portion of the purchase price of these acquisitions, Seadrill Partners issued 12,880,000 common units to the public (including 1,680,000 common units issued to underwriters' option to purchase additional common units) and 3,394,916 common units to Seadrill, at a price of \$29.50 per unit on December 9, 2013 amounting to total gross proceeds of \$480.1 million. Issuance fees were \$15.3 million.

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The following table summarizes the above acquisitions during the year ended December 31, 2013:

(In US\$ millions)	T-15	T-16	West Sirius	West Leo	Total
Total purchase price	210.0	200.0	1,035.0	1,250.0	2,695.0
Debt assumed	(100.5)	(93.1)	(220.2)	(485.0)	(898.8)
Purchase price less debt	109.5	106.9	814.8	765.0	1,796.2
Working capital adjustments	(34.9)	(39.0)	106.7	(35.0)	(2.2)
Adjusted purchase price	74.6	67.9	921.5	730.0	1,794.0
Carrying value of net assets / (liabilities) acquired	(4.8)	0.3	374.6	117.3	487.4
Excess of sales price over net assets acquired	79.4	67.6	546.9	612.7	1,306.6

Refer to Note 1 - General Information - Business combinations between entities under common control - for further information on how these transactions have had an effect on the Company's consolidated and combined carve out financial statements.

Note 4 – Segment information

Operating segment

OPCO's fleet, which is regarded as one single global segment, and is reviewed by the Chief Operating Decision Maker, which is the Company's board of directors, as an aggregated sum of assets, liabilities and activities generating distributable cash to meet minimum quarterly distributions.

A breakdown of the Company's revenues by customer for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
BP	44.8 %	41.5 %	35.0 %
ExxonMobil *	32.1 %	26.4 %	14.5 %
Tullow	13.5 %	17.4 %	18.8 %
Chevron	8.5 %	14.7 %	12.1 %
Total	— %	— %	19.6 %
Other	1.1 %	— %	— %
Total	100.0 %	100.0 %	100.0 %

* The ExxonMobil drilling contract for the West Aquarius was assigned to Hibernia Management and Development Co. Ltd during 2015, 2014 and part of 2013 and to Statoil Canada Ltd. during part of 2013.

Geographic Data

Revenues are attributed to geographical areas based on the country of operations for drilling activities, i.e. the country where the revenues are generated. The following presents the revenues for the years ended December 31, 2015, 2014 and 2013 and fixed assets as of December 31, 2015 and 2014 by geographic area:

Revenues

(In US\$ millions)	2015	2014	2013
United States	\$781.1	\$556.6	\$370.4
Nigeria	250.1	228.5	213.3
Ghana	234.7	233.5	198.6
Canada	190.9	126.1	153.5
Angola	179.4	92.3	87.9
Thailand	99.8	105.6	40.6
Other	5.6	—	—

Total	\$1,741.6	\$1,342.6	\$1,064.3
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Fixed Assets—Drilling Units

(In US\$ millions)	2015	2014
United States	\$2,927.4	\$3,024.3
Ghana	591.5	608.4
Angola	571.3	182.5
Canada	519.2	539.3
Nigeria	508.0	525.4
Thailand	251.5	261.2
Myanmar	178.4	—
Total	\$5,547.3	\$5,141.1

The fixed assets referred to in the table above include the eleven drilling units at December 31, 2015 and ten (1) drilling units at December 31, 2014. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues or operating profits generated by such assets during such period.

Note 5 – Taxation

Income taxes consist of the following:

	Year Ended December 31,		
(In US\$ millions)	2015	2014	2013
Current tax expense:			
United Kingdom	—	—	—
Foreign	72.6	43.5	42.4
Total current tax expense	72.6	43.5	42.4
Deferred tax (benefit) expense:			
United Kingdom	—	—	—
Foreign	28.0	(8.7)	(9.2)
Total income tax expense	100.6	34.8	33.2

Seadrill Partners LLC is tax resident in the United Kingdom. The Company's controlled affiliates operate and earn income in several countries and are subject to the laws of taxation within those countries. Currently some of the Company's controlled affiliates formed in the Marshall Islands along with all those incorporated in the United Kingdom (none of whom presently own or operate rigs) are resident in the United Kingdom and are subject to U.K. tax. Subject to changes in the jurisdictions in which the Company's drilling units operate and/or are owned, differences in levels of income and changes in tax laws, the Company's effective income tax rate may vary substantially from one reporting period to another. The Company's effective income tax rate for each of the years ended on December 31, 2015, 2014 and 2013 differs from the U.K. statutory income tax rate as follows:

	2015	2014	2013
U.K. statutory income tax rate	20.3 %	21.3 %	23.3 %
Non-U.K. taxes	(3.2)%	(11.3)%	(15.8)%
Effective income tax rate	17.1 %	10.0 %	7.5 %

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

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The net deferred tax assets consist of the following:

(In US\$ millions)	2015	2014
Provisions	19.7	1.5
Net operating losses carry forward	10.7	14.8
Property, plant and equipment	—	3.0
Other	3.8	—
Gross deferred tax assets	34.2	19.3
Valuation allowance related to NOL	—	(0.9)
Net deferred tax asset	34.2	18.4

The net deferred tax liabilities consist of the following:

(In US\$ millions)	2015	2014
Property, plant and equipment	42.6	—
Other	1.1	—
Gross deferred tax liabilities	43.7	—
Net deferred tax (liability) / asset	(9.5)	18.4

The deferred tax liability recognized during the year ended December 31, 2015 is due to a change in tax legislation in Nigeria which required a retrospective adjustment in 2015. The Nigerian tax regime has changed from a deemed profit percentage of revenue to an actual profit regime using 30% of net income impacting both the current and deferred income tax. As such a deferred tax liability arises on the difference between book value and the assumed tax write-down value of the West Capella, the Company's drilling unit operating in Nigeria. The deferred tax liability is expected to reverse in approximately 2020.

The Company did not have any deferred tax liabilities at December 31, 2014 and 2013.

The net deferred taxes are classified as follows:

(In US\$ millions)	2015	2014
Long-term deferred tax asset	34.2	18.4
Long-term deferred tax liability	(43.7)	—
Net deferred tax (liability) / asset	(9.5)	18.4

As of December 31, 2015, deferred tax assets related to net operating loss ("NOL") carryforwards was \$10.7 million, which can be used to offset future taxable income. NOL carry forwards, which were generated in various jurisdictions will expire, if not utilized, in 2033 and 2034. A valuation allowance of nil exists on the NOL carryforwards results where we do not expect to generate future taxable income.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes in a classified statement of financial position. The update requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position as opposed to the current requirement to separate these into current and non-current amounts. As permitted by ASU 2015-17, the Company early-adopted this standard effective December 31, 2015 and applied it retrospectively to all periods presented. As a result the Company has presented all deferred tax liabilities and assets, as well as any related valuation allowance, as non-current for all periods presented in this annual report. The adoption of this guidance did not have a material impact on Company's consolidated financial statements and related disclosures.

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Uncertain tax positions

As of December 31, 2015, the Company had uncertain tax positions of \$9.0 million which is included in other current liabilities on our consolidated balance sheet. The changes to our liabilities related to uncertain tax positions, including interest and penalties that we recognize as a component of income tax expense, were as follows:

(In US\$ millions)	2015	2014	2013
Balance beginning of period	—	—	—
Increases as a result of positions taken in prior periods	—	—	—
Increases as a result of positions taken during the current period	9.0	—	—
Decreases as a result of positions taken in prior periods	—	—	—
Decreases as a result of positions taken in the current period	—	—	—
Balance end of period	9.0	—	—

As of December 31, 2015, if recognized, \$9.0 million of our unrecognized tax benefits, including interest and penalties, would have a favorable impact on our effective tax rate.

Note 6 – Other revenues

Related party other revenues comprise the following items:

	Year Ended December 31,		
(In US\$ millions)	2015	2014	2013
Termination payments revenue	74.7	—	—
Related party other revenues	13.4	—	5.8
Total	88.1	—	5.8

Termination payments earned during the year ended December 31, 2015 include the termination fees after the West Sirius drilling contract was canceled before the completion date, with an effective date of April 1, 2015.

The Company's Nigerian service company earned related party revenues relating to certain services, including the provision of onshore and offshore personnel, which the Company provided to Seadrill's West Saturn and the West Jupiter drilling rigs that were operating in Nigeria during the year ended December 31, 2015 and Seadrill's West Polaris drilling rig that was operating in Nigeria during the year ended December 31, 2013.

Note 7 – Accounts receivable

Accounts receivable are presented net of allowances for doubtful accounts. There were no provisions related to allowances for doubtful accounts as at December 31, 2015. There was a provision of \$5.9 million related to allowance for doubtful accounts as at December 31, 2014. There were no provisions related to allowances for doubtful accounts as at December 31, 2013.

The Company did not recognize any bad debt expense in 2015, 2014 or 2013, but has instead reduced contract revenues for any disputed amounts. There were no contract reductions in 2015, however there were reductions of \$6.5 million in 2014 and \$22.1 million in 2013. The reduction in 2014 was the result of a write-off of re-chargeables of \$0.6 million relating to the West Leo as well as \$5.9 million disputed with Hibernia relating to the West Aquarius. The reduction in 2013 was the result of amounts disputed with Hibernia in relation to the West Aquarius.

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Note 8 – Other current assets

Other current assets include:

(In US\$ millions)	December 31, 2015	December 31, 2014
Reimbursable amounts due from customers	23.5	18.5
Mobilization revenue receivable - short-term	42.0	42.0
Favorable contracts to be amortized - short-term	70.5	40.5
Insurance receivable	12.1	14.9
Prepaid expenses	13.1	11.2
Other	5.4	2.2
Total other current assets	166.6	129.3

The Mobilization revenue receivable - short-term portion relates to the mobilization revenue receivable from the West Vela, West Auriga and West Capricorn. Favorable contracts to be amortized - short-term portion relates to the favorable contracts acquired with the West Polaris, West Vela and West Auriga from Seadrill.

