Lead Plaintiffs Sheldon Glow, Zalman Harari, IRA, Zalman Harari, Zalman Harari as Custodian for Solomon A. Mandel UTMA, Aviva Harari, IRA, Aviva Harari, Zalman and Aviva Harari, and Abraham S. Harari, IRA, along with additional named plaintiffs Jeffrey Greenberg and Wing Lee (collectively, “Plaintiffs”), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, make the allegations set forth herein based upon personal knowledge as to their own acts and upon the investigation conducted by Plaintiffs’ counsel. The investigation included, inter alia, a review of United States Securities and Exchange Commission (“SEC”) filings by Seadrill Limited (“Seadrill” or the “Company”), media and analyst reports about the Company, Company press releases, SEC filings by Seadrill’s subsidiary North Atlantic Drilling Limited (“NADL”), SEC filings by Seadrill’s competitors, and interviews with a representative of the Norwegian Ministry of Foreign Affairs. Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all purchasers of Seadrill securities on United States exchanges between July 30, 2014 and April 21, 2015, inclusive (the “Class Period”). Plaintiffs’ claims are against Seadrill, Per Wullf (“Wullf”), and Rune Magnus Lundetræ (“Lundetræ”) for violations of the Securities Exchange Act of 1934 (“Exchange Act”).

2. Seadrill is the world’s largest offshore drilling contractor, providing offshore drilling services to the oil and gas industry worldwide. During the Class Period, the Company had a $12.3 billion debt load and billions of dollars of financial commitments on new rigs it had under contract to be built (hereinafter, “newbuilds”).

3. During the Class Period, Defendants represented to investors that Seadrill was different from its competitors, as it had newer equipment, limited exposure to the then-current dayrate weakness (defined below), and access to diverse funding sources. Additionally, the
Company asserted that, despite turbulence in the oil industry, “Seadrill [was] on track to achieve EBITDA of $10 million per day.”

4. Defendants also repeatedly reassured investors of the sustainability of the Company’s quarterly dividend, which Seadrill increased by $0.02 to $1.00 per share on May 28, 2014.

5. The primary reason for Seadrill’s effective assurance that it would maintain its dividend was the strength of its order backlog, which it defined as “future contracted revenues,” and which totaled $23.3 billion during the Class Period. On August 27, 2014, Defendants assured investors that Seadrill’s board of directors (“Board”) had evaluated the current dividend level and, in view of the Company’s order backlog, financial position, and future prospects, “resolved to maintain the regular quarterly dividend at US$1.00 per share.” Not only had the Board communicated that “this dividend level is sustainable until at least the end of 2015,” but as a result of recent contract announcements that added to the Company’s backlog, the Board even felt “increasingly comfortable” that the dividend level could “be extended well into 2016 without any significant recovery in the market.”

6. The strength of Seadrill’s backlog – and, as a result, its ability to distribute its previously assured dividend – depended on new contracts between Seadrill’s subsidiary, NADL, and Rosneft OAO (“Rosneft”), an integrated oil company majority-owned by the Government of Russia, to employ five of NADL’s rigs. The contracts between Seadrill/NADL and Rosneft totaled $4.1 billion, or about 18% of the Company’s order backlog.

7. However, due to geopolitical strife between Russia and Ukraine in the first half of 2014, the international community began implementing sanctions that would preclude contracts with Russian-owned and affiliated corporations, especially oil drilling companies. Thus, a cloud of uncertainty hovered over the deal between Seadrill and Rosneft. Indeed, this uncertainty was
apparent from the onset of the agreement, as the contract between Seadrill and Rosneft was signed only two days before sanctions were imposed by the European Union (the “EU”) targeting Russia’s arctic and deep-sea drilling – in a thinly veiled, but hopeless, attempt to skirt the sanctions.

8. Despite their public statements that they were not concerned that the Rosneft deal might be subject to termination from sanctions, Defendants knew, or were reckless in not knowing, that there was a substantial risk that Seadrill’s contract with Rosneft was in breach of existing sanctions. Indeed, unbeknownst to investors, the $4.1 billion agreement with Rosneft appears to contain\(^1\) a force majeure clause with a specific condition precedent that there have been no sanctions, embargoes, or export controls prior to the completion date. The agreement also appears to have allowed either Rosneft or NADL/Seadrill to defer or cancel their obligations if performance became impossible because of new sanctions. Nevertheless, Defendants included the Rosneft contracts in the Company’s backlog even though they were subject to termination. Ultimately, after the Class Period, Seadrill removed the Rosneft contracts from its backlog because they were at “significant risk of being terminated.”

9. On September 12, 2014, angered by Seadrill’s misconduct, the EU and U.S. enacted further sanctions against oil and gas business with Russia. In reaction, Seadrill’s stock price fell 6.0% that day.

10. On September 19, 2014, Bloomberg reported that a closely watched Russian drilling project that had employed Seadrill’s rig had been stopped. In reaction, Seadrill’s stock price fell 6.9% that day.

---

\(^1\) Because a similar contemporaneous (but not publicly disclosed) contract between Seadrill and Rosneft contains these terms, and for the reasons set out in ¶¶126, 147-151, below, it is likely that the $4.1 billion contract did as well.
11. On October 10, 2014, Norway enacted sanctions mirroring the EU’s sanctions that were enacted on September 12, 2014. In reaction, Seadrill’s stock price fell 5.3% that day.

12. On November 26, 2014, amid concern that the Rosneft contracts were in breach of sanctions, as well as a downturn in the oil industry, Defendants suspended Seadrill’s dividend, sending Seadrill’s stock price down by nearly 23%.

13. On March 13, 2015, NADL announced that it had received a notice of termination from Rosneft, cancelling $1.0 billion of its backlog. In reaction, Seadrill’s stock price fell 5.8% that day.

14. On April 21, 2015, Seadrill filed its 2014 Form 20-F, which eliminated the last $3.1 billion in Rosneft contracts from its backlog because the contracts were “at significant risk of being terminated.” In reaction, Seadrill’s stock price fell 5.3% that day.

15. Defendants’ statements concerning Seadrill’s backlog and dividend were materially false and misleading at the time they were made, and omitted material information required to be disclosed, because they failed to disclose that Seadrill’s backlog and dividend depended on the Company being able to complete work with Rosneft, which was subject to termination due to international sanctions.

16. As a result of Defendants’ wrongful acts and omissions, Plaintiffs and the other Class members have suffered significant economic losses and damages.

JURISDICTION AND VENUE

17. Jurisdiction is conferred by §27 of the Exchange Act. The claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331, and §27 of the Exchange Act.

19. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

20. Lead Plaintiffs Sheldon Glow, Zalman Harari, IRA, Zalman Harari, Zalman Harari as Custodian for Solomon A. Mandel UTMA, Aviva Harari, IRA, Aviva Harari, Zalman and Aviva Harari, and Abraham S. Harari, IRA, purchased Seadrill securities at artificially inflated prices and have been damaged thereby. Their PSLRA certifications were previously filed and are incorporated by reference.

21. Additional named plaintiffs Jeffrey Greenberg and Wing Lee purchased Seadrill securities at artificially inflated prices and have been damaged thereby. Mr. Greenberg’s PSLRA certification was previously filed and is incorporated by reference; Mr. Lee’s PSLRA certification is attached hereto as Exhibit A and is incorporated by reference.

22. Defendant Seadrill Limited (“Seadrill”) is a Bermuda company with executive offices in London, United Kingdom, and Oslo, Norway.² Seadrill leases and operates sea-based oil drilling rigs, concentrating in the ultra-deepwater (“UDW”) market and premium shallow water rigs. UDW is defined as a depth of greater than 7,500 feet. Shallow water rigs are called “jack-up rigs.” All rigs other than shallow water rigs are called “floaters.” Substantially all of Seadrill’s jack-up rigs are premium rigs, in that they can operate at depths of between 250 and 450 feet. Substantially all of

² In its SEC filings, Seadrill claims to have principal executive offices in Bermuda. However, on its website, Seadrill states that its headquarters are in London, and that it has six regional offices, none of which are in Bermuda.
Seadrill’s floaters are UDW rigs. As of December 31, 2014, Seadrill’s fleet consisted of 24 floaters and 19 jack-ups. Seadrill is managed by Seadrill Management Ltd. (“Seadrill Management”). Seadrill is a member of the Seadrill group of companies (the “Seadrill Group”), a group of companies in which Seadrill and/or its largest shareholder, John Fredriksen (“Fredriksen”), have substantial ownership. Most of the companies that make up the Seadrill Group are publicly traded.

23. Defendant North Atlantic Drilling Ltd. (“NADL”) is a Bermuda company with executive offices in Oslo, Norway. NADL is a member of the Seadrill Group. It is a 70.4%-owned subsidiary of Seadrill. NADL specializes in operating oil rigs in harsh environments. As of December 31, 2014, NADL’s fleet consisted of 5 floaters and 3 jack-up rigs. Cecilie Fredriksen, age 31, Fredriksen’s daughter, is also a director of NADL.

24. Defendant Per Wulff was appointed as CEO and President of Seadrill Management in July 2013, and serves in these positions to this day. Between February 2009 and July 2013, Wulff was Seadrill’s COO. Wulff also serves as a director of Sevan Drilling, one of Seadrill’s subsidiaries.

25. Defendant Rune Magnus Lundetrae was Seadrill Management’s CFO and Vice President between February 2012 and June 2015. Lundetrae also served as CFO of NADL from May 2012 to February 2014.

26. Defendant Alf Ragnar Lovdal has served as NADL’s CEO since January 1, 2013.

27. Collectively, Wulff, Lundetrae, and Lovdal are referred to herein as the “Individual Defendants,” and together with Seadrill and NADL, are referred to herein as the “Defendants.”

28. Defendants are liable for: (i) making false statements; and (ii) failing to disclose adverse facts known to them about Seadrill. Defendants’ fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Seadrill securities was a success, as it: (i) deceived the investing public regarding Seadrill’s business and operations; (ii) artificially inflated the price of
Seadrill securities; and (iii) caused Plaintiffs and other members of the Class to purchase Seadrill securities at artificially inflated prices.

29. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company’s public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the Individual Defendants, by virtue of their high-level positions with the Company and/or control of the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

30. As officers and controlling persons of a publicly held company whose shares were, and are, registered with the SEC pursuant to the Exchange Act, and were, and are, traded over the New York Stock Exchange (“NYSE”), and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company’s financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company’s publicly-traded shares would be based upon truthful and accurate
information. The Individual Defendants’ misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

31. Because of their board membership and/or executive and managerial positions with the Company, each of the Individual Defendants had access to the adverse undisclosed information about Seadrill’s business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about the Company and its business, issued or adopted by the Company, materially false and misleading.

32. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Seadrill’s quarterly reports, shareholder letters, press releases and presentations to securities analysts, money and portfolio managers, and institutional investors, i.e., the market. They were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the misrepresentations contained therein.
SUBSTANTIVE ALLEGATIONS

Fredriksen’s History of Evading International Sanctions

33. In 1979, after Iran seized hostages in the American embassy in Tehran, the U.S. embargoed oil exports from Iran. Then, in 1980, Iran went to war with Iraq, further cutting off its ability to export oil.

