Seadrill Limited (SDRL) - Second quarter and six months 2009 results

Highlights

- Seadrill generates record EBITDA*) of US$438 million for the second quarter 2009
- Seadrill reports net income of US$364 million and earnings per share of US$0.85 for the second quarter 2009
- In July, Seadrill sells the jack-up rig West Ceres for a total consideration of US$178 million
- Seadrill commences operations with new deepwater unit West Eminence in Brazil
- Seadrill secures new US$1.5 billion credit facility
- Seadrill delivers strong improvement in average utilization rate for deepwater newbuilds

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

Condensed consolidated income statements

Second quarter results
Consolidated revenues for the second quarter of 2009 amounted to US$816 million as compared to US$696 million for the first quarter 2009. Operating profit for the second quarter was US$339 million, an increase of US$80 million from US$259 million. The second quarter operating profit for Mobile Units was US$267 million as compared to US$195 million in the preceding quarter. The increase was mainly due to a full quarter in operation for the four newbuilds that started drilling during the first quarter as well as improved utilization overall. The operating profit from the Tender Rigs amounted to US$56 million, which was an increase of US$5 million compared to the preceding quarter. This improvement was due to higher average dayrate. Operating profit from Well Services totaled US$15 million, which was an improvement of US$2 million compared to the first quarter.

Net financial items for the quarter resulted in a gain of US$67 million. Interest expense increased from US$45 million in the first quarter to US$57 million in second quarter. This reflects less interest costs being capitalized as more newbuilds have commenced operations. The share of results from associated companies amounted to a profit of US$16 million. Other financial items resulted in a gain of US$102 million. This is primarily related to mark-to-market valuation of interest swap agreements and forward currency contracts, which amounted to a gain of approximately US$77 million. In addition, the Company recorded a gain of US$19 million on total return swap agreements in Seadrill shares.

Income taxes for the quarter amounted to US$42 million, an increase of US$11 million from the preceding quarter, reflecting increased activity level.

Net income for the quarter was US$364 million corresponding to net earnings per share of US$0.85.

First six months 2009
Operating profit for the six months period amounted to US$597 million, an increase of US$275 million compared to the same period in the preceding year. The improvement is a result of more units in operation as well as higher dayrates. The Company reported net financial income of US$83 million compared to an income of US$169 million in the six months period last year. The decrease is related to higher interest expenses as the majority of the newbuild program has been delivered and Company is capitalizing less of the interest expenses. In addition, the 2008 accounts included a gain on sale of the Apexindo shares amounting to approximately US$150 million. Net income for the six months period amounted to US$608 million compared to US$483 million in the preceding year.

Balance sheet
Total assets increased from US$12,305 million at year-end 2008 to US$13,284 million as of June 30, 2009.

Total current assets increased from US$1,664 million to US$1,844 million during the six months period. The increase is primarily related to marketable securities and accounts receivables. The increase in marketable securities was due to the investment in the Petromena NOK2,000 million bond in first quarter and somewhat higher valuation of the Pride International Inc forward contracts. In addition, accounts receivables increase as a function of higher turnover due to new rigs in operation. Cash and cash equivalents amounted to US$603 million at the end of second quarter, a reduction of US$54 million compared to year-end. At the end of June, US$282 million was restricted cash and included in cash and cash equivalents.

Total non-current assets increased from US$10,641 million to US$11,440 million. The increase was due to further installments paid under construction contracts for new drilling units as well as drilling units delivered.

Total current liabilities increased from US$2,058 million to US$2,863 million. Short-term interest bearing debt increased by US$1,033 million during the six months period as the US$1 billion bridge loan with maturity end May 2010 became short term in second quarter.

Long-term interest bearing debt decreased from US$6,691 million at year-end to US$5,976 million at the end of second quarter. The decrease is related to the reclassification of the US$1 billion bridge loan in second quarter partly offset by increased interest bearing debt in first quarter used to finance the delivered newbuilds.

Total shareholders' equity increased from US$3,222 million at year-end to US$4,012 million at June 30, mainly due to net income earned in the six months period. Included in the increase is also a positive mark to market valuation of securities amounting to US$168 million, which is not included in the income statement.

Cash flow
As of June 30, 2009, cash and cash equivalents amounted to US$603 million, a decrease of US$54 million as compared to year-end. Net cash from operating activities was US$688 million. In the same period, investments in fixed assets totaled US$899 million. Net cash used in investing activities amounted to US$989 million while net cash from financing activities was US$247 million. During the quarter, Seadrill repaid US$341 million in installments under the consolidated credit facilities.