Favorable contracts

Favorable drilling contracts are recorded as intangible assets at fair value on the date of acquisition less accumulated amortization. The amounts recognized represent the net present value of the existing contracts at the time of acquisition compared to the current market rates at the time of acquisition, discounted at the weighted average cost of capital. The estimated favorable contract values have been recognized and amortized on a straight line basis over the terms of the contracts, ranging from two to five years. The gross carrying amounts and accumulated amortization were as follows:

	December 31, 2015			December 31, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Favorable contracts - intangible assets						
Balance at beginning of period	280.9	(14.8)	266.1	—	—	—
Additions *	76.4	—	76.4	280.9	—	280.9
Amortization of favorable contracts	—	(66.9)	(66.9)	—	(14.8)	(14.8)
Balance at end of period	357.3	(81.7)	275.6	280.9	(14.8)	266.1

*Additions to favorable contracts during the year are net of measurement period adjustments.

The amortization is recognized in the statement of operations under "amortization of favorable contracts". The table below shows the amounts relating to favorable and unfavorable contracts that is expected to be amortized over the next five years:

	Year ended December 31					
(In US\$ millions)	2016	2017	2018	2019	2020	Total
Amortization of favorable contracts	70.5	70.5	50.6	45.6	38.4	275.6

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Note 9 – Drilling units

(In US\$ millions)	December 31, 2015	December 31, 2014
Cost	6,434.2	5,790.5
Accumulated depreciation (886.9) (649.4)		
Net book value	5,547.3	5,141.1

Depreciation and amortization expense related to the drilling units was \$237.5 million, \$198.7 million and \$141.2 million for the years ended December 31, 2015, 2014 and 2013 respectively.

Note 10 – Other non-current assets

(In US\$ millions)	December 31, 2015	December 31, 2014
Mobilization revenue receivable - long-term portion	109.2	150.6
Favorable contract – long-term portion	205.2	225.6
Total other non-current assets	314.4	376.2

The Mobilization revenue receivable - long-term portion consists of the West Vela, West Auriga and West Capricorn. The favorable contracts to be amortized - long-term portion consists of the favorable contracts acquired with the West Polaris, West Vela and West Auriga from Seadrill. Please also refer to Note 8 - Other non-current assets.

Note 11 – Debt

As of December 31, 2015 and December 31, 2014, the Company had the following debt amounts outstanding:

(In US\$ millions)	December 31, 2015	December 31, 2014
External debt agreements		
Amended Senior Secured Credit Facilities	2,894.7	2,881.0
\$1,450 Senior Secured Credit Facility	382.6	422.9
\$420 West Polaris Facility	315.0	—
Sub-total external debt	3,592.3	3,303.9
Less current portion long term external debt	(105.3)	(76.5)
Long-term external debt	3,487.0	3,227.4

Related party debt agreements

Rig Financing and Loan Agreements		
West Vencedor Loan Agreement (previously \$1,200 facility)	57.5	78.2
\$440 Rig Financing Agreement	139.0	158.8
Sub-total Rig Financing Agreements	196.5	237.0

Other related party debt

\$109.5 T-15 vendor financing facility	109.5	109.5
Total related party debt	306.0	346.5
Less current portion of related party debt	(145.8)	(40.4)
Long-term related party debt and related party loan notes	160.2	306.1

Total external and related party debt	3,898.3	3,650.4
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The outstanding debt as of December 31, 2015 is repayable as follows:

(In US\$ millions)	As at December 31,
2016	251.1
2017	240.8
2018	598.8
2019	29.0
2020	29.0
2021 and thereafter	2,749.6
Total external and related party debt	3,898.3

As discussed in "Note 2 - Accounting policies", the Company has adopted ASU 2015-03, Interest - Imputation of Interest, (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs as of June 30, 2015. As a result, the consolidated balance sheet as of December 31, 2014 has been restated to reflect this change in accounting principle. Details of the debt issuance costs netted against the current and long-term debt for each of the period presented are shown below.

	Outstanding debt as of December 31, 2015		
(In \$ millions)	Principal outstanding	Debt Issuance Costs	Total Debt
Current portion of long-term external debt	\$ 105.3	\$ (11.5)	\$ 93.8
Long-term external debt	3,487.0	(46.6)	3,440.4
Total external debt	\$ 3,592.3	\$ (58.1)	\$ 3,534.2

	Outstanding debt as of December 31, 2014		
(In \$ millions)	Principal outstanding	Debt Issuance Costs	Total Debt
Current portion of long-term external debt	\$ 76.5	\$ (7.6)	\$ 68.9
Long-term external debt	3,227.4	(70.8)	3,156.6
Total external debt	\$ 3,303.9	\$ (78.4)	\$ 3,225.5

Amended Senior Secured Credit Facilities

On February 21, 2014, Seadrill Operating LP, Seadrill Capricorn Holdings LLC and Seadrill Partners Finco LLC, which are subsidiaries of the Company (the "Borrowers"), entered into Senior Secured Credit Facilities (the "Senior Secured Credit Facilities"). The Senior Secured Credit Facilities consist of (i) a \$100.0 million revolving credit facility (the "revolving facility") available for borrowing from time to time by any Borrower, and (ii) a \$1.8 billion term loan (the "term loan") which was borrowed by Seadrill Operating LP in full on February 21, 2014. The proceeds from this transaction were used to (a) refinance debt related to the rig facilities for the West Capella, West Aquarius, West Sirius and West Leo, (b) repay in part unsecured loans from Seadrill, (c) add cash to the balance sheet in support of general company purposes and (d) pay all fees and expenses associated therewith.

On June 26, 2014, the Senior Secured Credit Facilities were amended ("Amended Senior Secured Credit Facilities") for the borrowing by Seadrill Operating LP of \$1.1 billion of additional term loans in addition to the term loans already outstanding under the Senior Secured Credit Facilities as noted above. The proceeds from the additional \$1.1 billion of term loans were used to (a) refinance debt secured by West Auriga of \$443 million and West Capricorn of \$426.3 million, (b) repay in part certain unsecured loans from Seadrill, (c) add cash to the Company's balance sheet

for general company purposes and (d) pay all fees and expenses associated with the Amended Senior Secured Credit Facilities. In June 2015, \$50.0 million was drawn from the revolving credit facility to partially finance the acquisition of the entity that owns the West Polaris.

The Amended Senior Secured Credit Facilities are guaranteed on a senior secured basis by the Borrowers and the Borrowers' subsidiaries that own or charter the West Capella, West Aquarius, West Sirius, West Leo, West Capricorn and West Auriga. The Amended Senior Secured Credit Facilities also are secured by mortgages on the six drilling units, security interests on the earnings, earnings accounts, and insurances owned by the subsidiary guarantors relating to the six drilling units, and pledges of the equity interests of each subsidiary guarantor. As at December 31, 2015, the total net book value of the drilling units pledged as security was \$3.8 billion.

Loans under the Amended Senior Secured Credit Facilities will bear interest, at the Company's option, at a rate per annum equal to either the LIBOR Rate (subject to a 1% floor) for interest periods of one, two, three or six months plus the applicable margin or the Base Rate plus the applicable margin. The Base Rate is the highest of (a) the prime rate of interest announced from time to time by the agent bank as its prime lending rate, (b) 0.50% per annum above the Federal Funds rate as in effect from time to time, (c) the Eurodollar Rate for 1-month LIBOR as in effect from time to time plus 1.0% per annum, and (d) for term loans only, 2.0% per annum. The applicable margin is 2.00% for term loans

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bearing interest at the Base Rate and 3.00% for term loans bearing interest at the Eurodollar Rate. The applicable margin is 1.25% for revolving loans bearing interest at the Base Rate and 2.25% for revolving loans bearing interest at the Eurodollar Rate. In addition, the Company will incur a commitment fee based on the unused portion of the revolving facility of 0.5% per annum.

The term loan matures in February 2021. Amortization payments in the amount of 0.25% of the original term loan amount are required to be paid on the last day of each calendar quarter. The revolving facility matures in February 2019 and does not amortize. The Company is required to make mandatory prepayments of term loans using proceeds from asset sales that are not otherwise utilized for permitted purposes and to make offers to purchase term loans using proceeds of loss events that are not otherwise utilized for permitted purposes.

The Company has entered into interest rate swap transactions to fix 100% of the variable element of the term loan facility at a weighted average fixed rate of 2.49% per annum. A variable rate option included in the swap provides that the counterparty shall pay the greater of 1.00% or 3 Month LIBOR. Thus, where the variable rate is less than 1%, the variable rate payment shall be equal to 1%.

During the year ended December 31, 2015, the Company drew down \$50.0 million of the \$100.0 million revolving credit facility to finance a portion of the Polaris Acquisition. Refer to Note 3 – Business acquisitions for more information.

As of December 31, 2015, the outstanding balance of the term loan was \$2,894.7 million and \$50.0 million of the \$100 million revolving facility remains undrawn.

\$1,450 million Senior Secured Credit Facility

In March 20, 2013 Seadrill entered into a \$1,450 million senior secured credit facility with a syndicate of banks and export credit agencies, relating to the West Auriga, the West Vela and one other drilling unit owned by Seadrill. Upon closing of the West Auriga acquisition in March 2014, the entity which owns the West Auriga owed \$443 million under the facility. This amount was repaid in June 2014 with proceeds from the Amended Senior Secured Credit Facilities discussed above. Upon closing of the West Vela acquisition in November 2014, the entity that owns the West Vela owed \$433 million under the facility. The facility has a final maturity in 2025, with a commercial tranche due for renewal in 2018, and bears interest at a rate equal to LIBOR plus a margin in the range that varies from 1.2% to 3% depending on which of the four loan tranches to which it is applicable. As discussed in the section entitled “Restrictive Covenants and Events of Default” below, the 3% margin, which is applicable to two of the four loan tranches, may be further increased depending on the leverage ratio, by up to 7.5% per annum. The \$307.4 portion of the loans that benefits from the guarantee provided by the Norwegian export credit agency also is subject to a guarantee fee of 1.5% plus, as discussed in the section entitled “Restrictive Covenants and Events of Default” below, up to an additional 7.5% per annum depending on the leverage ratio. If the balloon payment of \$86 million on the commercial tranche does not get refinanced to the satisfaction of the remaining lenders after five years, the remaining tranches also become due after five years. Under the terms of the \$1,450 million secured credit facility agreement, certain subsidiaries of Seadrill and the entity that owns the West Vela are jointly and severally liable for their own debt and obligations under the facility and the debt and obligations of other borrowers who are also party to such agreement. These obligations are continuing and extend to amounts payable by any borrower under the facility. The total amount owed by all parties under this facility as of December 31, 2015 is \$775.6 million. The Company has not recognized any amounts that are related to amounts owed under the facility by other borrowers. Seadrill has provided an indemnity to the Company for any payments or obligations related to this facility that are not related to the West Vela. As at December 31, 2015, the total net book value of the West Vela pledged as security was \$734.8 million. The outstanding balance relating to the West Vela as of December 31, 2015 was \$382.6 million.