34. Fredriksen seized his chance. Beginning in 1983, Fredriksen shipped 700,000 metric tons of oil every month out of Iran using two tankers. He continued shipping oil out of Iran until at least 1986. The cash Fredriksen procured for the Iranian regime was so important that Fredriksen’s biographer dubbed him the “Ayatollah’s lifeline.”

35. Fredriksen then added to his fortune by shipping oil into Apartheid South Africa, in defiance of an embargo. The Shipping Research Bureau (“SRB”) was an institute established in Amsterdam to monitor aid to Apartheid South Africa. In its book *Embargo: Apartheid’s Oil Secrets Revealed* (1995), the SRB reports that Fredriksen made at least 18 deliveries of oil to South Africa out of a total of 865 deliveries made to the country between 1979 and 1993, or about 2%.

36. Fredriksen admitted the charges, only claiming in his defense that all Norwegian shipping firms did it.

37. In November 1986, Oslo prosecutors charged Fredriksen with directing his crew to steal crude oil they were transporting to use as marine fuel in elaborate frauds involving pumping oil from the hold into a secret compartment and pumping seawater into the hold to conceal the theft. Fredriksen was jailed for four months, and later settled by paying a fine of approximately $250,000.

38. Through his investment trust Hemen Holding Ltd., a Cyprus holding company, Fredriksen owns approximately 115 million Seadrill shares, or about 24.6% of its shares. Fredriksen also has substantial holdings in other members of the Seadrill Group.
39. Fredriksen is the richest living Norwegian. In 2013, Norwegian magazine Kapital estimated his net worth at $11.9 billion. Bloomberg put it at $16.9 billion as of September 1, 2014.

40. Fredriksen’s tax arrangements have raised eyebrows. On April 8, 2013, Norwegian newspaper *Dagens Næringsliv* published an exposé showing that Fredriksen used a combination of Cyprus and Panama entities to avoid paying taxes altogether on dividends he received from his many companies.

**Seadrill Group**

41. Seadrill is one of nine companies that make up the Seadrill Group. Certain of the other members are:

   (a) **NADL.** Defendant NADL was formed in February 2011 as a Seadrill-controlled subsidiary focused on drilling operations in the North Atlantic Region, which is characterized by harsh weather. At inception, NADL acquired six harsh-environment drilling rigs from Seadrill. NADL held its initial public offering (“IPO”) in January 2013, raising about $114 million after underwriting fees and expenses. Fredriksen serves as NADL’s chairman, and his daughter Cecilie Fredriksen is a director. NADL’s stock is publicly traded, and Seadrill consolidates NADL’s results onto its balance sheet.

   (b) **Seadrill Partners LLC (“SDLP”).** SDLP was formed in June 2012 to hold an interest in four Seadrill rigs. SDLP held its IPO in October 2012, raising about $181.0 million after underwriting fees and expenses. SDLP’s stock is publicly traded. In its Q3 2013 earnings conference call, Seadrill acknowledged that SDLP was a “funding vehicle.”

**The Offshore Drilling Industry**

42. Seadrill operates in the contract drilling industry. Oil exploration and development companies hire Seadrill and its competitors to drill and prepare offshore wells for production. Seadrill owns and operates the drilling rigs.
43. Seadrill and its competitors contract to provide the services of their rigs for a period of time at a daily rate, called a “dayrate.” Both the period of time and the dayrate are set out in the contracts Seadrill’s customers sign. The contracts are for the use of a particular rig.

44. Drilling a well takes years, and Seadrill’s contracts provide for a time period between one and seven years. As a result, at any given time, many of Seadrill’s and its competitors’ rigs are booked years in advance. The proportion of a contract driller’s rigs that are not booked for any given period is the “exposure.”

**Seadrill’s Financing Strategy**

45. Seadrill predominantly builds high-end UDW rigs, and also builds premium jack-up rigs.³

46. According to an industry report, the average construction cost of a floater (a floating platform) exceeded $500 million in all but one of the years between 2005 and 2011. The average cost of a jack-up rig exceeded $100 million in every year between 2004 and 2011. Building a jack-up rig designed to operate in harsher environments and at greater depths adds substantial costs; thus, Seadrill’s jack-up rigs are more expensive than most. Construction costs impose on Seadrill a formidable financing challenge.

47. One additional complicating fact is that building both UDW rigs and jack-up rigs require a significant amount of time. Seadrill estimates that it takes 2.5-3 years per rig. Thus, Seadrill must pay hundreds of millions of dollars to build rigs, and can only recover these enormous costs over subsequent years of operations.

---
³ Jack-up rigs, which are mounted directly on the sea floor, are cheaper and more stable than UDW rigs, though they are only suitable in shallow waters. Premium jack-up rigs are generally defined as rigs capable of being deployed in waters deeper than 250 feet.
48. For these reasons, rig operators prefer to build rigs only when they have a specific contract with a major oil company that the rig would fulfill.

49. Seadrill was formed in May 2005 with an unusual strategy. At inception, Seadrill owned three jack-up rigs, and contracts for the construction of two more, for a total purchase price of about $377 million. Seadrill, however, also immediately commissioned construction of two UDW rigs, for a total price of about $884 million. When it began construction, Seadrill did not have any contracts with oil companies for the rigs’ use. Seadrill continued to commission rigs with similarly large price tags without first securing contracts for their use.

50. Seadrill initially funded itself with a combination of equity and debt, but quickly hit upon the strategy it would continue to use in the Class Period. For each rig, Seadrill would form an operating subsidiary to own and operate the specific rig. During the long time between the beginning of construction and its termination, Seadrill would shop the rig to oil companies, seeking a long-term contract.

51. Customers would enter into a contract not with Seadrill itself, but rather with the operating subsidiary. When Seadrill signed a long-term contract, it would seek funding for the rig secured not just by the rig but also by future revenues from the rig – thus obtaining a *de facto* lien on cash flows from the long-term contract. Cash from the contract was far more valuable to Seadrill’s lenders as collateral than the rigs themselves, which the lenders would find difficult to resell and impossible to operate.

52. For example, Seadrill’s secured facility entered into on February 24, 2014 required Seadrill’s rig-operating subsidiaries to place the earnings generated by their rigs into an account subject to an account control agreement. Seadrill’s subsidiaries were also required to provide a first-priority assignment to these earnings to the lenders, while prohibiting any other party – including
Seadrill – from holding the right to directly receive any of these earnings. Seadrill’s subsidiaries were also guarantors of the loans.

53. Seadrill would then use this cash to build its rigs and to pay out as dividends to its shareholders.

54. But as a result, Seadrill was heavily indebted, and depended on both a large backlog and its ability to access capital – whether through the capital markets or through secured financing – to pay off loans as they came due.

55. Seadrill’s strategy was risky. In fact, Fredriksen business confidant Tor Olav Trøim (“Trøim”) once opened a Seadrill presentation at a Houston investor conference by declaring (while wearing a Viking helmet) that “[w]e are the speculators!”

56. According to former Seadrill CEO Alf Thorkildsen, oscillating dayrates are “the nature of the business, and that’s why it’s important to get long-term contracts to ride out the downturns.”

**Seadrill’s Financial Position at the Beginning of 2014**

**Seadrill’s Financing Needs**

57. Seadrill entered 2014 with significant financial commitments. Seadrill’s financial commitments included both contractual commitments made to the shipyards that built its newbuilds, and debt becoming due. According to Seadrill’s annual report filed on Form 20-F, these commitments were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Newbuilds</th>
<th>Debts becoming due</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$3.30 billion</td>
<td>$1.57 billion</td>
<td>$4.87 billion</td>
</tr>
<tr>
<td>2015</td>
<td>$3.75 billion</td>
<td>$2.61 billion</td>
<td>$6.36 billion</td>
</tr>
</tbody>
</table>

58. As of December 31, 2013, Seadrill had current assets of $2.8 billion.
The Long Downturn in the Rig Market

59. In mid-2013, the rig market began a long downturn.

60. For example, analysts covering Seadrill reported in early 2014 that the oil-rig industry was in a downturn:
   
   (a) In a May 28, 2014 report, Morningstar reported that “Seadrill says the near-term market remains highly uncertain, and we believe the current industry downturn will last until late 2015,” and Morningstar reports from February 20, February 25, and April 3, 2014, each also called attention to the downturn.

   (b) A May 29, 2014 Barclays report repeatedly referred to the “unfolding downturn” in the drilling industry.

   (c) A February 28, 2014 report from Cowen and Company reported that “Seadrill has been the most aggressive builder over the past decade but is putting its growth plans on hold until it gets better visibility into the current market downturn.”

   (d) A May 29, 2014 report by UBS emphasized that “[a]lthough Seadrill emphasized it is still positive on the longer term outlook it admitted that the near-term outlook remains ‘challenged.’ While Seadrill had previously expressed caution on the outlook, starting from 3Q13, it appears 1Q14 activity was worse than expected with activity coming to ‘a virtual halt.’ 1Q14 activity was the lowest since 4Q09. According to Seadrill, the market is still being hit by delays with oil companies unwilling to commit until they see dayrates trough. In recent weeks the company has seen increased inquiries but also said the next 12-18 months will be ‘stormy.’”

61. Seadrill’s competitors Transocean Ltd. (“Transocean”) and Noble Corp. plc (“Noble”) each acknowledged the downturn. In its 2013 Form 10-K, Transocean remarked that “based on customer and market indications, we expect the pace of executing drilling contracts for the global floater fleet to slow in the near term, resulting in excess capacity and idle time for some rigs”
and cautioned investors that they were not certain customers would renew contracts. Noble remarked in its 2013 Form 10-K that “[A]s [2013] progressed, we observed a number of factors that have led to a decrease in contracting activity, especially for ultra-deepwater and deepwater rigs. These factors include a projected decrease in the rate of global exploration and development spending increases relative to previous years, a significant number of newbuild units announced which is expected to increase the supply of both floating and jackup rigs and a reduction of deepwater drilling activity in some regions[.]”

62. Seadrill itself acknowledged that 2014-2015 would be difficult years for the industry. From as far back as its Q3 2013 earnings conference call on November 25, 2013, Seadrill acknowledged that there was a “current slowdown in [] spending” and that “the [spending] pace has undoubtedly slowed from [the] pace seen in 2012 as customers reevaluate their spending plans.”

63. Nevertheless, in a March 3, 2014 presentation to the Howard Weil 42nd Annual Energy Conference, Seadrill stated that it was “Well Positioned to Weather the Storm.”

64. Then, in its Q4 2013 earnings conference call, which took place on February 25, 2014, Wulff again highlighted the poor state of the market, stating, in pertinent part, as follows:

I’ll spend some time on the near-term outlook. The short-term outlook for floaters is influenced by the low activity level caused by reduced growth and cut back in CapEx [capital expenditures] from the major oil companies. In this regard, 2014 and 2015 show slower growth in activity levels than earlier anticipated. As our company’s buckets are reallocated, the entire spending complex tends to slow down.

65. Likewise, in its 2013 Form 20-F, filed April 17, 2014, Seadrill acknowledged the low activity level in the short term, stating, in pertinent part, as follows:

The short term outlook for floaters is influenced by the low activity level caused by reduced growth in the capital expenditures from the major oil companies. In this regard, 2014 and 2015 may show slower growth in activity levels than earlier anticipated. However, the oil price has remained firm. The primary challenge for oil companies is the negative real cash flow situation they are currently encountering. Due to increasing depletion rates, more capital expenditure needs to be spent in order to maintain production levels. Combined with a relatively high dividend payout and
increasing development costs to bring new production on stream, oil companies have limited opportunities to fund exploration activities. We have encountered numerous instances of oil majors reducing spending, especially in exploration and in certain high cost areas of production such as onshore North America. As budgets are re-allocated, the entire spending complex tends to slow down. In turn, demand for offshore drilling assets is being pushed into 2015-2016.