Interest bearing debt
Seadrill had as of June 30, 2009 a net interest bearing debt of US$6,802 million compared to US$6,434 at December 31, 2008.

In July, the Company established a US$1.5 billion senior secured credit facility with a group of commercial lending institutions and export credit agencies. The credit facility has in the main been used to refinance the existing US$1,000 million bridge loan facility. The loan is secured by first priority mortgages in two ultra-deepwater semi-submersible drilling rigs (West Aquarius and West Sirius), one deepwater drillship (West Capella) and one jack-up drilling rig (West Ariel). The facility has a 5-year tenor, an amortization profile of 8.5-years and financial covenants aligned with covenants on the existing debt portfolio.

For a detailed overview of the various loans, credit facilities and bonds including repayment and maturity schedules, reference is made to notes to the accounts.

The Company has taken the opportunity to enter into several interest swap agreements in order to lock in long-term interest rates. As of June 30, approximately 72 percent of the total outstanding interest bearing debt had fixed interest rate. The majority of these agreements are subject to mark-to-market valuation in the accounts. In the second quarter, US$63 million was taken to income in the accounts.

Convertible bond
Seadrill has a US$1 billion convertible bond outstanding maturing in October 2012. The convertible bond has an annual coupon of 3.625 percent payable semi-annually and a conversion price of US$32.33 per share.

Outstanding shares
As of June 30, issued shares in Seadrill Limited totaled 399,133,216. The Company's holding of own treasury shares was 717,800. The Company has approximately 6.9 million options outstanding under the management share incentive program out of which approximately 2.4 million are vested and exercisable.

For the second quarter 2009, the weighted average number of shares outstanding was 398,415,416 unchanged from the first quarter 2009.

Total Return Swaps (TRS)
Seadrill has a TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK100.4 per share with expiry on February 12, 2010. The agreement replaced a total return swap agreement with agreed initial reference price of NOK61.3 per share that matured on August 17, 2009.

In the second quarter results, the Company has taken to income US$19 million related to the total return swap agreements under other financial items based on a share price of NOK91.8. At close of business on August 26, 2009, the Seadrill share price was NOK106.9 which represent an unrealized gain on the TRS agreement of some US$11 million.

Operations
Mobile units
Seadrill had 16 mobile rigs in operation during the second quarter. In addition, three jack-ups were warm-stacked during the entire quarter.

In Norway, the semi-submersible rigs West Venture and the ultra-large jack-up West Epsilon continued drilling operations for StatoilHydro. The semi-submersible rig West Alpha worked a three-year contract with a rig syndicate led by BG. Deepwater drillship West Navigator continued operations for Shell on Ormen Lange whereas the newbuild semi West Phoenix worked for Total on the Victoria field. In the Gulf of Mexico, the deepwater semi-submersible rig West Sirius worked for Devon Energy. In Brazil the deepwater drillship, West Polaris continued operations for Exxon and the newbuild deepwater semi-submersible West Taurus performed operations for Petrobras. The newbuild semi West Eminence arrived Brazil ultimo

May and commenced operation under its six year contract with Petrobras ultimo June. In China, the deepwater semi-submersible rig West Hercules continued drilling operations for Husky whereas the newbuild semi-submersible West Aquarius continued operations for Exxon in Indonesia. In Nigeria, the newbuild drillship West Capella performed drilling operations under its five-year charter with Total.

In Southeast Asia, the benign environment jack-ups West Prospero and West Triton were warm-stacked in the greater Singapore area whereas the jack-up West Janus worked in Malaysia for Petronas and the jack-ups West Larissa and West Ariel drilled for VietsoPetro (VSP) in Vietnam. At the end of June, West Janus went into yard for a mandatory survey. The survey was completed on August 25 and operations were subsequently resumed for the customer. In Australia, the jack-up West Atlas continued the operations for PTTEP Australia. In mid August, a hydrocarbon leak developed on an adjacent well on the Montara platform where West Atlas was working for PTTEP Australia that necessitated evacuation of personnel of the drilling unit. Seadrill is working closely with National Offshore Petroleum Safety Authority (NOPSA), PTTEP Australia and other specialist service providers as well as its insurers to help regain control of the well and limit the effects of the discharge from the Montara platform. These efforts include making another Seadrill jack-up drilling rig, West Triton, available to drill a relief well. Once the leaking well is under control, Seadrill will reboard the West Atlas and assess any damage to the rig.