\$420 million West Polaris Facility

On June 19, 2015, in connection with the completion of the Polaris Acquisition, Seadrill Polaris Ltd. as borrower, entered into an amendment and restatement of the \$420.0 million term loan facility (the “West Polaris Facility”). The West Polaris Facility is comprised of a \$320.0 million term loan facility and a \$100.0 million revolving credit facility. The West Polaris Facility matures on January 31, 2018 and bears interest at a rate of LIBOR plus 2.25%. Commitment

fees are payable quarterly in arrears on the unused portion of the revolving credit facility at the rate of 0.9% per annum. The term loan of the West Polaris Facility is payable on a monthly basis in equal installments of \$3.0 million and a final lump sum payment of \$143.0 million upon maturity. Upon closing of the Polaris Acquisition, Seadrill Polaris owed \$336.0 million under the West Polaris Facility. Refer to Note 3 - Business Acquisitions. The outstanding balance under the West Polaris Facility as of December 31, 2015 was \$315.0 million.

Seadrill and the Company are guarantors of the West Polaris Facility. Security for the West Polaris Facility consists of a first priority perfected pledge by Seadrill Operating of all of its equity interests in Seadrill Polaris, a first priority ship mortgage by Seadrill Polaris over the West Polaris, and first priority perfected security interests granted by Seadrill Polaris in its earnings, earnings accounts and insurances. The net book value of the West Polaris pledged as security as at December 31, 2015 is \$571.3 million.

\$440 million Rig Financing Loan Agreements

Seadrill financed the construction of the drilling units in the Company's fleet with borrowings under third party credit facilities. In connection with the Company's IPO and certain subsequent acquisitions from Seadrill, Seadrill amended and restated the various third party credit facilities, or Rig Financing Agreements, to allow for the transfer of the respective drilling units to OPCO and to provide for OPCO and its subsidiaries that, directly or indirectly, own the drilling units to guarantee the obligations under the facilities. In connection therewith, such subsidiaries entered into intercompany loan agreements with Seadrill corresponding to the aggregate principal amount outstanding under the third party credit facilities allocable to the applicable drilling units. During the twelve months ended December 31, 2014, certain Rig Financing Agreements

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were repaid with the proceeds of the Senior Secured Credit Facilities. As of December 31, 2015 and 2014, the only remaining Rig Financing Agreement related to the T-15 and T-16 (the “\$440 million Rig Financing Agreement”). In December 2012, Seadrill entered into a \$440 million secured term loan facility with a syndicate of banks in part to fund the acquisition of the T-15 and T-16. The \$440 million Rig Financing Agreement is secured by the T-15 and T-16 and one other rig owned by Seadrill. In May 2013, Seadrill entered into an amendment to the \$440 million Rig Financing Agreement to allow for the transfer of the T-15 to Seadrill Partners Operating LLC and to add Seadrill Partners Operating LLC as a guarantor under the \$440 million Rig Financing Agreement. In October 2013, Seadrill entered into an amendment to the \$440 million Rig Financing Agreement to allow for the transfer of the T-16 to Seadrill Partners Operating LLC. Effective from the respective dates of transfer of the T-15 and the T-16 from Seadrill to Seadrill Partners Operating LLC, the entities that own the T-15 and T-16 entered into intercompany loan agreements with Seadrill in the amount of approximately \$100.5 million and 93.1 million, respectively. Pursuant to the intercompany loan agreements, the entities which own the T-15 and T-16 make payments of principal and interest directly to the lenders under the \$440 million Rig Financing Agreement, at Seadrill’s direction and on its behalf. Such payments correspond to payments of principal and interest due under the \$440 million Rig Financing Agreement that are allocable to the T-15 and the T-16. The \$440 million Rig Financing Agreement matures in December 2017. During the twelve months ended December 31, 2014, certain Rig Financing Agreements were repaid by the Company in conjunction with the drawdown of the Senior Secured Credit Facilities as further discussed above. As at December 31, 2015 and 2014, the \$440 million Rig Financing Agreements with Seadrill related to the T-15, and T-16 (the “Rig Financing Agreement”).

Under the terms of the external secured credit facility agreements for the T-15 and T-16, certain subsidiaries of Seadrill and the Company are jointly and severally liable for their own debt and obligations under the relevant facility and the debt and obligations of other borrowers who are also party to the \$440 million Rig Financing Agreements. These obligations are continuing and extend to amounts payable by any borrower under the relevant agreement. The total amount owed the \$440 million Rig Financing Agreement as at December 31, 2015 is \$224.3 million (\$258.4 million as of December 31, 2014); the Company retains a related party balance as of December 31, 2015 of \$139.0 million payable to Seadrill (\$158.8 million as of December 31, 2014). The Company has not recognized any amounts that are related to amounts owed by Seadrill subsidiaries. Additionally the Company has received an indemnity from Seadrill for any payments or obligations related to these facilities that are not related to the T-15 and T-16. As at December 31, 2015 the total net book value of the T-15 and T-16 pledged as security was \$251.5 million.

West Vencedor Loan Agreement

The senior secured credit facility relating to the West Vencedor was repaid in full by Seadrill in June 2014, and subsequently the related party agreement between the Company's subsidiary, Seadrill Vencedor Ltd., and Seadrill was amended to carry on this facility on the same terms, referred to as the West Vencedor Loan Agreement. The West Vencedor Loan Agreement was scheduled to mature in June 2015 and all outstanding amounts thereunder would be due and payable, including a balloon payment of \$69.9 million. On April 14, 2015 the Loan Agreement was amended and the maturity date was extended to June 25, 2018. The West Vencedor Loan Agreement bears a margin of 2.25%, a guarantee fee of 1.4% and a balloon payment of \$20.6 million due at maturity in June 2018. As at December 31, 2015 the total net book value of the West Vencedor pledged as security was \$178.4 million. The outstanding balance under the West Vencedor Loan Agreement due to Seadrill was \$57.5 million as of December 31, 2015 (\$78.2 million as of December 31, 2014).

\$109.5 million Vendor Financing Loan Agreement

In May 2013, a subsidiary of the Company, Seadrill Partners Operating LLC, borrowed from Seadrill \$109.5 million as vendor financing to fund the acquisition of the T-15. The facility bears interest of LIBOR plus a margin of 5.0% and is due in May 2016.

Sponsor Revolving Credit Facility

In October 2012, in connection with the closing of the Company's IPO, the Company entered into a \$300 million revolving credit facility with Seadrill. The facility is for a term of 5 years and bears interest at a rate of LIBOR plus 5.0% per annum, with an annual 2% commitment fee on the undrawn balance. On March 1, 2014, the revolving credit facility was reduced to \$100 million. There were no amounts owed under the facility as of December 31, 2015 and (nil as of December 31, 2014).

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Restrictive Covenants

The Company's facilities and related party loan agreements include financial and non-financial covenants applicable to the Company and Seadrill. Financing agreements entered into during the year ended December 31, 2015 and December 31, 2014 are discussed further below. The Company and Seadrill were in compliance with the related covenants as of December 31, 2015.

In addition to the collateral provided to lenders in the form of pledged assets, the Company's and Seadrill's credit facility agreements generally contain financial covenants, the primary covenants being as follows:

The Amended Senior Secured Credit Facilities

Our subsidiaries that are borrowers or guarantors of the Amended Senior Secured Credit Facilities are subject to certain financial and restrictive covenants contained in our Amended Senior Secured Credit Facilities including the following:

- Limitations on the incurrence of indebtedness and issuance of preferred equity;
- Limitations on the incurrence of liens;
- Limitations on dividends and other restricted payments;
- Limitations on investments;
- Limitations on mergers, consolidation and sales of all or substantially all assets;
- Limitations on asset sales;
- Limitations on transactions with affiliates;
- Limitation on business activities to businesses similar to those now being conducted; and
- Requirement to maintain a senior secured net leverage ratio of no more than 5.5 to 1.0 (5.0 to 1.0 for the fiscal quarter ending March 31, 2015 and thereafter).

In addition, the Amended Senior Secured Credit Facilities contain other customary terms, including the following events of default (subject to customary grace periods), upon the occurrence of which, the loans may be declared (or in some cases automatically become) immediately due and payable:

- Failure of any borrow of the term loan to pay principal, interest or other amounts owing with respect to the loans under the Amended Senior Secured Credit Facilities;
- Breach in any material respect of any representation or warranty contained in Amended Senior Secured Credit Facilities documentation;
- Breach of any covenant contained in Amended Senior Secured Credit Facilities documentation;
- The occurrence of a payment default under, or acceleration of, any indebtedness aggregating \$25 million or more other than the term loan;
- Failure by our subsidiaries that are borrowers or guarantors of our Amended Senior Secured Credit Facilities to pay or stay any judgment in excess of \$25 million;
- Repudiation by our subsidiaries that are borrowers or guarantors of our Amended Senior Secured Credit Facilities of any guarantee or collateral documents related to the Amended Senior Secured Credit Facilities;
- Any guarantee related to the Amended Senior Secured Credit Facilities is found to be unenforceable or invalid or is not otherwise effective;
- Any of our subsidiaries that are borrowers or guarantors of our Amended Senior Secured Credit Facilities file for bankruptcy or become the subject of an involuntary bankruptcy case or other similar proceeding;
- The equity interests of any of the company, Seadrill Operating LP or Seadrill Capricorn Holdings LLC is pledged to anyone other than the collateral agent for the term loan; and
- The occurrence of a change of control.