The Importance of Backlog to Seadrill

66. Despite the negative short-term outlook for the industry, Seadrill claimed that its large backlog and high-tech fleet would spare it from the downturn.

67. For example, during the Q3 2013 earnings conference call, when asked by an analyst why Seadrill was confident it would weather the storm, Wulff and Lundetrae responded that Seadrill’s backlog would protect it, stating, in pertinent part, as follows:

<Q - Analyst>: Good afternoon, and congratulations on a good operational quarter. My question really goes on the market outlook. You take a fairly bullish view on the market despite the signs of a slowdown, and it seems like the slowdown is caused by a focus on cash preservation from your clients. So my question is really, what gives you the confidence that this is a short-term issue? And secondly, how are you responding and planning for this? You mentioned the high-grading on the fleet, but also your balance sheet has fairly high leverage compared to most peers, and you do have a very high dividend payout. So what’s kind of your thinking over the next, say, three to four years?

<A - Per Wulff>: Well, if we look at the market, Seadrill – and we are in a very strategic situation. We decided years ago that we will try to avoid too many mergers but grow organically and we will really benefit from that going forward because we have a new fleet. And I guess you’re talking – or I’m sure you are talking of the ultra-deepwater market right now. And if you look at our backlog, we have a lot of years secured. Yes, it will be a little bit rumbly in 2014, but we have three rigs, as I mentioned, coming into 2014; the last one in December. But the two ones are coming in May and June. We are actually in advanced talk with these two units for term contracts. So I just can’t say any more right now. So we have a pretty good stomach feeling. And then, when we have that, we simply want to address it. I don’t know whether you have further comments on it, Rune.

<A - Rune Magnus Lundetrae>: I think – you asked about the dividend level. I think, as we always say, it’s set on the back of a combination of our funding outlook and our ability to raise funding. It’s based on general market outlook, where I think Per touched on it. It’s based on operational performance and also the backlog. I think what – what I think has gone a little bit unnoticed today is that we added $1.8 billion to our backlog today, and I think it just put in a very strong position and our
visibility has improved significantly over the next two to three years actually. So I don't share your concern in terms of the strength of the balance sheet over the next two, three, four years.

68. In its Q4 2013 earnings conference call, taking place on February 25, 2014, Seadrill reiterated its confidence in its ability to sustain its dividend policy, stating, in pertinent part, as follows:

Wullf:

As far as Seadrill is concerned, we have a little exposure to the current weakness due to limited rig availability in 2014. We actually only have five months available, and I’m sure we’ll get them closed as well, and the contract coverage of 65% in 2015 and if you include Saturn and Jupiter, a contract coverage in 2015 of 72%. Lastly, due to our lean cost structure and financial flexibility, we firmly believe in our ability to sustain our dividend policy and grow distributions going forward.

Trøim:

[T]he second point I want to point out is Seadrill’s order backlog had never been weaker [sic – stronger] than it is today. Seadrill’s cash flow has never been stronger than it is today, and Seadrill’s financial flexibility has never been larger than it is today. That’s point two.

Seadrill’s Dividend

69. To attract investors, from its beginnings, Seadrill paid out high dividends. For example, in 2008, despite losing $164.4 million, Seadrill paid out $688.1 million in dividends. It financed these activities by taking out more than $3 billion net from secured loans.

70. In this way, Seadrill established a reputation as a dividend-paying stock. Indeed, as Seadrill’s then-CEO Alf C. Thorkildsen said on an earnings conference call announcing Seadrill’s Q3 2009 results, “[o]ur goal is to pay [a dividend of a] minimum of USD 0.50 per quarter. [I]f there is a possibility to distribute more, we will do so.”

71. Indeed, at all relevant times, Seadrill publicly posted its dividend policy on its website:
Seadrill has an objective to generate competitive returns to its shareholders. This objective will be supported by regular [or “frequent”] distribution of cash dividend. The level of dividend will be guided by earnings expectations, market prospects, current capital expenditure programs as well as investment opportunities.4

72. And on March 3, 2014, Seadrill’s presentation to the Howard Weil 42nd Annual Energy Conference highlighted that “dividend growth continues to be a priority . . . while maintaining a growth profile”, and that Seadrill’s “Key objective [is] to grow quarterly dividends.”

73. In large part, Seadrill based its decision to distribute a dividend on its strong backlog. For example, in the March 3, 2014 presentation to the Howard Weil 42nd Annual Energy Conference, Seadrill stated that one of its “key investment highlights” was that “significant contracted backlog provid[es] dividend visibility.”

74. Similarly, in its 2013 Form 20-F, Seadrill stated, in pertinent part, as follows:

Seadrill remain committed to growing its dividend going forward. Broadly speaking, future dividends depend on backlog additions, operational performance and market outlook. This is important to keep in mind as we progress to the current market environment. Based on today’s backlog, we will maintain our current dividend for the next couple of years. Should the rate of backlog additions slow, then the rate of dividend increases will likely slow.

75. In its Q4 2013 earnings conference call held on February 25, 2014, Seadrill attributed its dividend increase (from $0.95 per share to $0.98 per share, per quarter) to “improvement in operational results, solid order backlog, and strong support received from the financing market.” (Wullf). Seadrill added that “based on today’s backlog, we will maintain our current dividend for the next couple of years.”

76. In the Q4 2013 earnings conference call, Seadrill stated that even with the market downturn, its dividend was “rock solid for the coming years”:

Troim: Point three, which we want to communicate is that a dividend of $0.98 is a very responsible dividend and it’s rock solid for the coming years. I think we have stated that specifically in the method several times and it’s communicated clearly from the board, this is the floor to the dividend. I think some people have seen this, the capital dividend going forward. I’ll come back to that in my last point. What we’re saying is this is the floor for the next years.

77. Indeed, Seadrill told investors it had created a fund to pay for the dividend:

The fourth thing we’re saying is that we have created a special fund, which was created with 20% of the capital we have net coming out of the drop down to the MLP. Totally, corresponds to around $0.16 over the next year. We have, for the time being, decided not to distribute the first $0.04 of those partly because nobody expects it, partly because we haven’t found the best way to give it back to shareholders. It can be done $0.04 a quarter for four quarters, it can be done $0.16 over one quarter, it can be given also as dividend in kind in some of the assets we have, which we cannot (inaudible) enough to shareholders, and it can also be given in a buyback.

78. An analyst for Arctic Securities explained in a February 26, 2014 report that Seadrill had been “crystal clear” about the stability of its dividend:

Although SDRL’s dividend guidance in the report was somewhat ambiguous, we found the conference call comments crystal clear. SDRL says dividends remain rock solid and that current level represents a “floor” for the coming years. A dividend cut is in other words not on the radar – on the contrary SDRL expects increased backlog and accretive transaction to add to the current level. On our new estimates with conservative rate assumptions [] we model in dividends flat through next quarters increasing marginally to USD 1.0 from 2015 and onwards.

79. Defendants’ pre-Class Period statements remained alive and uncorrected during the Class Period.

MATERIALLY FALSE AND MISLEADING STATEMENTS MADE DURING THE CLASS PERIOD

I. Materially False and Misleading Statements Concerning Seadrill’s Dividend

80. On August 27, 2014, Seadrill announced its Q2 2014 results, in both a press release (the “Q2 2014 Release”⁵) and earnings conference call (the “Q2 2014 Earnings Call”).

⁵ Each of Seadrill’s quarterly releases were attributed to its Board of Directors and its CEO Wulff, who each stated:
81. Seadrill reiterated that the dividend was secure in light of its financial position and order backlog, as well as future prospects:

The Board has in connection with the disclosure of second quarter results evaluated the current dividend level. Particular emphasis has been put on financial position, order backlog and future prospects. The Board has resolved to maintain the regular quarterly dividend at US$1.00 per share. The Board had communicated earlier that this dividend level is sustainable until at least the end of 2015. With the recent contract announcements and the solid execution on the financing side, the Board is pleased to report that we feel increasingly comfortable that this period can be extended well into 2016 without any significant recovery in the market. As future units are introduced into the fleet, operating results are likely to show strong growth. This, combined with a more efficient debt structure as achieved by the term loan B financing, creates opportunities for increased direct distributions to shareholders.

82. By referencing their earlier statements, Defendants communicated to investors that not only was the dividend “sustainable” until the end of 2015, but that it was “rock solid,” a “floor,” and that Seadrill “will maintain [its] current dividend.”

83. In the Q2 2014 Earnings Call, Seadrill reiterated that its financial position and backlog supported its dividend:

You all know, the license to operate is actually a safe and efficient operation. We are expanding our areas of operation, attracting new businesses and increasing the number of assets we own. We also have [the] strongest financial position in our history and have decided to maintain the dividend of $1 per share. We expect to be able to support this dividend level for [the] foreseeable future.

*     *     *

---

STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We confirm, to the best of our knowledge, that the condensed financial statements for the [reporting period] has been prepared in accordance with US GAAP – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit as a whole. We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the [reporting period] of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining [portion] of the financial year, and major related transactions.
The expected growth trajectory, roughly $20 billion of order backlog and continuous access to capital market makes the board highly confident in the company’s ability to support the dividend well into 2016.

* * *

Darren Gacicia - Guggenheim Partners

Understood, thanks. Little bit unrelated, I know people are concerned about how everything gets funded in the rest especially with relation of the dividend. When you think about incremental rigs coming, what sort of a capital structure maybe on a per rig basis, is it something where you’re still looking to finance thing kind of 50% with debt, maybe some portion of the MLP?

How does the thought process go there and in terms of incremental adds on the debt side because it seems like the capital markets have been opened to you but I am just trying to understand how you’re thinking about it.

Rune Magnus Lundetrae - CFO

Hi, this is Rune. I’ll take that question. What we have done and we’re talking floaters I think that’s what you’re asking about. So, typically what you see us do is to put in 20% to 30% in initial installment through our equity or free cash flow where we ordered rig and then the remaining installment is left on the delivery day.

And what we’ve done up until now and when we plan on doing also for the new builds under construction is to pay five installment with new debt and the $1.5 billion we did just two weeks ago for the three drillships we take delivery of in this quarter is a good example where the final installment is in the 420ish area and we got funding for about $500 million each.

So that is – that has been the strategy and will continue to be this strategy going forward.

84. During a presentation at the Pareto Oil & Offshore Conference on September 11, 2014, Defendant Lundetrae reiterated that Seadrill’s “contract wins [equaled] increased dividend visibility [] from 2015 to well into 2016”, citing in particular that Seadrill’s contract with Rosneft was adding 30 rig years and $4.1 billion in backlog.

85. In a presentation at the Deutsche Bank Leveraged Finance Conference on October 3, 2014, Seadrill Corporate Finance and Investor Relations Director John Roche represented that, because of Seadrill’s backlog, it had “limited exposure to current dayrate environment.” Roche
added that Seadrill’s “access to funding, high utilization, [and] large backlog [equaled] stability in [the] current market.”

86. On September 22, 2014, Seadrill reissued the Q2 2014 Release by filing it with the SEC as an attachment to a report on Form 6-K.

87. The statements referenced above in ¶80-86 were materially false and misleading at the time they were made, and omitted material information required to be disclosed, because they failed to disclose the following adverse information that was known to Defendants or recklessly disregarded by them, that: (i) that Seadrill’s contract with Rosneft, accounting for $4.1 billion of the Seadrill Group’s backlog, likely violated international sanctions imposed against Russia; (ii) that, as a result, the Rosneft contract was at increased risk of being terminated; (iii) that Seadrill’s access to financing was sharply limited; and (iv) that if the Rosneft contract was terminated, Seadrill would likely be unable to pay its dividend.

II. Materially False and Misleading Statements Concerning Seadrill’s Backlog

88. Seadrill represented that its backlog consisted of contractually guaranteed revenues. In its 2013 Form 20-F, Seadrill defined its backlog as “future contracted revenues.” In that Form 20-F, Seadrill further stated that “[b]acklog for our drilling fleet is calculated as the contract dayrate multiplied by the number of days remaining on the contract.”

89. Seadrill’s definition of backlog follows industry norms. In the oil drilling industry, it is not customary to recognize backlog unless there is an irrevocable commitment on the customer’s part, as the CEO of Transocean, a Seadrill competitor, explained at a Cowen and Company 4th Annual Ultimate Energy Conference Call on December 2, 2014 as follows:

   So I’ll give you one statistic. At the height of the financial crisis in the latter part of 2008, the Company had $40 billion in contracted backlog and we lost 1% of that, $400 million, and it wasn’t because customers walked away from the contracts or forced us into renegotiating those contracts, it was because the customers ceased to exist, they simply evaporated as a result of the financial condition.
Contract sanctity in our business has a long, long history, and so you should take a fair amount of comfort from that $24 billion in contracted backlog. As you would expect, the majority of that is associated with our Ultra-Deepwater fleet, tends to be longer-term contracts at higher dayrates. So, a nice picture of going on into the future, provides a little bit of foundation, a little bit of stability in what are some uncertain and potentially uncomfortable times.

90. Indeed, all but one of Seadrill’s major competitors have seen little or no cancellation of their backlog. As of the filing of this Complaint, Noble has lost only 1% of its backlog; Transocean none; and while Ensco plc has had cancellations of contracts for two rigs, both were coupled with termination payments making it whole for the cancellations. Only Diamond Offshore Drilling, Inc. saw significant cancellations, though it, unlike Seadrill, sued its counterparties.

91. In the Q2 2014 Release, Seadrill touted its backlog, stating, in pertinent part, as follows:

After a year with very few fixtures we have started to see some increased tendering activity, however this has not influenced dayrates, where the trend is still negative. 2014 and 2015 will be challenging years; however Seadrill Group has only one unit currently without and only 14 rig years uncommitted for 2015 out of a total fleet of 57 rig years, which translates to 76% contract coverage.

92. In the Q2 2014 Release, Seadrill reported its own and the Seadrill Group’s backlog:

*Seadrill Limited order backlog as of August 27 is US$18.2 billion and US$23.3 billion for the Seadrill Group on a consolidated basis. These figures include backlog related to Rosneft and exclude any backlog related to the pipelay vessels or Sete newbuild drillships. The total estimated contract backlog of the excluded contracts is US$12.5 billion.*

93. In the Q2 2014 Earnings Call, Wulff repeatedly claimed its high backlog and contracting rates protected it from the downturn, stating, in pertinent part, as follows:

As for our short-term outlook, the market continues to be challenging. However, Seadrill is well-positioned with few rig[s] exposed to the near term pricing weakness.

* * * *

Moving a little bit to the floater backlog, I’m pleased to be able to report the recent backlog addition in what continues to be a transient floater market. *The Seadrill*
Group consolidated floater backlog currently stands at $17.4 billion and provides significant visibility for our business going forward. For 2014, we have only one rig available, growth recorded 3%; 2015, 22%. And fleet availability for 2016 is 40%. The long-term fundamentals for the floater business are strong.

94. Similarly, a slide accompanying Seadrill’s presentation in the Q2 2014 Earnings Call claimed Seadrill had only 38% floater availability until the end of 2016.

95. Defendant NADL also claimed to be protected from the downturn because of its backlog. According to its press release announcing its Q2 2014 results (the “NADL Q2 2014 Release”), also issued on August 27, 2014:

The Board is pleased with the Company adding US$4.1bn in revenue backlog through the offshore drilling contracts with Rosneft. This adds significant earnings visibility for several years ahead, and provides a foothold in a market which diversifies our risk exposure away from the Norwegian and UK markets.

* * *

Based on the improved visibility for the Company’s business through the long-term offshore drilling contracts with Rosneft, the Board is pleased about North Atlantic Drilling’s position in the market for harsh environment drilling. The remaining exposure in terms of available rig capacity is limited to approximately 9 percent for our fleet in 2015, and based on this, the Board will continue to employ an opportunistic approach in order to create further value for all shareholders of the Company.

96. In its earnings call announcing its Q2 2014 results (the “NADL Q2 2014 Earnings Call”), also taking place on August 27, 2014, NADL similarly claimed it was protected from the downturn because of its backlog:

We believe that the market fundamentals will be positively affected over time with these older units, effectively being removed from the supply side. Once the oil companies resume their exploration and development, the marketed fleet will be smaller and consist of more modern rigs.

As such with a very limited short-term market exposure we have, we will continue to play the market with our fleet and be ready to act on opportunities, which we consider attractive.
97. NADL attributed both its protection and its ability to maintain its dividend to the Rosneft deal:

Lukas Daul - ABG

Okay, thanks and then with regard to the dividend, obviously one of the elements affecting it is your backlog, which now with the Rosneft deal is record high, so the question is how do you think of that in terms of -- how is it going to influence the near-term dividend distributions if any at all?

Ragnvald Kavli - CFO

I think you're right that we've always said that our dividend level as well is dependent on the current market outlook or earnings visibility and backlog we have and we have a strong earnings visibility with the Rosneft transaction. We have a very strong margin on the backlog we have as well, but we will also like to see the timing of the transaction as well maybe before you can expect anything further developments on the dividend side.

98. Seadrill’s and NADL’s statements concerning their backlog were materially false and misleading at the time they were made, and omitted material information required to be disclosed, because they failed to disclose the following adverse information that was known to Defendants or recklessly disregarded by them: (i) that Seadrill’s and NADL’s backlogs each reflected $4.1 billion from agreements at premium rates with Rosneft, which Defendants omitted to disclose likely violated international sanctions against doing business with Russia; (ii) that, as a result, the Rosneft contract was at increased risk of being terminated; (iii) that Seadrill’s access to financing was sharply limited; and (iv) that if the Rosneft contract was terminated, Seadrill would likely be unable to pay its dividend. Similarly, Defendants’ claim that Seadrill would be little affected by the downturn in the industry because its rigs were already contracted out was materially false and misleading because a significant proportion of the rigs were contracted to Rosneft in likely violation of international sanctions against doing business with Russia and Russian-owned companies.
III. Materially False and Misleading Statements Concerning Seadrill’s Contracts with Rosneft

99. In February 2014, Ukraine’s pro-Russian president, Viktor Yanukovych, left office. Days later, Russian soldiers invaded the Crimean peninsula, clashing with Ukrainian forces. Little more than a month later, Russia annexed the Crimean peninsula. Shortly following annexation, Russia began to supply arms to Ukrainian separatists who fought in the Donbass region of Ukraine; in August 2014, Russia directly invaded the region.

100. Western governments, including that of the United States, expressed outrage at Russia’s invasion. Led by the United States, they imposed sanctions on Russia.

101. At first, the U.S. sanctions predominantly took the form of designations of Specially Designated Persons (“SDN”) under the Sergei Magnitsky Rule of Law Accountability Act of 2012 (the “Magnitsky Act”). After designation, U.S. persons are forbidden from dealing with SDN.

102. On April 28, 2014, Rosneft’s President, Igor Sechin, a close ally of Vladimir Putin, was designated an SDN.

103. Shortly after the imposition of sanctions on Rosneft’s president, NADL and Seadrill reached an agreement with Rosneft to develop Russia’s Arctic oil deposits (the “Rosneft Framework Agreement”), which Seadrill and NADL announced on May 26, 2014, shortly before their Q1 2014 results. As announced that day, the Rosneft Framework Agreement’s major terms were that: (1) Rosneft would contract for 35 rig years, and (2) Rosneft would acquire an equity stake in NADL in exchange for land drills and a cash payment.

104. Seadrill touted the Rosneft Framework Agreement in its Q1 2014 Earnings Call. Defendant Wulif, stated, in pertinent part, as follows:

The company has locked in numerous long-term contracts for a 2015 availability and has a best-in-class supermajor that will create a powerful force in the Russian market and also for Arctic regions on a global basis. At this point, we are unable to provide specific transaction details as some commercial points are still being finalized.
Generally speaking though, NADL will sign up to nine rigs and 35 rig years with Rosneft and have entered the land rig drilling business in Russia, while Rosneft will acquire a strategic equity stake in NADL.

* * *

<Q – Analyst> All right. And just briefly, on the Rosneft deal, I understand you can’t talk about the details of it, but in light of the British petroleum experience, which was not a happy one, how confident do you feel about the long-term trustworthiness of Rosneft and the Russians in putting together this deal?

<A - Per Winther Wulff>: Well, we at Seadrill will never go into this unless we really believe in it. Think about – we have had a strategy for a number of years that we want to expand North Atlantic Drilling. We want to expand our ultra-deepwater side. And we worked for some time trying to open up over to east, and what can you ask better for having a chance to do it with a company like Rosneft? And the way we have worked with them in the past month trying to get this together have just been a really positive experience.

So we don’t have any negative thing to say about that. We have actually the opposite. This is really professional people we have been working with. And we think about – we have an agreement in place that we’re working together and get it finalized now that’s nine of our rigs. And it’s not on any of our existing rigs, but it’s a blend of maybe a couple of newbuilds and some of our own.

We have actually have Rosneft committed to 35 rig years, and we are just so perfectly ready and suited to go up to work up in the colder area. And we have the iron to do it as well, plus we can build more. And also the last thing, we are going up there with West Alpha this summer as we speak. Now this is not BP, but this is Exxon and Rosneft having an agreement, a joint operatorship up in the Kara Sea, and we will go up there and drill a couple of wells with the rig.

So we’re already in there and the fact that we can get Rosneft in directly and deal with them, with a number of our units coming as they come available in the North Sea is extremely positive. So despite of BP and Seadrill is not BP, I cannot really find it negative at all. I can only find it extremely positive.

105. In the Q1 2014 Release, NADL also highlighted that its agreement with Rosneft would eliminate its exposure to the bad market, stating, in pertinent part, as follows:

We do not have any available rigs in 2014. For 2015, 76 percent of our fleet is covered by firm contracts, and for 2016 the contract coverage is 51 percent. These numbers do not include coverage under the new Rosneft agreement. When this agreement becomes effective the Company will have very limited open drilling capacity in the next years.
106. NADL’s contract with Rosneft was material to Seadrill. Several analysts reported that it was helpful in securing use of Seadrill’s rigs in a bad market:

(a) According to a May 26, 2014 analyst report from Arctic Securities, the “Rosneft transaction is a significant and unexpected positive trigger.”