As of December 31, 2015, the Company was in compliance with all covenants under the Amended Senior Secured Credit Facilities.

\$440 million Rig Financing Agreements

The \$440 million Rig Financing Agreements contain various customary covenants that may limit, among other things, the ability of the borrower to:

- sell the applicable drilling unit;
- incur additional indebtedness or guarantee other indebtedness;
- make investments or acquisitions;
- pay dividends or make any other distributions if an event of default occurs; or
- enter into inter-company charter arrangements for the drilling units not contemplated by the applicable Rig Facility.

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The \$440 million Rig Financing Agreements also contains financial covenants requiring Seadrill to:

- Aggregated minimum liquidity requirement for Seadrill's consolidated group: to maintain cash and cash equivalents of at least \$150 million within the group.

- Interest coverage ratio: to maintain an EBITDA to interest expense ratio of at least 2.5:1.

- Current ratio: to maintain current assets to current liabilities ratio of at least 1:1. Current assets are defined as book value less minimum liquidity, but including up to 20.0% of shares in listed companies owned 20.0% or more. Current liabilities are defined as book value less the current portion of long term debt.

- Equity to asset ratio: to maintain total equity to total assets ratio of at least 30.0%. Both equity and total assets are adjusted for the difference between book and market values of drilling units.

- Leverage ratio: to maintain a ratio of net debt to EBITDA no greater than 4.5:1, up to the effective date of the amended covenants discussed further below. Net debt is calculated as all interest bearing debt less cash and cash equivalents excluding minimum liquidity requirements.

In May 2015, Seadrill Limited executed an amendment to the covenants contained in the \$1,450 million facility and the \$440 million Rig Financing Agreement. Under the amended terms, the permitted leverage ratio has been amended to the following:

- 6.0:1, from and including the financial quarter starting on July 1, 2015 and including the financial quarter ending on September 30, 2016;
- 5.5:1, from and including the financial quarter starting on October 1, 2016 and including the financial quarter ending December 31, 2016;
- 4.5:1, from and including the financial quarter starting on January 1, 2017 until the final maturity date.

In connection with the amendment, effective from July 1, 2015, an additional margin may be payable on the above mentioned facilities as follows:

- 125 percent per annum if the leverage ratio is 4.50:1 up to and including 4.99:1;
- 25 percent per annum if the leverage ratio is 5.00:1 up to and including 5.49:1;
- 75 percent per annum if the leverage ratio is 5.50:1 up to and including 6.00:1

For the purposes of the above tests, EBITDA is defined as the earnings before interest, taxes, depreciation and amortization on a consolidated basis and (ii) the cash distributions from investments, each for the previous period of twelve months as such term is defined in accordance with accounting principles consistently applied. However, in the event that Seadrill or a member of the group acquires rigs or rig owning entities with historical EBITDA available for the rigs' previous ownership, such EBITDA shall be included for covenant purposes in the relevant loan agreement, and if necessary, be annualized to represent a twelve (12) month historical EBITDA. In the event that Seadrill or a member of the group acquires rigs or rig owning companies without historical EBITDA available, Seadrill is entitled to base a twelve month historical EBITDA calculation on future projected EBITDA only subject to any such new rig having (i) a firm charter contract in place at the time of delivery of the rig, with a minimum duration of twelve months, and (ii) a firm charter contract in place at the time of such EBITDA calculation, provided Seadrill provides the agent bank with a detailed calculation of future projected EBITDA. Further, EBITDA shall include any realized gains and/or losses in respect of the disposal of rigs or the disposal of shares in rig owning companies.

Cash distributions from investments are defined as cash received by Seadrill, by way of dividends, in respect of its ownership interests in companies which Seadrill does not control but over which it exerts significant influence.

In addition to financial covenants, our credit facility agreements generally contain covenants which are customary in secured financing in this industry, including operational covenants in relation to the relevant rigs, information undertakings and covenants in relation to corporate existence and conduct of our business.

The \$440 million Rig Financing Agreements also identify various events that may trigger mandatory reduction, prepayment, and cancellation of the facility including, among others, the following:

- total loss or sale of a drilling unit securing a Rig Financing Agreements;
- cancellation or termination of any existing charter contract or satisfactory drilling contract; and
- a change of control.

The \$440 million Rig Financing Agreements contain customary events of default, such as failure to repay principal and interest, and other events of defaults, such as:

- failure to comply with the financial or insurance covenants;
- cross-default to other indebtedness held by both Seadrill and its subsidiaries and by the Company;
- failure by Seadrill or by the Company to remain listed on a stock exchange;
- the occurrence of a material adverse change;

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revocation, termination, or modification of any authorization, license, consent, permission, or approval as necessary to conduct operations as contemplated by the applicable Rig Financing Agreement ; and the destruction, abandonment, seizure, appropriation or forfeiture of property of the guarantors or Seadrill and its subsidiaries, or the limitation by seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority, of the authority or ability of Seadrill or any subsidiary thereof to conduct its business, which has or reasonably may be expected to have a material adverse effect.

Our \$440 million Rig Financing Agreement is secured by:

- guarantees from rig owning subsidiaries (guarantors),
- a first priority share pledge over all the shares issued by each of the guarantors,
- a first priority perfected mortgage in all collateral rigs and any deed of covenant thereto, subject to contractual agreed "quiet enjoyment" undertakings with the end-user of the collateral rigs to be entered into if this is required by the relevant end-user pursuant to the relevant contract,
- a first priority security interest over each of the rig owners' with respect to all earnings and proceeds of insurance, and
- a first priority security interest in the earnings accounts.

Our \$440 million Rig Financing Agreements also contain, as applicable, loan-to-value clauses, which could require the Company, at its option, to post additional collateral or prepay a portion of the outstanding borrowings should the value of the drilling units securing borrowings under each of such agreements decrease below required levels. The market value of the rigs must be at least 135% of the loan outstanding.

If an event of default exists under any of the \$440 million Rig Financing Agreements, the lenders have the ability to accelerate the maturity of the applicable \$440 million Rig Financing Agreements and exercise other rights and remedies. In addition, if Seadrill were to default under one of its other financing agreements, it could cause an event of default under each of the Rig Financing Agreements. Further, because the Company's drilling units are pledged as security for Seadrill's obligations under the Rig Financing Agreements, lenders thereunder could foreclose on the company's drilling units in the event of a default thereunder. Seadrill's failure to comply with covenants and other provisions in its existing or future financing agreements could result in cross-defaults under the Company's existing financing agreements, which would have a material adverse effect on us.

As of December 31, 2015, the Company was in compliance with the covenants under the \$440 million Rig Financing Agreement and Seadrill was in compliance with the covenants with the back-to-back credit facilities related to each of the rigs covered by the \$440 million Rig Financing Agreement.

\$1,450 million Senior Secured Credit Facility

The above facility contains materially the same covenants as those set out for the Rig Financing Agreements above. In addition to the financial covenants relating to Seadrill Limited, each of the borrowers are required to ensure that the combined Debt Service Cover ratio shall not be less than 1.15:1.

In addition, the combined market values of the West Vela and West Tellus must have a minimum market value of at least 125% of the outstanding loans at any time, rising to 140% from March 31, 2016. If it does not, the Company must prepay a portion of the outstanding borrowings or provide additional collateral to correct the shortfall.

If Seadrill were to default under the facility, or to default under one of its other financing agreements, it could cause an event of default under the facility. Further, because the West Vela is pledged as security under the facility, lenders thereunder could foreclose on the West Vela in the event of a default thereunder. Seadrill's failure to comply with covenants and other provisions in its existing or future financing agreements could result in cross-defaults under the Company's existing financing agreements.

Seadrill and the Company were in compliance with the covenants under the facility as of December 31, 2015.

\$420 million West Polaris Facility

The West Polaris Facility contains materially the same covenants as the \$440 million Rig Financing Agreement described above. If Seadrill were to breach its financial covenants, or to default under one of its other financing agreements, it could cause an event of default under the facility. Further, because the West Polaris is pledged as security under the facility, lenders thereunder could foreclose on the West Polaris in the event of a default thereunder. Seadrill's failure to comply with covenants and other provisions in its existing or future financing agreements could result in cross-defaults under the Company's existing financing agreements. In addition, the West Polaris must have a minimum market value of at least 125% of the outstanding loans at any time. If it does not, Seadrill Polaris must prepay a portion of the outstanding borrowings or provide additional collateral to correct the shortfall. Seadrill and the Company were in compliance with the covenants under the facility as of December 31, 2015.

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April 2016 Amendments to Senior Secured Credit Facilities

On April 28, 2016, Seadrill executed amendment and waiver agreements in respect of all of its senior secured credit facilities. The key terms and conditions of these agreements that affect the Company's \$1,450 million Senior Secured Credit Facility, \$440 million Rig Financing Agreement and the West Polaris Facility are as follows:

Key amendments and waivers:

Equity ratio: Seadrill is required to maintain a total equity to total assets ratio of at least 30.0%. Prior to the amendment, both total equity and total assets were adjusted for the difference between book and market values of drilling units, as determined by independent broker valuations. The amendment removes the need for the market value adjustment from the calculation of the equity ratio until June 30, 2017.

Leverage ratio: Seadrill is required to maintain a ratio of net debt to EBITDA. Prior to the amendment the leverage ratio had to be no greater than 6.0:1, falling to 5.5:1 from October 1, 2016, and falling again to 4.5:1 from January 1, 2017. The amendment retains the ratio at 6.0:1 until December 31, 2016, and then increases to 6.5:1 between January 1, 2017 and June 30, 2017.

Minimum-value-clauses: Seadrill's secured bank credit facilities contain loan-to-value clauses, or minimum-value-clauses ("MVC"), which could require Seadrill to post additional collateral or prepay a portion of the outstanding borrowings should the value of the drilling units securing borrowings under each of such agreements decrease below required levels. Subject to compliance with the terms of the amendment, this covenant has been suspended until June 30, 2017.