(b) According to a May 27, 2014 report from UBS, the Rosneft deal “should book up some of Seadrill’s unbooked capacity . . . [which] could be seen as a positive in the current weak drilling market.”

(c) According to a May 27, 2014 report from Cowen and Company, any cash infusion accompanying the Rosneft deal “will undoubtedly be viewed as a positive given growing concern over [Seadrill]’s ability to pay its dividend.”

(d) According to a May 27, 2014 Credit Suisse Report, NADL’s partial sale to Rosneft meant Seadrill was “Derisking With A Partner.”

(e) According to a May 27, 2014 report by Wells Fargo, the Rosneft deal helps by “rais[ing] money [] for [Seadrill], which is looking for optimal ways to sell assets/equity into a challenging market in order to close a $5-6 [billion] new construction funding gap” and “lock[s] up several years of NADL’s assets at a time when competition for drilling contracts is growing fiercer.”

(f) According to a June 2, 2014 UBS report, “[t]he recent NADL deal with Rosneft and [another deal locking up one rig] [sic] Seadrill’s visibility and backlog are improving.”

(g) According to a July 2, 2014 article by Pareto, “only 2 [] SDRL UDWs [were] exposed to weak market” because the Rosneft deal had locked up 5 of the remaining 7.

107. On July 16, the EU and U.S. each announced escalated sanctions against Russia, with the U.S. in particular including sectoral sanctions targeting the Russian energy sector. Rosneft was one of the four companies named.
108. On July 17, 2014, Russian-backed Ukrainian separatists or, according to some accounts, Russian nationals, shot down civilian Malaysia Airlines Flight 17, killing all 283 passengers and 15 crew.

109. In response to the shooting, on July 29, 2014, the EU announced that it would shortly issue sanctions targeting entire sectors. According to the EU Press Statement issued July 29, 2014, the sanctions would “[c]urtail Russian access to sensitive technologies particularly in the field of the oil sector.” The sanctions would be effective from the day after the date of publication, which the EU stated was slated to be July 31, 2014.6

110. Rosneft, Seadrill, and NADL rushed to sign their agreement. On July 29, 2014, pursuant to the Rosneft Framework Agreement, Rosneft, Seadrill, and NADL entered into an agreement for the use of six rigs for a value of $4.25 billion. In a press release issued on July 30, NADL stated, in pertinent part, as follows:

Hamilton, Bermuda, July 30, 2014 - North Atlantic Drilling Ltd. (“NADL” or the “Company”) is pleased to announce that 6 binding offshore contracts have been executed with Rosneft Oil Company (“Rosneft”). The total revenue potential for the six contracts exclusive of mobilization is approximately US$4.25 billion. According to the agreement, any break rights expire after 100 days.

The executed contracts include 5 year contracts for the West Navigator, the West Rigel, the West Alpha, two newbuild CJ-54 class rigs, and a 2.5 year contract for a Gusto class Jack-up rig. These contracts commence in Russian waters from 2015 through 2017.

These binding contracts are consistent with the provisions of the Investment and Cooperation Agreement between Seadrill, NADL and Rosneft announced on May 24, 2014.

Alf Ragnar Lovdal, Chief Executive Officer of NADL says in a comment, “We are very pleased with the execution of these contracts, which is in line with the timetable agreed earlier this year. Our partner Rosneft has shown remarkable cooperation at every stage throughout this process. This milestone is testament to the ability of both NADL and Rosneft’s employees and we hope that further transactions can be concluded in a similar manner.”

---

6 The United Kingdom was a Member State included in the EU sanctions.
111. With respect to international sanctions in connection with Russia, on July 30, 2014, *TDN Finans*, a leading Norwegian business newspaper, quoted Lundetraæ as saying: “We understand that the sanctions will be possibly valid from Friday, August 1, and apply to future contracts. And these contracts were signed July 29.” The article also quoted Trøim as saying that Seadrill “follows international laws and regulations.” However, the article also quoted a deputy leader of one of Norway’s leading parties as saying that Seadrill’s agreement with Rosneft was “unfortunate” and that “Norwegian companies should avoid Rosneft in the current situation.”

112. The next day, July 31, 2014, the EU first published its sanctions, EU No. 833/2014.

113. EU 833/2014 was aimed squarely at the oil & gas industry, with a preamble providing in pertinent part that “[i]t is also appropriate to apply restrictions on the sale, supply, transfer or export, directly or indirectly, of certain technologies for the oil industry in Russia in the form of a prior authorisation requirement.”

114. EU 833/2014 provided that “[a] prior authorisation shall be required for the sale, supply, transfer or export, directly or indirectly, of technologies as listed in Annex II, whether or not originating in the Union, to any natural or legal person, entity or body in Russia or in any other country, if such equipment or technology is for use in Russia.”

115. EU 833/2014 also provided that “Annex II shall include certain technologies suited to the oil industry for use in deep water oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia.”

116. EU 833/2014 further provided that:

The competent authorities shall not grant any authorisation for any sale, supply, transfer or export of the technologies included in Annex II, if they have reasonable grounds to determine that the sale, supply, transfer or export of the technologies is for projects pertaining to deep water oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia.
The competent authorities may, however, grant an authorisation where the export concerns the execution of an obligation arising from a contract or an agreement concluded before 1 August 2014.

117. Annex II included, among other things, mobile drilling derricks, and floating or submersible drilling or production platforms.

118. Accordingly, to lawfully perform its contract with Rosneft, if the EU sanctions were geographically applicable, Seadrill and NADL needed to obtain prior authorization, which authorities were not required to provide.

119. On August 1, 2014, in an article by Richard Milne, the Financial Times quoted Lundetræ as saying: “These contracts [with Rosneft] are the beginning to a very interesting partnership with Rosneft. The timing of the sanctions is unfortunate. It’s more about future opportunities.” Lundetræ added that “the risk is more related to future business than existing business in our view.”

120. Plaintiffs’ agent spoke with a representative of the Norwegian Ministry of Foreign Affairs, who represented that the process is that when the EU or U.S. implement a sanction, the Norwegian Ministry of Foreign Affairs will then review the legality of the sanctions. Norway then typically adopts mirroring sanctions. Indeed, Norway adopted mirroring sanctions soon after every EU sanction relevant to this case.

121. On August 1, 2014, the U.S. Bureau of Industry and Security published an advance copy of final rules, scheduled to come into effect on August 6, 2014 when they would be published in the Federal Register, imposing sectoral sanctions on trade with Russia. These sanctions provided:

[[New] 15 C.F.R. § 746.5]

(a) “[A] license is required to export, reexport or transfer (in-country) any item subject to the EAR listed in Supplement No. 2 to this part [] when you know that the item is will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet) [or] Arctic offshore locations [] or
are unable to determine whether the item will be used in such projects. Such items include, but are not limited to, drilling rigs[]."

(b) Applications for the export, reexport or transfer (in-country) of any item that requires a license for Russia will be reviewed with a presumption of denial when for use directly or indirectly for exploration or production from deepwater (greater than 500 feet) [or] Arctic offshore [] projects in Russia that have the potential to produce oil.

122. Supplement 2 includes, among other things, offshore oil and natural gas drilling and production platforms, parts thereof, and floating or submersible drilling or production platforms.

123. On August 6, 2014, the Norwegian Minister of Foreign Affairs repeated that it was “likely” that Norway would adopt sanctions mirroring the EU’s sectoral sanctions.

124. On August 11, 2014, Norway announced that it would adopt sanctions mirroring the EU’s. The sanctions were adopted on August 15, 2014 (the “August 15 Norwegian Sanctions”).

125. The press release announcing the Norwegian sanctions (the “Sanctions Release”) reflected sanctions similar to those imposed by the EU, stating, in pertinent part, as follows:

Prior authorisation from the Ministry of Foreign Affairs will be required for the export of certain categories of goods to the Russian petroleum sector. The export of products to be used for deep-water oil exploration and production, Arctic oil exploration and production, or in shale oil projects in Russia is prohibited. Prior authorisation is also required for the provision of financing or other technical assistance related to these categories of goods. Authorisation can and will normally be given for the export of products if this is to honour obligations under contracts agreed prior to the entry into force of the new regulations.

126. According to an email sent by NADL’s attorney Erik Ramm to the Norwegian Ministry of Foreign Affairs on October 22, 2014, NADL first sought prior authorization under the August 15 Norwegian Sanctions on October 14, 2014. Thus, Seadrill/NADL did not have prior authorization before then.
127. On August 22, 2014, NADL announced that it had completed another agreement pursuant to the Rosneft Framework Agreement (the “August 20 Agreement”).

Hamilton, Bermuda, August 22, 2014 - North Atlantic Drilling Ltd. (“NADL” or the “Company”) is pleased to announce that an agreement has been signed whereby NADL will purchase a significant portion of Rosneft’s land drilling fleet in Russia. Approximately 150 rigs will be acquired along with an award of new 5 year contracts with Rosneft for these units.

Following the preliminary Investment and Cooperation announcement in May and the completion of the binding offshore contracts in July, NADL today has agreed to acquire a significant portion of Rosneft’s land drilling fleet. Rosneft will receive as consideration an approximate 30% stake in NADL by receiving primary shares at the price agreed upon in May of US$9.25 per share, with the balance being paid to NADL in cash. Following the transaction Seadrill Limited will continue to own more than 50% of NADL.

The transaction is expected to close during the fourth quarter of this year. According to the agreement, any break rights expire after 77 days. Upon closing Rosneft will be entitled to appoint two of seven Board seats on NADL’s Board of Directors.

This binding agreement is consistent with the provisions of the Investment and Cooperation Agreement between Seadrill, NADL and Rosneft announced on May 24, 2014.

Alf Ragnar Løvdal, Chief Executive Officer of NADL says in a comment, “We are very pleased with the execution of this important transaction and welcome Rosneft as an equity partner and to our Board of Directors.”

128. On August 22, 2014, in an article by Mikael Holter, Bloomberg quoted Lundetræ as saying “[w]e’re not very worried” that sanctions would affect any part of NADL and Seadrill’s agreements with Rosneft.

129. In the Q2 2014 Release, Seadrill stated, in pertinent part, as follows:

The demand outlook for Arctic Regions has improved materially over the course of the last year as Rosneft firmed up drilling plans for the Russian Arctic, Caspian and Black Seas. In order to retain drilling permits approximately 100 wells must be drilled over the next decade. North Atlantic Drilling’s recent contract announcements as part of the broader Investment and Cooperation Agreement with Rosneft highlights the Group’s first mover advantage in the region. Over time we

---

7 The agreement was signed on August 20, 2014.
expect the Russian Arctic to transform into one of the most unique and interesting opportunity sets globally.\footnote{\textsuperscript{8}}

130. Seadrill also stated that the balance of the difference between the equity stake Rosneft received from NADL and the value of the land rigs it contributed would be paid to NADL in cash.

131. On the Q2 2014 Earnings Call, Seadrill discussed its contract with Rosneft, stating, in pertinent part, as follows:

Well, as you know, we took a strategic position as we tried to expand our operation in harsh environment and come up into the other area a year ago. You've seen what we have done with Rosneft. And you have seen the amount of units we have going in there. We aim to appear, this will all go and be done and dusted, we expect in mid-November. Then everything has been firmed up. And we have five units that will go and commence offshore from 2015 and 2017. So from an operation point of view, this is fantastic. We also have Alpha in there already now drilling up in the Kara Sea. So, we look at it as a fantastic opportunity for Seadrill to team up with Rosneft and work in Russia. And being in there as a front-runner, working with Rosneft, we feel we are ideally placed there operationally going forward.

* * *

On the back of our investment and cooperation agreement with Rosneft, announced during the second quarter, we announced five contracts representing roughly $4.1 billion in contract backlog. Rigs will be commencing in Russian waters stack up between 2015 and 2017.

I would like to point out that the West Alpha recently began operations in the Kara Sea, and she’s doing it very well. And we are pleased to have the first rig in the Russian Arctic and believe the highlights Seadrill’s status as a trusted partner to the major oil companies.

\footnote{The Q2 2014 Release incorporated by reference the cautionary statements included in the 2013 Form 20-F. In the Form 20-F, Seadrill had warned: “Under certain circumstances, our contracts may permit customers to terminate contracts early without the payment of any termination fees, as a result of nonperformance, longer periods of downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events beyond our control. In addition, national oil company customers may have special termination rights by law.” But this warning was ineffective in the face of Seadrill’s repeated claim that it was not concerned that the Rosneft agreement was subject to termination from sanctions, and in any case, Seadrill did not warn that it included contracts subject to such termination in its backlog.}
132. In the Q2 2014 NADL Release, NADL stated that the Rosneft contracts added “significant earnings visibility for several years ahead,” stating, in pertinent part, as follows:

The Board is pleased with the Company adding US$4.1bn in revenue backlog through the offshore drilling contracts with Rosneft. This adds significant earnings visibility for several years ahead, and provides a foothold in a market which diversifies our risk exposure away from the Norwegian and UK markets.

*   *   *

The Investment and Cooperation Agreement with Rosneft announced on May 25, 2014, and the subsequent execution of the drilling contracts for five of the Company’s drilling rigs announced on July 30, 2014, place the Company in a unique position compared to our competitors.

133. On the Q2 2014 NADL Earnings Call, NADL touted its confidence in its partnership with Rosneft, stating, in pertinent part, as follows:

Also West Alpha left Norway to start operations for ExxonMobil and Rosneft in Kara Sea. It is currently drilling out there and everything is going according to the original plan.

*   *   *

Both North Atlantic Drilling and Seadrill are very pleased to be there welcoming Rosneft as a new shareholder and we’re confident that this partnership will continue to create value for all of the company’s shareholders.

*   *   *

It is also a good sign of Rosneft’s ambitions and ability to commit to their plans for developing the Russian Arctic and this cannot be said too often, our backlog [with Rosneft] is with an attractive margin, which should continue to support growth while we are still committed to creating profitable returns for our shareholders through our quarterly cash dividend distributions.

134. During the same call, in response to analyst questions, NADL misleadingly stated that its agreement with Rosneft did not violate existing sanctions:

Nathan Gantcher - EXOP Capital LLC

[What’s the timing to complete the Rosneft deal? And what’s the risks between here in the year particularly the sanctions and all that?]
Alf Ragnar Løvdal - CEO

The Rosneft deal, closing of that is end of fourth quarter this year. With regard to sanctions, obviously we have worked on that and we have established procedures and guidelines how to handle that. And also we monitor the situation continuously, because we obviously want to be in compliance with rules and regulations. So far that has been okay.

* * *

Unidentified Investor

Thank you. I’m a retired Vice President of Merrill Lynch and an individual shareholder of Seadrill, but I’ve been following North Atlantic Drilling closely.

I would like to just have your -- a little more in-depth comments about the longer term geopolitical risk of the Rosneft deal. Rosneft pretty well advertised has been having difficulty in terms of putting in place long-term financing.

In one sense one could look at the Rosneft deal as giving a liquid quality asset in its 30% prospective ownership of North Atlantic drilling, a liquid asset, which they are being denied by the sanctions and possibly by the attitude of other financial sources at this time, perhaps they would find alternative sources in China or somewhere else. But what are your relationships with Rosneft up until this time?

Do you fully trust them as you said that you’re monitoring the situation closely but do you fully trust them in light of prior record of [BP Gnk] (ph).

Alf Ragnar Løvdal - CEO

Okay. Thanks a lot. We are very happy to work together with Rosneft and we look forward to develop this company together with them and we believe it’s the right place to be for the next 20, 30 years, and not only there, but with the main activity there.

One really solid leg in that market with regard to sanctions and so on. Yes, we have had counseling of that and we are okay with the situation as of now.

Unidentified Analyst

But, you do recognize a certain degree of risk, but you feel the risk award in the perspective deal and the opportunity is such that your long-term opportunity is such that you want to move forward in it.

Alf Ragnar Løvdal - CEO

I would leave word that to say that obviously we have follow the situation and we have implemented procedures how to make sure that we are within in compliance.
with rules and regulations and we monitor that situation every week and take needed actions.

135. The contracts with Rosneft were material to Seadrill. In fact, several analysts focused on the Rosneft contracts as key news:

(a) A July 31, 2014 report by UBS claimed that the Rosneft “[d]eal provides [Seadrill] longer term visibility,” “aids with near-term utilisation [] and adds backlog in a weak drilling market.”

(b) An August 5, 2014 report by Citigroup claimed that Seadrill was a “buy” because the “Rosneft deal extends visibility. Dividend supported over this period – with a large proportion of backlog now secured, we forecast SDRL to be able to grow EBITDA 10% CAGR to 2016. This profile ensures the current dividend policy [] looks well supported.”

(c) An August 27, 2014 report by Credit Suisse titled “Rosneft JV Helps In More Ways Than One” claimed that “[w]e view the deal (pending) [with Rosneft] as a positive for [Seadrill] as it locks up rigs in a weak market.”

136. On August 31, 2014, in an article by Richard Milne, the Financial Times quoted Defendant Løvdal as saying “We have a rig up there [with Rosneft] already and that’s OK. Next summer the next rig goes. We have some time to sort out something.”

137. At its September 3, 2014 presentation to Barclays Energy & Power Conference, Defendant Wulff stated that Seadrill’s backlog is $23.3 billion, that it is “robust”, and that it is with “high quality customers”, including Rosneft.

138. During a presentation and interview at the Pareto Oil & Offshore Conference on September 10-11, 2014, Defendant Lundetræ was quoted in a September 10 article by Reuters reporters Gladys Fouche and Joachim Dagenborg as saying that “[c]urrent market softness is going to be a challenge for a couple of years. The market is going to be bad this year, it is going to be
worse next year, then it will be stabilising.” Lundetrae added that it could take another 24 months for the market to bottom out. Nonetheless, Lundetrae reiterated that Seadrill’s “contract wins [equaled] increased dividend visibility [] from 2015 to well into 2016,” citing in particular that Seadrill’s contract with Rosneft was adding 30 rig years and $4.1 billion in backlog.

139. Similarly, NADL’s September 10, 2014 presentation to the Pareto Conference touted its “solid contract backlog of US $6.3 Bn,” $4.1 billion of which was with Rosneft. Roughly half of NADL’s presentation focused on Rosneft.

140. At its October 3, 2014 presentation to the Deutsche Bank Leveraged Finance Conference, Seadrill repeated its statements from the Barclays Conference, including that its backlog was $23.3 billion, that it is “robust,” and that it is with “high quality customers,” including Rosneft. Seadrill also touted its “Limited Exposure to Current Dayrate Environment.” Seadrill stated that its floater (UDW) contract coverage was 96% in 2014, 80% in 2015, and 62% in 2016.

141. However, contrary to their claims that Seadrill’s backlog was solid and that the agreement with Rosneft did not violate international sanctions, Defendants knew or were reckless in not knowing that their agreements with Rosneft violated the letter and the spirit of international sanctions against Russia.

142. On July 30, 2014, Norway announced that it would join any EU and US sanctions. Foreign Minister Boerge Brende said in a statement that “[e]ver since Russia’s illegal annexation of the Crimea in March, the government has been clear that Norway must stand with its allies and partners in the responses to Russia’s illegal actions in Ukraine.” Norway did not state that its sanctions would be prospective only.
143. On August 14, 2014, the United Kingdom’s Department for Business Innovation & Skills published a list of Frequently Asked Questions concerning the New EU Sanctions against Russia, stating, in pertinent part, as follows:

A licence is required for the sale, supply, transfer or export of the listed technologies to Russia or for any other country where the technologies are for use in Russia. A licence will not be granted if there are reasonable grounds to determine that the sale, supply, transfer or export of the technologies is for use in connection with a project pertaining to deep water oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia.

A licence is also required for the provision of technical assistance, brokering services, financing and financial assistance related to the sale, supply, transfer or export of these technologies to Russia or for use in Russia.

144. The August 15 Sanctions Release announcing Norway’s sanctions provided that:

The Government will maintain a close dialogue with the business community to assess the consequences of the measures for the various sectors affected. The Ministry of Foreign Affairs has opened a service telephone line for Norwegian companies affected by the new restrictive measures.

145. Finally, the Sanctions Release provided that:

The Ministry of Foreign Affairs is responsible for processing applications for export licences.

The measures implemented by the regulations leave room for discretion. In applying the regulations, the Ministry of Foreign Affairs will take into consideration other Norwegian legislation and relevant guidelines and experience relating to the sectors covered by the regulations. This applies in particular to the rules for the export of products etc. relating to the petroleum sector. Once the rules have entered into force, they will be further developed on the basis of their application in practice and any new guidelines.

146. Seadrill had access to much more substantial information about its own operations than the market, was in direct contact with the Norwegian Ministry of Foreign Affairs, and would be able to fulfill its agreement with Rosneft if it had prior authorization. Further, Seadrill claimed to be in constant communication with its attorneys. Thus, investors reasonably believed that when
Seadrill claimed that it was not worried about sanctions, it did so because it knew something the market did not.

147. On April 21, 2015, after the Class Period, Seadrill filed the August 20 Agreement with the SEC. Previously unbeknownst to investors, the agreement includes two extensive and unusual force majeure clauses addressing sanctions. The August 20 Agreement mandated consummation on or after November 10, 2014. (Cl. 10.1). The August 20 Agreement includes as a specific condition precedent that there have been no sanctions, embargoes, or export controls prior to the completion date. (Schedule I Cl. 2). The August 20 Agreement also allowed either Rosneft or NADL/Seadrill to defer their obligations if performance became impossible because of new sanctions. (Cl. 6.14, 6.17).

148. According to an August 22, 2014 Financial Times article by Guy Chazan and Richard Milne, citing people close to Seadrill, Seadrill had been trying to understand the implications of sanctions on its agreement with Rosneft. Similarly, on August 22, Lundetrae was quoted as saying that Seadrill had not determined whether the sanctions affected its contracts with Rosneft.

149. In an August 31, 2014 article in the Financial Times, Richard Milne quoted a Seadrill executive as saying that Seadrill insiders were concerned that sanctions might prohibit NADL’s suppliers from assisting it.