Minimum Liquidity: Seadrill has previously been required to maintain a minimum of \$150 million of liquidity. This has been reset to \$250 million until June 30, 2017.

Additional undertakings:

Further process: Seadrill has agreed to consultation, information provision and certain processes in respect of further discussions with its lenders under its senior secured credit facilities, including agreements in respect of progress milestones towards the agreement of, and implementation plan in respect of, a comprehensive financing package.

Restrictive undertakings: Seadrill has agreed to additional near-term restrictive undertakings applicable during this process, applicable to Seadrill and its subsidiaries, including (without limitation) limitations in respect of:

incurrence and maintenance of certain indebtedness

dividends, share capital repurchases and total return swaps;

investments in, extensions of credit to or the provision of financial support for non-wholly owned subsidiaries;

investments in, extensions of credit to or the provision of financial support for joint ventures or associated entities;

acquisitions;

dispositions;

prepayment, repayment or repurchase of any debt obligations;

granting security; and

payments in respect of newbuild drilling units,

in each case, subject to limited exceptions.

Other changes and provisions:

Undrawn availability: Seadrill has agreed it will not borrow any undrawn commitments under its senior secured credit facilities unless the coordinating committee of lenders has been provided 15 days notice of such borrowing.

Fees: Seadrill has agreed to pay certain fees to its lenders in consideration of these extensions and amendments.

Revolving credit facility

The revolving credit facility contains covenants that require us to, among other things:

notify Seadrill of the occurrence of any default or event of default; and

provide Seadrill with information in respect of its business and financial status as Seadrill may reasonably require, including, but not limited to, copies of the Company's unaudited quarterly financial statements and its audited annual

financial statements.

Events of default under the revolving credit facility include, among others, the following:

- failure to pay any sum payable under the revolving credit facility when due;
- breach of certain covenants and obligations of the revolving credit facility;
- a material inaccuracy of any representation or warranty;
- default under other indebtedness in excess of \$25.0 million;
- bankruptcy or insolvency events; and

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commencement of proceedings seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the Company's assets that results in an entry of an order for any such relief that is not vacated, discharged, stayed or bonded pending appeal within sixty days of the entry thereof.

As of December 31, 2015, the Company was in compliance with all covenants under the revolving credit facility.

Note 12 – Other current liabilities

Other current liabilities are comprised of the following:

(In US\$ millions)	December 31, 2015	December 31, 2014
Taxes payable	28.4	12.1
Employee and business withheld taxes, social security and vacation payment	15.4	19.5
VAT payable	4.0	6.1
Deferred mobilization/demobilization revenues short-term	18.0	15.9
Unrealized loss on derivatives	84.2	56.1
Accrued expenses and other current liabilities	67.9	117.7
Total other current liabilities	217.9	227.4

Note 13 – Related party transactions

The Company has entered into certain agreements with affiliates of Seadrill to provide certain management and administrative services, as well as technical and commercial management services. Seadrill has also provided financing arrangements as described within this note below. The total amounts charged to the Company for the years ended December 31, 2015, 2014 and 2013 were \$161.8 million, \$158.1 million and \$122.5 million respectively.

Net expenses (income) with Seadrill:

(In US\$ millions)	2015	2014	2013
Management and administrative fees (a) and (b)	75.3	58.6	47.1
Rig operating costs (c)	29.3	22.4	16.5
Insurance premiums (d)	20.2	21.8	21.8
Interest expense (e)	13.7	87.7	87.7
Commitment fee (f)	2.0	2.2	4.5
Derivative (gains) / losses (o)	10.2	41.6	(49.9)
Bareboat charters (h)	(1.6)	(25.8)	(4.9)
Other revenues - operating expenses recharged to Seadrill (i)	(13.4)	—	(5.8)
Operating expenses related to operations recharged to Seadrill (i)	12.8	—	5.5
Accretion of discount on deferred consideration (j)	13.3	—	—
Total	161.8	158.1	122.5

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Receivables (payables) with Seadrill:

(In US\$ millions)	December 31, 2015	December 31, 2014
Trading balances due from Seadrill and subsidiaries (k)	175.9	56.7
Trading balances due to Seadrill and subsidiaries (k)	(354.7)	) (250.0)
Revolving credit facility with Seadrill (f)	—	—
\$440 Million Rig Financing Agreement with Seadrill (T-15 and T-16) (g)	(139.0)	) (158.8)
West Vencedor Loan Agreement with Seadrill (West Vencedor) (g)	(57.5)	) (78.2)
Vendor financing loan agreement with Seadrill (l)	(109.5)	) (109.5)
Discount notes with Seadrill (m)	—	—
Deferred and contingent consideration to related party - short term portion (j)	(60.4)	) (25.8)
Deferred and contingent consideration to related party - long term portion (j)	(185.4)	) (111.2)
Derivatives with Seadrill - interest rate swaps (n)	2.2	6.0

(a) Management and administrative services agreements – In connection with the IPO, OPCO entered into a management and administrative services agreement with Seadrill Management a wholly owned subsidiary of Seadrill, pursuant to which Seadrill Management provides the Company certain management and administrative services. The services provided by Seadrill Management are charged at cost plus management fee equal to 5% of Seadrill Management's costs and expenses incurred in connection with providing these services. The agreement has an initial term for 5 years and can be terminated by providing 90 days written notice.

(b) Technical and administrative service agreement – In connection with the IPO, OPCO entered into certain advisory, technical and/or administrative services agreements with subsidiaries of Seadrill. The services provided by Seadrill's subsidiaries are charged at cost plus service fee equal to approximately 5% of Seadrill's costs and expenses incurred in connection with providing these services.

(c) Rig operating costs – relates to rig operating costs recharged by Seadrill in relation to costs incurred on behalf of the West Polaris and the West Vencedor operating in Angola. These costs are recharged by Seadrill at a markup of 5%.

(d) Insurance premiums – the Company's drilling units are insured by a Seadrill company and the insurance premiums incurred are recharged to the Company.

(e) Interest expense – consists of interest expense incurred on the \$440 Million Rig Financing Agreement, West Vencedor Loan Agreement, discount notes and the \$109.5 million T-15 Vendor Financing Loan. Prior to entering these agreements, these costs were allocated to the Company from Seadrill based on the Company's debt as a percentage of Seadrill's overall debt. Upon entering these agreements, the costs and expenses have been incurred by the Company.

(f) \$100 million revolving credit facility – In October 2012 the Company entered into a \$300 million revolving credit facility with Seadrill. The facility is for a term of five years and bears interest at a rate of LIBOR plus 5% per annum, with an annual 2% commitment fee on the undrawn balance. On March 1, 2014, the revolving credit facility was amended to reduce the maximum borrowing limit from \$300 million to \$100 million. During 2015 the Company drew down nothing from the revolving credit facility and repaid nothing. As at December 31, 2015 and 2014, the outstanding balance was nil and nil, respectively.

(g) Rig Financing Agreements and Loan Agreements – See Note 11 - Debt for details of the \$440 Million Rig Financing Agreement and West Vencedor Loan Agreement. Under the agreements each rig owning subsidiary makes payments of principal and interest directly to the lenders under each Rig Financing Agreement, at Seadrill's

direction and on its behalf, corresponding to payments of principal and interest due under each Rig Financing Agreement that are allocable to each rig.

The West Vencedor Loan Agreement relates to the financing of the West Vencedor, which was previously classified as a Rig Financing Agreement until June 2014 when Seadrill repaid the underlying senior secured loan, and the related party loan agreement between the Company and Seadrill was amended to carry on this facility on the same terms. Please refer to Note 11 - Debt for further information.

(h) Bareboat charters – In connection with the transfer of the West Aquarius operations to Canada, the West Aquarius drilling contract was assigned to Seadrill Canada Ltd., a wholly owned subsidiary of OPCO, necessitating certain changes to the related party contractual arrangements relating to the West Aquarius. Seadrill China Operations Ltd, the owner of the West Aquarius and a wholly-owned subsidiary

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of OPCO, had previously entered into a bareboat charter arrangement with Seadrill Offshore AS, a wholly-owned subsidiary of Seadrill, providing Seadrill Offshore AS with the right to use the West Aquarius. In October 2012, this bareboat charter arrangement was replaced with a new bareboat charter between Seadrill China Operations Ltd and Seadrill Offshore AS, and at the same time, Seadrill Offshore AS entered into a bareboat charter arrangement providing Seadrill Canada Ltd. with the right to use the West Aquarius in order to perform its obligations under the drilling contract described above. The net effect to OPCO of these bareboat charter arrangements is a cost of \$25,500 per day, but due to the downtime of the rig during 2015 the total effect was income of \$2.1 million.

Seadrill T-15 and Seadrill International are each party to a bareboat charter agreement with Seadrill UK Ltd., a wholly owned subsidiary of Seadrill. Under this arrangement, the difference in the charter hire rate between the two charters is retained by Seadrill UK Ltd., in the amount of approximately \$820 per day. Seadrill T-16 Ltd. and Seadrill International Ltd. are each party to a bareboat charter agreement with Seadrill UK Ltd. Under this arrangement, the difference in the charter hire rate between the two charters is retained by Seadrill UK Ltd., in the amount of approximately \$770 per day. The net effect of the T-15 and T-16 bareboat charter agreements was an expense of \$0.5 million.

For the year ended December 31, 2015 the net effect to OPCO of the above bareboat charters was net income of \$1.6 million (2014: net income of \$25.8 million, 2013: net income of \$4.9 million).

Other revenues and expenses - The Company incurs certain operating costs on behalf of Seadrill drilling units and recharges them at a markup of 5%. During the year ended December 31, 2015 the Company earned \$13.4 million in other revenues within our Nigerian service company from Seadrill for certain services, including the provision of (i) onshore and offshore personnel, which the Company provided to Seadrill's West Jupiter and West Saturn drilling rigs. Operating expenses relating to these related party revenues were \$12.8 million in the year ended December 31, 2015.

During the year ended December 31, 2014 the Company earned no other revenues within the Company's Nigerian service company and related expenses were nil.