150. Further, in a September 10, 2014 article, Bloomberg journalists Indira Kakshmanan and Joe Carroll reported that the Rosneft agreement had “angered” U.S. and EU officials:

The arrival of the [NADL West Alpha] rig, as well as the signing of six new Seadrill contracts with Rosneft on July 29, just as the last round of sanctions was imposed, angered U.S. and European officials who said the moves flew in the face of the intention behind the economic restrictions: to freeze Arctic exploration by Russia.

151. In a September 11, 2014 article by Bloomberg’s Mikael Holter, Lundetrae was quoted as acknowledging that Seadrill and NADL “have to be open” to the possibility that their contract
with Rosneft could be in breach of existing sanctions. Lundetræ added that it was “terribly difficult” to determine whether they did. Lundetræ also acknowledged that Seadrill’s doubts dated from August at the latest:

Doubts over whether the offshore-rig contracts would be in compliance with existing sanctions appeared as details became available last month, Lundetræ said in an interview yesterday. The EU sanctions, which have been followed by Norway, put restrictions on the export of technology for Arctic, deepwater and shale oil exploration and production in Russia.

IV. Materially False and Misleading Statements Concerning Sources of Financing

152. As set forth in ¶157-58, above, Seadrill’s financing needs – and in particular, its financing needs for 2014-2015 – were massive.

153. Throughout 2014, Seadrill touted its ever-improving purported financing options. For example, in the Q1 2014 Earnings Call, Seadrill stated:

Lundetræ: Our financial flexibility has never been stronger. We’re confident that the remaining newbuild program can be financed without tapping the equity market. And due in large part to the funding activity executed during 2013 and thus far in 2014, Seadrill is well positioned to weather the current challenging drilling market and capitalize on M&A opportunities that may materialize this year or next.

154. In a press release issued July 10, 2014, Seadrill stated:

The Seadrill Group has gone to great lengths to diversify its sources of funding through opportunistic capital raises in the secured ECA, secured bank, unsecured bond, convertible bond, term loan B, and MLP markets. **Having access to numerous markets reduces refinancing risk and leads to decreased cost of capital that ultimately maximizes value creation/or shareholders.** Seadrill’s diversified funding strategy has resulted in the Company being in the best possible financial situation in the Company’s history, with significant financial flexibility to support the dividend and prepared to act on potentially attractive acquisition opportunities created by the temporary weakness in the market. **The Board is pleased with the significant progress made on the financing front over the last twelve months and wants to give credit to management for hard work and solid execution.**

155. In a press release issued July 18, 2014, Seadrill stated:

The Board bears significant responsibility to all stakeholders and never intends to harm any of the Company’s loyal supporters, however, the Board was left with the difficult decision to accept an unattractive deal or create this unfortunate situation.
The Company and the Board will not be forced to transact in any market at unfavorable terms, therefore saw cancellation as the only viable alternative. In light of this the Board has decided to launch a new voluntary incentive payment offer which will not be contingent on the completion of any other transaction in order to counter the negative effects of last week’s events. We look forward to putting this unfortunate situation behind us and continue our innovative and cost effective funding strategy.

156. In the Q2 2014 Release, Seadrill stated:

We are expanding our areas of operation, attracting new businesses and increasing the number of assets we own. We also have strongest financial position in our history, and have decided to maintain the dividend of $1 per share. We expect to be able to support this dividend level for our foreseeable future.

157. In the Q2 2014 Earnings Call, Seadrill stated:

Wulff: You all know, the license to operate is actually a safe and efficient operation. We are expanding our areas of operation, attracting new businesses and increasing the number of assets we own. We also have strongest financial position in our history and have decided to maintain the dividend of $1 per share. We expect to be able to support this dividend level for foreseeable future.

Lundetne: As I said, Seadrill is in the best financial position in recent history with cash on hand and having open up to numerous new markets recently. In fact, our bank funding has been reduced to roughly 55% of the outstanding debt. This is illustrative of the capital structure transformation and balance in funding we have worked hard to achieve. The result, the way we see it, is increased flexibility and also improved margins across the entire capital structure.

158. For the reasons set forth in ¶¶88-151 above, Seadrill’s and NADL’s statements concerning their backlog were materially false and misleading because they omitted to disclose that Seadrill’s and NADL’s backlogs each reflected $4.1 billion from agreements at premium rates with Rosneft which likely violated international sanctions against doing business with Russia and which, therefore, were an increased risk of being cancelled. Similarly, Defendants’ claim that Seadrill would be little affected by the downturn in the industry because its rigs were already contracted out was misleading because a significant proportion of the rigs were contracted to Rosneft in likely violation of international sanctions against doing business with Russia and Russian-owned companies.
159. Seadrill’s financing strategy was to make itself more appealing to secured lenders by offering as collateral not just a rig the lenders would find difficult to resell and impossible to operate, but, de facto, cash flows from contracts with major oil companies.

160. Thus, Seadrill’s financing was dependent on its backlog. Without contracts with which to secure loans, Seadrill’s financing options became much worse.

161. Thus, by omitting to disclose material facts showing that its backlog was not secure, Seadrill overstated its access to financing.

**LOSS CAUSATION/ECONOMIC LOSS**

162. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Seadrill securities and operated as a fraud or deceit on Class Period purchasers of Seadrill securities by failing to disclose, and misrepresenting, the adverse facts detailed herein. When Defendants’ prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of Seadrill securities fell precipitously as the prior artificial inflation came out.

163. As a result of their purchases of Seadrill securities during the Class Period, Plaintiffs and the other Class members suffered economic loss, i.e., damages, under the federal securities laws. Defendants’ false and misleading statements had the intended effect and caused Seadrill securities to trade at artificially inflated levels throughout the Class Period.

164. By failing to disclose to investors the adverse facts detailed herein, Defendants presented a misleading picture of Seadrill’s business and prospects. When the truth about the Company was revealed to the market, the price of Seadrill securities fell precipitously. These declines removed the inflation from the price of Seadrill securities, causing real economic loss to investors who had purchased Seadrill securities during the Class Period.
Specifically, on September 10, 2014, *Bloomberg* journalists Indira Kakshmanan and Joe Carroll reported that Seadrill’s agreement with Rosneft had angered U.S. and EU officials who said the moves flew in the face of the intention behind the economic restrictions. Then, on September 12, 2014, before markets opened, the EU announced sanctions against Russia. Though the sanctions were without prejudice to execution of obligations arising before September 12, 2014, the sanctions prohibited the provision of drilling and specialized floating vessels necessary for deep water and arctic oil exploration and production. That same day, the U.S. expanded sanctions to prohibit provision of goods, services, or technology to Rosneft in support of deepwater or Arctic projects that have the potential to produce oil, provided that U.S. persons had 14 days to comply.

Similarly, on September 12, 2014, in an article by Stanley Reed and Clifford Krauss, *The New York Times* reported, citing unnamed U.S. officials, that the U.S. government’s “intention was to shut down” a project in the Kara Sea between Rosneft and Exxon that used NADL’s West Alpha rig.

On September 12, Seadrill’s stock price fell from its previous close of $32.83 to $30.87, or 6.0%, damaging investors.

Immediately after the sanctions, a number of analysts issued reports questioning Seadrill’s ability to keep paying its dividend:

(a) On September 15, 2014, Morgan Stanley issued a report on Seadrill, titled “Russia Concerns Add to Dividend Uncertainty,” which cited as a concern sanctions’ impact on the “Rosneft mega deal.”

(b) On September 23, 2014, Wells Fargo issued a report stating that, although Seadrill’s backlog was helpful in dealing with a down market, its agreement with Rosneft likely faces sanctions risk, meaning that the backlog was not completely secure.
169. Using NADL rig West Alpha, Exxon and Rosneft had begun to drill in the Kara Sea. But on September 19, 2014, before trading, *Bloomberg* reported that Exxon had stopped drilling on NADL’s West Alpha rig. Prime Executions Inc. chief energy strategist Chris Kettenmann was quoted as saying that “[t]his has been one of the most-watched wells in the industry, so this is a huge deal.” That day, Seadrill’s stock price fell from $30.35 to $28.26, or 6.9%, damaging investors.

170. On October 10, 2014, Norway enacted sanctions mirroring the sanctions the EU enacted on September 12, 2014, effective immediately. The press release announcing the sanctions quoted Norway’s Minister of Foreign Affairs as saying:

> Russia’s actions in Ukraine remain a matter of serious concern. A fragile ceasefire is in place, but Russia has not complied with the demands made by the international community, including immediate, complete withdrawal of all military equipment and personnel from Ukrainian territory. Despite massive international pressure, Russia has not demonstrated any willingness to change its course in Ukraine, which is in violation of international law.

171. On October 10, 2014, Seadrill’s stock price fell from $24.11 per share to $22.83 per share, or 5.3%, damaging investors.

172. On November 26, 2014, Seadrill released its Q3 2014 results, both filing a press release announcing the results (the “Q3 2014 Release”) and holding a conference call to discuss them (the “Q3 2014 Earnings Call”). In the Q3 2014 Release, Seadrill announced, among other things, that it was suspending its dividend, stating, in pertinent part, as follows:

**Quarterly Cash Dividend**

Seadrill’s dividend policy is based on a number of factors, including earnings, market prospects, current capital expenditure programs and investment opportunities. *Our earnings are driven by the order backlog and the margin we expect to earn which in turn rely on our operations.* In assessing the dividend capacity the Board is looking for visibility on the outlook for the drilling market. *Although we have the ability to sustain the dividend based on our existing order backlog, the near term offshore market is becoming increasingly challenging.*

Since our last quarterly report a number of developments have affected these factors that dictate our dividend distributions. The most significant impact has been the
uncertainty in the macro environment. The Board views the deterioration in oil prices as an indicator of more broad demand growth concerns and must approach the current macro environment with an element of caution. This, taken into account with the near term oversupply of drilling units makes it all the more important to build a strong balance sheet. In addition, the financing market has become incrementally worse, and although Seadrill still has significant access to funding, some markets have become unattractive.

In light of the changes that have taken place since our last report, the Board has taken the decision to suspend dividend distributions for the time being. The Board believes this decision will enable Seadrill to strengthen its balance sheet and, at the same time, put the Company in a position to act as a consolidator as opportunities become available during this downturn, or to grow organically. By pausing the dividend, Seadrill’s capital position will improve by approximately US$2 billion per year, and a significant portion of these funds will be available to be deployed to strengthen the balance sheet and to invest in value creating opportunities, including both industrial growth avenues and more pure financial transactions.

To provide alternatives for deploying this capital the Board has authorized a share buyback program of up to 10% of the outstanding shares over the course of next 12 months. Please refer to Appendix II for additional information on the share repurchase program. Additionally, Seadrill will be looking across its portfolio of outstanding debt and equity securities for other opportunities. However, the Board expects the majority of available funds to initially be used to de-leverage the balance sheet.

John Fredriksen, Chairman of Seadrill comments, “The decision to suspend the dividend has been a difficult decision for the Board. However, taking into consideration the significant deterioration in the broader offshore drilling and financing markets over the past quarter, the Board believes this is the right course of action for the Company. I am confident that Seadrill will emerge from this downturn even stronger and that we will resume our distributions in the future.”