During the year ended December 31, 2013, the company earned revenues of \$5.8 million, relating to certain services, including the provision of onshore and offshore personnel, which the Company provided to Seadrill's West Polaris drilling rig that was operating in Nigeria during that period. Related operating expenses related to these operations in the year ended December 31, 2013 were \$5.5 million.

Deferred consideration to related party - On the acquisition of the West Polaris in 2015 the Company recognized a (j) seller's credit balance payable of \$44.6 million, a long term deferred consideration balance of \$63.7 million and a short-term deferred consideration balance of \$31.6 million.

On the acquisition of the West Vela in 2014 the Company recognized a long term deferred consideration balance of \$61.7 million and a long term contingent consideration balance of \$49.5 million. The short-term portion of the deferred consideration balance and the short-term contingent consideration balance was \$25.8 million.

As of December 31, 2015 the short-term portion of these balances relating to the West Polaris and the West Vela are \$30.7 million and \$29.7 million respectively. As of December 31, 2015 the long-term portion of the balances relating to the West Polaris and West Vela are \$90.1 million and \$95.3 million respectively. As at December 31, 2014, the short term portions were \$12.0 million and \$13.8 million which relate to the West Vela.

During the year ended December 31, 2015, the Company recognized an unwind of the discount of the contingent liabilities of \$13.3 million.

Trading balances – Receivables and payables with Seadrill and its subsidiaries are comprised primarily of unpaid management fees, advisory and administrative services, as well as, accrued interest. In addition, certain receivables and payables arise when the Company pays an invoice on behalf of a related party and vice versa. Receivables and (k) payables are generally settled quarterly in arrears. Trading balances to Seadrill and its subsidiaries are unsecured, generally bear interest at a rate equal to LIBOR plus approximately 4% per annum, and are intended to be settled in the ordinary course of business.

\$109.5 million Vendor financing loan - On May 17, 2013, Seadrill Operating LP borrowed from Seadrill \$109.5 (1) million as vendor financing to fund the acquisition of the T-15. The loan bears interest at a rate of LIBOR plus a margin of 5% and matures in May 2016.

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(m) Discount loan notes:

\$229.9 million discount note - On December 13, 2013, as part of the acquisition of the West Sirius, Seadrill Capricorn Holdings issued a zero coupon discount note from Seadrill for \$229.9 million. The note was repayable in June 2015 and upon maturity, the Company was due to pay \$238.5 million to Seadrill. This note was repaid in full in February 2014 with proceeds from the Senior Secured Credit Facilities.

\$70.0 million discount note - On December 13, 2013, as part of the acquisition of the West Sirius, the Company issued a zero coupon discount note from Seadrill for \$70.0 million. The note was repayable in June 2015 and upon maturity, the Company was due to pay \$72.6 million to Seadrill. This note was repaid in full in February 2014 with proceeds from the Senior Secured Credit Facilities.

\$100.0 million discount note - On March 21, 2014, as part of the acquisition of the West Auriga, Seadrill Capricorn Holdings issued a zero coupon discount note to Seadrill in an initial amount of \$100.0 million. The note was repayable in September 2015 and upon maturity, the Company was due to pay \$103.7 million to Seadrill. This note was repaid in June 2014 with proceeds from the Senior Secured Credit Facilities.

Derivatives with Seadrill - Interest rate swaps - As of December 31, 2015, the Company was party to interest rate swap agreements with Seadrill for a combined outstanding principal amount of approximately \$655.3 million at rates between 1.10% per annum and 1.93% per annum. The swap agreements mature between July 2018 and (o) December 2020. The net loss recognized on the Company's interest rate swaps for the year ended December 31, 2015, was \$10.2 million (year ended December 31, 2014: loss of \$41.6 million). Refer to Note 14 for further information.

Other agreements and transactions with Seadrill

Effective as of December 17, 2015, an operating subsidiary of the Company borrowed \$143.0 million (the "West Sirius loan") from Seadrill in order to provide sufficient immediate liquidity to meet the terms of its bareboat charter termination payment in connection with the West Sirius contract termination. Concurrently, Seadrill borrowed \$143.0 million (the "Seadrill loan") from a rig owning subsidiary of the Company in order to restore its liquidity with respect to the West Sirius loan.

Each loan bears an interest rate of one-month LIBOR plus 0.56% and matures in August 2017. Each of the loan parties understand and agree that the loan agreements act in parallel with each other. As of December 31, 2015, \$143.0 million was outstanding under each such loan.

These transactions have been classified within current and long-term portions of "Amount due from related party", "Related party payable" and "Long-term related party payable".

Amendment to Contribution and Sale Agreement

On June 30, 2013, the Company and certain of its subsidiaries entered into an agreement with Seadrill and certain of its subsidiaries to amend the Contribution and Sale Agreement that was entered into with Seadrill at the time of the IPO. This amendment was made in order to convert certain related party payables to equity. Pursuant to that amendment, as of June 30, 2013, the Company's accounts and those of Seadrill were adjusted to reflect a net capital contribution in the amount of \$20.0 million by Seadrill to Seadrill Operating LP and a net capital contribution in the amount of \$20.5 million by Seadrill to Seadrill Capricorn Holdings LLC. No additional units were issued to Seadrill in connection with either of these contributions.

T-15 Acquisition

On May 17, 2013, pursuant to a Purchase and Sale Agreement, dated May 7, 2013, between Seadrill Limited and Seadrill Partners Operating LLC, Seadrill Partners Operating LLC acquired from Seadrill a 100% ownership interest in the entities that own and operate the tender rig T-15. This transaction was deemed to be a reorganization of entities

under common control. As a result, the Company's financial statements have been retroactively adjusted in accordance with US GAAP as if Seadrill Partners had acquired the entities that own and operate the T-15 for the entire period that the entities have been under the common control of Seadrill Limited. Refer to Note 3 for more information.

T-16 Acquisition

On October 18, 2013, pursuant to a Purchase and Sale Agreement, dated October 11, 2013, by and among Seadrill Limited, Seadrill Partners LLC and Seadrill Partners Operating LLC, acquired from Seadrill a 100% ownership interest in the entity that owns the tender rig T-16. This transaction was deemed to be a reorganization of entities under common control. As a result, the Company's financial statements have been retroactively adjusted in accordance with US GAAP as if Seadrill Partners had acquired the entity that owns the T-16 for the entire period that the entities have been under the common control of Seadrill Limited. As consideration for the purchase, the Company issued 3,310,622 common units to Seadrill in a private placement transaction. Refer to Note 3 for more information.

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West Leo and West Sirius Acquisition

On December 13, 2013, the Company completed the acquisition of the companies that own and operate the West Sirius and West Leo. The West Sirius was acquired by Seadrill Capricorn Holdings LLC (51% owned by the Company) and the West Leo was acquired by Seadrill Operating LP (30% owned by the Company). These transactions were deemed to be a reorganization of entities under common control. As a result, the Company's financial statements have been retroactively adjusted in accordance with US GAAP as if Seadrill Partners had acquired the entities that own and operated the West Sirius and West Leo for the entire period that the entities have been under the common control of Seadrill. In order to finance the acquisitions, the Company issued 11,200,000 common units to the public and 3,394,916 common units to Seadrill, and a further 1,680,000 units to the underwriters, issued in connection with the exercise of the underwriters' option to purchase additional common units. Refer to Note 3 for more information.

West Auriga Acquisition

In March 2014, pursuant to a Contribution, Purchase and Sale Agreement, dated as of March 11, 2014, by and among the Company, Seadrill, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc., Seadrill Capricorn Holdings LLC acquired the entities that own and operate the drillship West Auriga from Seadrill, which has been accounted for as a business combination. Seadrill has agreed to indemnify the Company, Seadrill Capricorn Holdings LLC and Seadrill Auriga Hungary Kft. against any liability they may incur under the credit facility financing the West Auriga in respect of debt that is related to other rigs owned by Seadrill that are financed under the same credit facility as the West Auriga. In order to fund the Company's portion of the purchase price of the West Auriga acquisition, on March 17, 2014, the Company issued an aggregate of (i) 11,960,000 common units to the public at a price of \$30.60 per unit and (ii) 1,633,987 common units to Seadrill at a price of \$30.60 per unit, pursuant to a Unit Purchase Agreement, dated March 12, 2014, between the Company and Seadrill. Refer to Note 3 for more information. Refer to Note 3 for more information.

Purchase of additional limited partner interest in Seadrill Operating LP

On July 21, 2014, the Company completed the purchase of an additional 28% limited partner interest in Seadrill Operating LP, an existing controlled subsidiary of the Company, from Seadrill for \$372.8 million. As a result of this acquisition, the Company's ownership interest in Seadrill Operating LP increased from 30% to 58%.

West Vela Acquisition

On November 4, 2014, pursuant to a Contribution, Purchase and Sale Agreement, dated as of November 4, 2014, by and among Seadrill, the Company, Seadrill Capricorn Holdings LLC and Seadrill Americas Inc., Seadrill Capricorn Holdings LLC acquired the entities that own and operate the drillship West Vela from Seadrill which has been accounted for as a business combination. Seadrill has agreed to indemnify the Company, Seadrill Capricorn Holdings LLC and Seadrill Vela Hungary Kft. against any liability they may incur under the credit facility financing the West Vela in respect of debt that is related to other rigs owned by Seadrill that are financed under the same credit facility as the West Vela. Refer to Note 3 for more information.

West Polaris Acquisition

On June 19, 2015, a subsidiary of the Company (Seadrill Operating) acquired Seadrill Polaris, the entity that owns and operates the drillship the West Polaris from Seadrill, which has been accounted for as a business combination. Refer to Note 3 for more information. Seadrill continues to act as a guarantor under the \$420 million West Polaris Facility, pursuant to which Seadrill Polaris is a borrower.

Spare parts agreement with Seadrill

During the year ended December 31, 2015, a subsidiary of Seadrill entered into an agreement with the Company to store spare parts of the Company's West Sirius rig while it is stacked. Seadrill is responsible at its own cost for the moving and storing of the spare parts during the stacking period. Seadrill may use the spare parts of the West Sirius

during the stacking period, but must replace them as required by the Company at its own cost.