In its November 26, 2014 earnings call to discuss its Q3 2014 results (the “NADL Q3 2014 Earnings Call”), NADL attributed the decision to withhold its dividend in large part to failure of the Rosneft deal:

And as the final point, you have now all probably seen that we today announced that the quarterly cash dividend through the investors have been suspended from this quarter. This decision has been made in order to ensure that the company can meet the challenges that may be ahead, including the delay of the Rosneft deal as well as the interest general market uncertainty.
174. On November 26, 2014, Seadrill’s stock price fell from $20.71 per share to $15.99 per share, or 22.8%, damaging investors.

175. Yet neither Seadrill nor NADL removed revenues related to their contracts with Rosneft from their backlog.

176. In fact, though, analysts attributed the weak outlook to Seadrill’s inability to consummate the Rosneft agreement:

(a) According to a January 9, 2015 Report from ABN AMRO on Seadrill, “[w]ithout the Rosneft contracts, NADL will not be able to meet its EBITDA targets and is looking at a very weak balance sheet.”

(b) According to a December 22, 2014 report from SEB Equity Research on Seadrill, the Rosneft contract created a “binary” valuation of NADL.

177. On March 13, 2015, NADL announced that it had received a notice of termination from Rosneft for part of the contract:

Hamilton, Bermuda, March 13, 2015 – North Atlantic Drilling Ltd. (NADL) has received a notice of termination from Rosneft of the service order for the West Navigator in connection with the Framework Agreement. The drillship was indicatively scheduled to commence operations under its five-year contract with Rosneft during the summer of 2015, which would have required earlier mobilisation. As outlined in our fourth quarter 2014 results report, NADL believes that it will be very challenging to close the transactions with Rosneft on the same terms or in the timeframe contemplated in the executed agreements, and that there were significant risks attached to the US$4.1 billion order backlog related to the drilling contracts with Rosneft. The termination of the service order for West Navigator will reduce NADL’s contract backlog by US$1.0 bn. NADL will be marketing the West Navigator for alternative future opportunities, however remains in discussions with Rosneft to explore various alternatives for future co-operation.

178. On March 13, 2015, Seadrill’s stock price fell from its previous close of $9.68 to close at $9.12, down 5.8%, damaging investors.

179. On April 21, 2015, Seadrill filed its 2014 Form 20-F, which removed the Rosneft agreements from its backlog:
Most of our drilling units are contracted to customers, and our future contracted revenue, or backlog, at March 20, 2015 totaled approximately $9.7 billion excluding $3.1 billion of backlog attributable to the Rosneft drilling contracts which are at significant risk of being terminated, and excluding $1.6 billion of backlog attributable to the SeaMex contracts which were deconsolidated after the reporting year. $7.8 billion of our backlog is attributable to our semi-submersible rigs and drillships. Calculations exclude Seadrill Partners related backlog, which became an associated company as of January 2, 2014. We expect approximately $3.4 billion of our backlog to be realized in the remainder of 2015. Backlog for our drilling fleet is calculated as the contract 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. The amount of actual revenues earned and the actual periods during which revenues are earned will be different from the backlog projections due to various factors. Downtime, caused by unscheduled repairs, maintenance, weather and other operating factors, may result in lower applicable dayrates than the full contractual operating dayrate.

180. On April 21, Seadrill’s stock price fell from its previous close of $11.67 to close at $11.05, down 5.3%, damaging investors.

ADDITIONAL SCIENTER ALLEGATIONS

181. As alleged herein, Defendants acted with scienter in that they knew, or recklessly disregarded, that the public documents and statements they issued and disseminated to the investing public in the name of the Company or in their own name during the Class Period were materially false and misleading. Defendants knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements and documents as primary violations of the federal securities laws. Defendants – by virtue of their receipt of information reflecting the true facts regarding Seadrill, their control over, and/or receipt and/or modification of Seadrill’s allegedly materially misleading misstatements – were active and culpable participants in the fraudulent scheme alleged herein.

182. Defendants knew and/or recklessly disregarded the false and misleading nature of the information which they caused to be disseminated to the investing public. The fraudulent scheme to described herein could not have been perpetrated during the Class Period without the knowledge and
complicity or, at least, the reckless disregard, of personnel at the highest levels of the Company, including Defendants.

**APPLICABILITY OF THE PRESUMPTION OF RELIANCE AND FRAUD ON THE MARKET**

183. Plaintiffs will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company’s securities traded in efficient markets;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company’s securities; and

(e) Plaintiffs and other members of the Class purchased Seadrill securities between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

184. At all relevant times, the markets for Seadrill securities were efficient markets for the following reasons, among others:

(a) Seadrill securities met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, Seadrill filed periodic public reports with the SEC;

(c) Seadrill regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services;
(d) Seadrill was followed by securities analysts employed by major brokerage
firms who wrote reports that were distributed to the sales force and certain customers of their
respective brokerage firms. Each of these reports was publicly available and entered the public
marketplace.

185. As a result of the foregoing, the markets for Seadrill securities promptly digested
current information regarding Seadrill from all publicly available sources and reflected such
information in the prices of the securities. Under these circumstances, all purchasers of Seadrill
securities during the Class Period suffered similar injury through their purchase of Seadrill securities
at artificially inflated prices and a presumption of reliance applies.

186. A Class-wide presumption of reliance is also appropriate in this action under the
Supreme Court’s holding in Affiliated Ute Citizens of Utah v. U.S., 406 U.S. 128 (1972), because the
Class’s claims are grounded on Defendants’ material omissions. Because this action involves
Defendants’ failure to disclose material adverse information regarding Seadrill’s business operations
and financial prospects – information that Defendants were obligated to disclose – positive proof of
reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material
in the sense that a reasonable investor might have considered them important in making investment
decisions. Given the importance of the Class Period material misstatements and omissions set forth
above, that requirement is satisfied here.

**NO SAFE HARBOR**

187. Defendants’ false and misleading statements during the Class Period were not
forward-looking statements ("FLS") and/or identified as such by Defendants, and thus did not fall
within any “Safe Harbor.”
To the extent any false and misleading statements are determined to be FLS, Seadrill's verbal "Safe Harbor" warnings accompanying its oral FLS issued during the Class Period were ineffective to shield those statements from liability.

Defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Seadrill who knew that the FLS was false.

None of the historic or present tense statements made by Defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

CLASS ACTION ALLEGATIONS

Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Seadrill securities on United States exchanges during the Class Period (the "Class"). Excluded from the Class are Defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

The members of the Class are so numerous that joinder of all members is impracticable. Seadrill's securities are actively traded on the NYSE and, as of December 31, 2014, there were more than 492 million shares of Seadrill's common stock outstanding. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are thousands of members in the proposed Class.
Record owners and other members of the Class may be identified from records maintained by Seadrill or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

193. Common questions of law and fact predominate and include: (i) whether Defendants violated the Exchange Act; (ii) whether Defendants omitted and/or misrepresented material facts; (iii) whether Defendants knew or recklessly disregarded that their statements were false; and (iv) whether Defendants’ statements and/or omissions artificially inflated the price of Seadrill securities and the extent and appropriate measure of damages.

194. Plaintiffs’ claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants’ wrongful conduct in violation of federal law that is complained of herein.

195. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

196. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

**COUNT I**

For Violation of §10(b) of the Exchange Act and Rule 10b-5 Against Seadrill, Wulff, and Lundetrae

197. Plaintiffs incorporate all allegations in ¶1-196 above by reference.

198. For purposes of this Count only, Seadrill, Wulff, and Lundetrae are referred to as “Defendants.”
199. During the Class Period, Defendants disseminated or approved Seadrill's false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

200. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiffs and others similarly situated in connection with their purchases of Seadrill securities during the Class Period.

201. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Seadrill securities. Plaintiffs and the Class would not have purchased Seadrill securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

202. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their purchases of Seadrill securities during the Class Period.

COUNT II

For Violation of §20(a) of the Exchange Act
Against Wulff and Lundetræ

204. Wulif and Lundetrae acted as controlling persons of Seadrill within the meaning of §20(a) of the Exchange Act. By virtue of their positions with the Company, Wulif and Lundetrae had the power and authority to cause Seadrill to engage in the wrongful conduct complained of herein. Wulif and Lundetrae controlled Seadrill. By reason of such conduct, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act.

COUNT III

For Violation of §10(b) of the Exchange Act and Rule 10b-5
Against NADL and Løvdal

205. Plaintiffs incorporate all allegations in ¶¶1-204 above by reference.

206. For purposes of this Count only, NADL and Løvdal are referred to as “Defendants.”

207. During the Class Period, Defendants disseminated or approved NADL’s false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

208. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiffs and others similarly situated in connection with their purchases of Seadrill securities during the Class Period.

209. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Seadrill securities. Plaintiffs and the Class would
not have purchased Seadrill securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants’ misleading statements.

210. As a direct and proximate result of Defendants’ wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their purchases of Seadrill securities during the Class Period.

**COUNT IV**

*For Violation of §20(a) of the Exchange Act Against Seadrill and Løvdal*

211. Plaintiffs incorporate all allegations in ¶1-210 above by reference.

212. Seadrill and Løvdal acted as controlling persons of NADL within the meaning of §20(a) of the Exchange Act. By virtue of their ownership of NADL stock and/or position within NADL, Seadrill and Løvdal, respectively, had the power and authority to cause NADL to engage in the wrongful conduct complained of herein. Seadrill and Løvdal controlled NADL. By reason of such conduct, Seadrill and Løvdal are liable pursuant to §20(a) of the Exchange Act.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for judgment as follows:

A. Declaring this action to be a class action properly maintained pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure, certifying Plaintiffs as Class Representatives and Co-Lead Counsel as Class Counsel;

B. Awarding Plaintiffs and other members of the Class damages and interest;

C. Awarding Plaintiffs’ reasonable costs, including attorneys’ fees; and

D. Awarding Plaintiffs and other members of the Class such equitable/injunctive or other relief as the Court may deem just and proper.
JURY DEMAND

Plaintiff's demand a trial by jury.

DATED: July 23, 2015

THE ROSEN LAW FIRM, P.A.
LAURENCE M. ROSEN
PHILLIP KIM
JONATHAN HORNE

ROBBINS GELLER RUDMAN
& DOWD LLP
SAMUEL H. RUDMAN
DAVID A. ROSENFELD
ALAN FELDMAN

LAURENCE M. ROSEN
275 Madison Avenue, 34th Floor
New York, NY 10016
Telephone: 212/686-1060
212/202-3827 (fax)
rosen@rosenlegal.com
pkim@rosenlegal.com
jhorne@rosenlegal.com

DAVID A. ROSENFELD
58 South Service Road, Suite 200
Melville, NY 11747
Telephone: 631/367-7100
631/367-7173 (fax)
srudman@rgdlaw.com
drosenfeld@rgdlaw.com
alfeldman@rgdlaw.com

Co-Lead Counsel for Lead Plaintiffs

BRONSTEIN, GEWIRZ & GROSSMAN, LLC
PERETZ BRONSTEIN
60 East 42nd Street, Suite 400
New York, NY 10165
Telephone: 212/697-6484
212/697-7296 (fax)
peretz@bgandg.com

Additional Counsel for Plaintiffs

- 56 -
CERTIFICATE OF SERVICE

I hereby certify that on July 23, 2015, I caused the foregoing CONSOLIDATED AMENDED COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS to be electronically filed with the Clerk of the Court using the CM/ECF system, which will send notification of such public filing to all counsel registered to receive such notice.

/s/ David A. Rosenfeld
DAVID A. ROSENFELD