Other indemnifications and guarantees

Performance guarantees

Seadrill Limited provides performance guarantees in connection with the Company's drilling contracts in favor of customers of the Company, amounting to a total of \$370.0 million as at December 31, 2015 (December 31, 2014: \$370.0 million).

Customs guarantees

Seadrill Limited provides customs guarantees in connection with the Company's operations, primarily in Nigeria, in favor of banks amounting to a total of \$85.8 million as at December 31, 2015 (December 31, 2014: \$92.4 million).

Tax indemnifications

Under the Omnibus Agreement and Sale and Purchase agreements relating to acquisitions from Seadrill subsequent to IPO, Seadrill has agreed to indemnify the Company against any tax liabilities arising from the operation of the assets contributed or sold to the Company prior to the time they were contributed or sold.

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Environmental and other indemnifications

Under the Omnibus Agreement and Sale and Purchase agreements relating to acquisitions from Seadrill subsequent to IPO, Seadrill has agreed to indemnify the Company for a period of five years against certain environmental and toxic tort liabilities with respect to the assets that Seadrill contributed or sold to the Company to the extent arising prior to the time they were contributed or sold. However, claims are subject to a deductible of \$0.5 million and an aggregate cap of \$10 million.

In addition, pursuant to the Omnibus Agreement, Seadrill agreed to indemnify the Company for any defects in title to the assets contributed or sold to the Company and any failure to obtain, prior to October 14, 2012, certain consents and permits necessary to conduct the Company's business, which liabilities arise within three years after the closing of the IPO on October 24, 2012.

Note 14 – Risk management and financial instruments

The Company is exposed to various market risks, including interest rate, foreign currency exchange and concentration of credit risks. The Company may enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Interest rate risk

The Company's exposure to interest rate risk relates mainly to its floating interest rate debt and balances of surplus funds placed with financial institutions. This exposure is managed through the use of interest rate swaps and other derivative arrangements. The Company's objective is to obtain the most favorable interest rate borrowings available without increasing its foreign currency exposure. Surplus funds are used to repay revolving credit tranches, or placed in accounts and deposits with reputable financial institutions in order to maximize returns, whilst providing the Company with flexibility to meet all requirements for working capital and capital investments. The extent to which the Company utilizes interest rate swaps derivatives to manage its interest rate risk is determined by the net debt exposure and its views on future interest rates.

Interest rate swap agreements

At December 31, 2015, the Company had interest rate swap agreements with Seadrill for an outstanding principal of \$655.3 million (December 31, 2014: \$690.1 million) swapping floating rate for an average fixed rate of 1.23% per annum. The combined total fair value of the interest rate outstanding as at December 31, 2015 amounted to a gross and net asset of \$2.2 million (December 31, 2014: gross and net asset of \$6.0 million). This is classified within related party receivables in the Company's balance sheet as of December 31, 2015 (December 31, 2014: within related party receivables). These agreements do not qualify for hedge accounting, and accordingly any changes in the fair values of the swap agreements are included in the consolidated statement of operations under (Loss)/gain on derivative financial instruments. The loss recognized for 2015 was \$10.2 million (2014: loss of \$41.6 million, 2013 gain of \$49.9 million). At December 31, 2015, the Company had interest rate swap agreements with external parties for a combined outstanding principal of \$2,851.9 million, (December 31, 2014: \$2,881.7 million) swapping floating rate for an average fixed rate of 2.49% per annum. The combined total fair value of the interest rate outstanding as at December 31, 2015 amounted to a gross and net liability of \$84.2 million (December 31, 2014: \$56.1 million). This is classified within other current liabilities in the Company's balance sheet as of December 31, 2015. These agreements do not qualify for hedge accounting, and accordingly any changes in the fair values of the swap agreements are included in the consolidated statement of operations under Gain/(loss) on derivative financial instruments. The net loss recognized for 2015 was \$72.7 million (2014: \$83.3 million, 2013: nil).

The Company's interest rate swap agreements as at December 31, 2015, were as follows:

Outstanding principal as at	Receive rate	Pay rate	Expiry of contract
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December 31,
2015
(In
US\$
millions)

416.3	(1), (2) 3 month LIBOR 1.10%	July 2, 2018
100.0	(2) 3 month LIBOR 1.36%	October 29, 2019
70.4	(1), (2) 3 month LIBOR 1.11%	June 19, 2020
68.6	(1), (2) 3 month LIBOR 1.93%	December 21, 2020
2,851.9	(1) 3 month LIBOR 2.45% to 2.52%	February 21, 2021

(1) The outstanding principal of these amortizing swaps falls with each capital repayment of the underlying loans.
(2) Related party interest rate swap agreements.

The counterparties to the above interest rate swap agreements are Seadrill and various banks. The Company believes the counterparties to be creditworthy.

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Foreign currency risk

The Company and all of its subsidiaries use the U.S. Dollar as their functional currency because the majority of their revenues and expenses are denominated in U.S. Dollars. Accordingly, the Company's reporting currency is U.S. Dollars. The Company does, however, earn revenue and incur expenses in Canadian Dollars and Nigerian Naira and there is a risk that currency fluctuations could have an adverse effect on the value of the Company's cash flows.

Concentration of credit risk

The Company has financial assets which expose the Company to credit risk arising from possible default by a counterparty. The Company considers the counterparties to be creditworthy and does not expect any significant loss to result from non-performance by such counterparties. The Company in the normal course of business does not demand collateral from its counterparties.

Fair Values

The carrying value and estimated fair value of the Company's financial assets and liabilities as of December 31, 2015 and December 31, 2014 are as follows:

(In US\$ millions)	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Cash and cash equivalents	319.0	319.0	242.7	242.7
Current portion of long-term debt	88.0	105.3	68.3	76.5
Current portion of long-term debt to related party	145.8	145.8	40.4	40.4
Long-term debt	1,763.5	3,487.0	2,574.8	3,227.4
Long-term portion of debt to related party	160.2	160.2	306.1	306.1
Related party deferred and contingent consideration	245.8	245.8	137.0	137.0

The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value and categorized at level 1 on the fair value measurement hierarchy.

The fair value of the \$100 million revolving credit facility with Seadrill is considered to be equal to the carrying value, as the facility bears an interest of LIBOR plus a margin of 5.0%, with a commitment fee of 40% of the margin, which is concluded to be market rate. This is therefore categorized at level 2 on the fair value measurement hierarchy.

The fair value of the current and long-term portion of floating rate debt (consisting of external debt, rig financing agreements with Seadrill and vendor financing agreements with Seadrill) are estimated to be equal to the carrying value since they bear variable interest rates, which are reset on a quarterly basis, except for the T-15 and T-16 Rig Facilities which are reset on a semi-annual basis. This debt is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance plus accrued interest. This is categorized at level 2 on the fair value measurement hierarchy.

The fair value of the related party deferred and contingent consideration relating to the purchase of the West Vela and West Polaris is estimated to be equal to the carrying value since the liabilities have been calculated using the estimated future cash outflows discounted back to the present value. These liabilities are considered to be market rate. This is categorized at level 2 on the fair value measurement hierarchy.

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Financial instruments that are measured at fair value on a recurring basis:

	Total fair value as at December 31, 2015	Fair value measurements at reporting date using Quoted Prices	
		Significant Observable Inputs	Significant Unobservable Inputs
(In US\$ millions)		Identical Assets (Level 1)	(Level 2) (Level 3)
Current assets:			
Derivative instruments - Interest rate swap contracts (related party)	2.2	2.2	—
Total assets	2.2	2.2	—
Current liabilities:			
Derivative instruments - Interest rate swap contracts	(84.2)	(84.2)	—
Total liabilities	(84.2)	(84.2)	—
	Total fair value as at December 31, 2014	Fair value measurements at reporting date using Quoted Prices	
		Significant Observable Inputs	Significant Unobservable Inputs
(In US\$ millions)		Identical Assets (Level 1)	(Level 2) (Level 3)
Current assets:			
Derivative instruments - Interest rate swap contracts (related party)	6.0	6.0	—
Total assets	6.0	6.0	—
Current liabilities:			
Derivative instruments - Interest rate swap contracts (related party)	(56.1)	(56.1)	—
Total liabilities	(56.1)	(56.1)	—

US GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one input utilizes unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level two inputs are inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, other than quoted prices, such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions,

as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The fair values of interest rate swaps are calculated using well-established independent valuation techniques applied to contracted cash flows and LIBOR interest rates as of December 31, 2015 and December 31, 2014.

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Retained risk

Physical Damage Insurance

Seadrill has purchased hull and machinery insurance to cover for physical damage to its drilling units and those of the Company and charges the Company for the associated cost for its respective drilling units. The Company retains the risk for the deductibles relating to physical damage insurance on the Company's fleet. The deductible is currently a maximum of \$5 million per occurrence.

The Company has elected to place an insurance policy for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico with a Combined Single Limit of \$100 million in the annual aggregate, which includes loss of hire. The Company has renewed its policy to insure this windstorm risk for a further period starting May 1, 2016 through April 30, 2017.

Loss of Hire Insurance

With the exception of T-15 and T-16, Seadrill purchases insurance to cover for loss of revenue in the event of extensive downtime caused by physical damage to its drilling units, where such damage is covered under the Seadrill's physical damage insurance, and charges the Company for the cost related to the Company's fleet.

The loss of hire insurance has a deductible period of 60 days after the occurrence of physical damage. Thereafter, insurance policies according to which OPCO is compensated for loss of revenue are limited to 290 days per event and aggregated per year. The daily indemnity is approximately 75% of the contracted dayrate. OPCO retains the risk related to loss of hire during the initial 60 day period, as well as any loss of hire exceeding the number of days permitted under insurance policy. If the repair period for any physical damage exceeds the number of days permitted under the Company's loss of hire policy, it will be responsible for the costs in such period. The Company does not have loss of hire insurance on the Company's tender rigs with the exception of the semi-tender rig the West Vencedor.

Protection and Indemnity Insurance

Seadrill purchases Protection and Indemnity insurance and Excess liability insurance for personal injury liability for crew claims, non-crew claims and third-party property damage including oil pollution from the drilling units to cover claims of up to \$250 million per event and in the aggregate for the West Vencedor, T-15 and T-16, up to \$400 million per event and in the aggregate for the West Aquarius, West Capella, West Leo and West Polaris, up to \$750 million per event and in the aggregate for each of the West Capricorn, West Auriga and West Vela. Effective June 1, 2015, the protection and indemnity insurance for the West Sirius was reduced to \$500 million.

OPCO retains the risk for the deductible of up to \$0.5 million per occurrence relating to protection and indemnity insurance.

Concentration of Risk

There is a concentration of credit risk with respect to cash and cash equivalents as most of the amounts are deposited with Nordea Bank Finland Plc, Danske Bank A/S and Citibank. The Company considers these risks to be remote. In the years ended December 31, 2015, 2014, and 2013 the Company's contract revenues were attributable to the following customers:

	2015	2014	2013
BP	44.8 %	41.5 %	35.0 %
ExxonMobil *	32.1 %	26.4 %	14.5 %
Tullow	13.5 %	17.4 %	18.8 %
Chevron	8.5 %	14.7 %	12.1 %
Total	— %	— %	19.6 %
Other	1.1 %	— %	— %
Total	100.0 %	100.0 %	100.0 %

* During 2015 and 2014 the ExxonMobil drilling contract was assigned to Hibernia Management and Development Co. Ltd and Statoil Canada Ltd in 2013.

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Note 15 – Commitments and contingencies

Legal Proceedings

From time to time we are a party, as plaintiff or defendant, to lawsuits in various jurisdictions in the ordinary course of business or in connection with our acquisition or disposal activities. We believe that the resolution of such claims will not have a material impact individually or in the aggregate on our operations or financial condition. Our best estimate of the outcome of the various disputes has been reflected in our financial statements as of December 31, 2015.

Pledged Assets

The book value of assets pledged under mortgage and overdraft facilities at December 31, 2015 and 2014 was \$5,367.7 million, and \$4,953.4 million, respectively.

Purchase Commitments

At December 31, 2015 and 2014 the Company had no contractual purchase commitments.

Note 16 – Earnings per unit and cash distributions

		Year ended December 31,		
(in US \$ millions, except per unit data)		2015	2014	2013
Net income attributable to:				
Common unitholders		\$ 184.1	\$ 109.2	\$ 56.4
Subordinated unitholders		40.5	29.0	30.2
Seadrill member interest ⁽¹⁾		32.6	—	57.8
Net income attributable to Seadrill Partners LLC owners		\$ 257.2	\$ 138.2	\$ 144.4
Weighted average units outstanding (basic and diluted) (in thousands):				
Common unitholders		75,278	62,374	26,266
Subordinated unitholders		16,543	16,543	16,543
Earnings per unit (basic and diluted):				
Common unitholders		\$ 2.45	\$ 1.75	\$ 2.15
Subordinated unitholders		\$ 2.45	\$ 1.75	\$ 1.83
Cash distributions declared and paid in the period per unit ⁽²⁾		\$ 1.7025	\$ 1.6025	\$ 1.2325

Subsequent event: Cash distributions declared and paid relating to the period per unit ⁽³⁾ : \$ 0.2500 \$ 0.5675 \$ 0.4450

Pre-acquisition net income from entities acquired from Seadrill in common control transactions during 2013 (See Note 3), has been allocated to the Seadrill member interest. The Seadrill member interest, and its rights to the (1) incentive distribution rights, is owned by the predecessor owner of acquired entities, Seadrill Limited. Included within the amount allocated to the Seadrill member interest in 2013 is \$0.5 million allocated to the incentive distribution rights.

(2) Refers to the cash distributions relating to the period declared and paid during the year.

(3) Refers to the cash distribution relating to the period, declared and paid subsequent to the year-end.

Earnings per unit is calculated using the two-class method where undistributed earnings are allocated to the various member interests. The net income attributable to the common and subordinated unitholders and the holders of the incentive distribution rights is calculated as if all net income was distributed according to the terms of the distribution guidelines set forth in the First Amended and Restated Operating Agreement of the Company (the “Operating Agreement”), regardless of whether those earnings could be distributed. The Operating Agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash, which is a contractually defined

term that generally means all cash on hand at the end of the quarter after establishment of cash reserves determined by the Company's board of directors to provide for the proper conduct of the Company's business including reserves for maintenance and replacement capital expenditure and anticipated credit needs. Therefore the earnings per unit is not indicative of potential cash distributions that may be made based on historic or

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future earnings. Unlike available cash, net income is affected by non-cash items, such as depreciation and amortization, unrealized gains or losses on non-designated derivative instruments and foreign currency translation gains (losses).

Under the Operating Agreement, during the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3875 per unit per quarter, plus any arrearages in the payment of minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

Distributions of available cash from operating surplus are to be made in the following manner for any quarter during the subordination period:

• First, to the common unitholders, pro-rata, until the Company distributes for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;

• Second, to the common unitholders, pro-rata, until the Company distributes for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for prior quarters during the subordination period; and

• Third, to the subordinated units, pro-rata, the Company distributes for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter;

In addition, the Seadrill Member currently holds all of the incentive distribution rights in the Company. Incentive distribution rights represent the right to receive an increasing percentage of the quarterly distributions of cash available from operating surplus after the minimum quarterly distribution and target distribution levels have been achieved.

If for any quarter during the subordination period:

• The Company has distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

• The Company has distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, the Company will distribute any additional available cash from operating surplus for that quarter among the unitholders and the holders of the incentive distributions rights in the following manner:

• first, 100.0% to all unitholders, until each unitholder receives a total of \$0.4456 per unit for that quarter (the “first target distribution”);

• second, 85% to all unitholders, pro rata, and 15.0% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of \$0.4844 per unit for that quarter (the “second target distribution”);

• third, 75.0% to all unitholders, pro rata, and 25.0% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of \$0.5813 per unit for that quarter (the “third target distribution”); and

• thereafter, 50.0% to all unitholders, and 50.0% to the holders of the incentive distribution rights, pro rata.

The percentage interests set forth above assumes that the Company does not issue additional classes of equity securities.

The subordination period will extend until the second business day following the distribution of available cash from operating surplus in respect of any quarter, ending on or after September 30, 2017, that each of the following tests are met:

• distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

• the “adjusted operating surplus” (as defined in the partnership agreement) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted weighted average basis during those periods; and

• there are no outstanding arrearages in payment of the minimum quarterly distribution on the common units.

In addition, at any time on or after September 30, 2017, provided there are no arrearages in the payment of the minimum quarterly distribution on the common units and subject to approval by the conflicts committee, the holder or holders of a majority of the subordinated units will have the option to convert each subordinated unit into a number of common units at a ratio that may be less than one-to-one on a basis equal to the percentage of available cash from operating surplus paid out over the previous four-quarter period in relation to the total amount of distributions required to pay the minimum quarterly distribution in full over the previous four quarters.

The distribution made in February 2016, in respect of the fourth quarter of 2015, is below the Minimum Quarterly Distribution as set out above. Arrearages in the payment of the minimum quarterly distribution on the common units must be settled before any distributions of available cash from operating surplus may be made in the future on the subordinated units.

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The following distributions were paid to the incentive distribution rights holders for the years ending December 31, 2015, 2014 and 2013.

(in US \$ millions)	Year ended December 31,		
	2015	2014	2013
Distributions paid to incentive distribution rights holders	9.5	9.2	—

Note 17 - Supplementary cash flow information

The table below summarizes the non-cash investing and financing activities relating to the periods presented:

(In US\$ millions)	2015	2014	2013
Purchase of West Auriga, issuance of loan note to related party (1)	—	100.0	—
Purchase of West Vela, deferred consideration payable to related party (2)	—	73.7	—
Purchase of West Vela, contingent consideration payable to related party (2)	—	65.7	—
Purchase of the West Polaris, deferred consideration payable to related party (3)(4)	65.0	—	—
Purchase of the West Polaris, seller's credit payable to related party (3)	44.6	—	—
Capital injection due to forgiveness of related party payables	—	—	40.5

1. The purchase of the West Auriga was financed by the issuance of a discount loan note: refer to Note 3 - Business acquisitions
2. The purchase of the West Vela was financed partly by deferred and contingent consideration: refer to Note 3 - Business acquisitions
3. The purchase of the West Polaris was financed partly by a seller's credit and deferred consideration: refer to Note 3 - Business acquisitions.
4. The contingent consideration payable to Seadrill was reduced by a measurement period adjustment in the year ended December 31, 2015. Refer to Note 3 - Business acquisitions.

Note 18 – Subsequent Events

Distribution declared

On January 26, 2016, the Company declared a distribution for the fourth quarter of 2015 of \$0.2500 per unit, which was paid on February 12, 2016 to unitholders of record on February 5, 2016.

On April 25, 2016, the Company declared a distribution for the first quarter of 2016 of \$0.2500 per unit. This cash distribution will be paid on or about May 13, 2016 to all unitholders of record as of the close of business on May 6, 2016.

Amendment to the West Polaris drilling contract

On February 8, 2016, the drilling contract for the West Polaris was amended whereby its dayrate was reduced to \$490,000 per day from \$653,000 per day, effective January 1, 2016. This will not have a net cash impact on the Company. Under the terms of the acquisition agreement associated with the acquisition of the Polaris business, Seadrill Polaris agreed to pay Seadrill any dayrate it receives in excess of \$450 thousand per day, adjusted for daily utilization, through the remaining term, without extension, of the ExxonMobil contract.

Amendment to Credit Facilities

On April 28, 2016 the Company executed an amendment to the covenants contained in the \$1,450 million Senior Secured Credit Facility, the West Polaris Facility and the \$440 million Rig Financing Agreement . The amendment, among other things, amends the requirements and definitions of the equity ratio, leverage ratio, minimum-value-clauses, and minimum liquidity requirements, as described in Note 11 – Debt.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

SEADRILL PARTNERS LLC
(Registrant)

Date: April 28, 2016

By: /s/ Mark Morris
Name: Mark Morris
Title: Chief Executive Officer of Seadrill Partners LLC
(Principal Executive Officer of Seadrill Partners LLC)