During the quarter, the jack-up West Ceres was warm-stacked in Ghana. In July, Seadrill exercised its right to repurchase the jack-up drilling rig West Ceres from a subsidiary of Ship Finance International Ltd, for the pre-agreed price of US$135.5 million. Seadrill subsequently entered into a memorandum of agreement to sell the jack-up rig for a consideration of US$175 million plus an additional US$3 million for inventory. The sale transaction was completed shortly thereafter. A gain on sale of approximately US$20 million will be recorded in the third quarter 2009 accounts.

Tender rigs
Seadrill's self-erecting tender rigs were all on contract during the quarter. In Southeast Asia, the tender rig barge T4, T7 and T11 worked for Chevron in Thailand. In Malaysia, the semi-tender West Alliance continued its operations for Shell and the semi-tender West Setia was on contract with Murphy. In May, West Setia completed its work for Murphy and commenced a short yard-stay in preparation for the next assignment for Chevron in Angola. Following a dry-tow from Singapore to Angola, West Setia commenced operation late August. The semi-tender West Berani continued its work for ConocoPhillips in Indonesia. In Brunei, the semi-tender West Pelaut performed operations for Shell. In West Africa, the tender barge T8 and the semi-tender West Menang worked for Total in Congo. Both units are now warm-stacked in Walvis Bay in Namibia following completion of operations for Total.

Well services (Seawell Limited - 74% ownership)
Seawell is providing drilling and well services with its core business being platform drilling, drilling facility engineering, modular rig, well intervention and oilfield technologies. Seawell currently operates on nearly 50 installations in the North Sea and has offices in Stavanger, Bergen, Aberdeen, Newcastle, Houston, Esbjerg and joint ventures in Abu Dhabi and Kuala Lumpur. The overall activity level in the second quarter was sound with an improvement of US$3 million in EBITDA from US$17 million in the first quarter to US$20 million.

For more information on Seawell, see separate quarterly report published on www.seawellcorp.com in connection with Seawell's separate Norwegian OTC listing.

Operations in associated companies
Varia Perdana Bhd.
Varia Perdana Bhd. owns five self-erecting tender rigs that were all in operation during the quarter. The tender barge T3 worked for PTT in Thailand and T10 worked for Petronas Carigali on an assignment from CarigaliHess whereas the remaining tender barges T6, Teknik Berkat and T9 worked for Petronas Carigali.

SapuraCrest Bhd
Seadrill owns 288,364,800 shares in the Malaysian oil service provider SapuraCrest Bhd that corresponds to an ownership interest of 22.7 percent. SapuraCrest owns among other things 51 percent of Varia Perdana Bhd. Based on the closing price on August 26, 2009 on the Malaysian Stock Exchange, Seadrill's holding in SapuraCrest has a gross value of some US$138 million compared to a book value of US$71 million reflecting the write-down at year-end 2008.

Scorpion Offshore Limited.
Scorpion is a Bermuda registered company listed on the Oslo Stock Exchange that owns and operates six jack-ups and has one jack-up under construction. Seadrill directly and indirectly controls 39.6 percent of the outstanding shares through forward contracts for 22,192,500 shares and direct ownership of 12,446,403 shares. The average strike price per share for the forward contracts is US$3.22. Based on closing share price on August 26, 2009, Seadrill's exposure has a gross value of some US$112 million compared to a book value of US$84 million reflecting the write-down at year-end 2008.

Other strategic investments
Pride International Inc.
Seadrill directly and indirectly controls 9.5 percent in the offshore drilling company Pride International Inc. listed on the New York Stock Exchange through forward contracts for 16,300,000 shares and direct ownership in 200,000 shares. The current average strike price per share on the forward contracts is US$25.09. Based on closing share price on August 26, 2009, Seadrill's exposure has a gross value of some US$402 million as compared to US$264 million at year-end. As a result of the spin-off of Pride's mat supported jack-ups on August 24, 2009, Seadrill now owns a 9.5 percent in Seahawk Drilling Inc. Including Seahawk Drilling Inc Seadrill's gross value amounted to US$430 million.

Other investments
Petromena NOK2,000 million bond
In March, Seadrill invested US$175 million in the Petromena NOK2,000 million bond loan (ISIN NO 001031608.6) at 70 percent of face value of the bond. The holding corresponds to 81 percent of the total outstanding loan amount. The bond loan has first priority security after the yard in two new deepwater rigs built at the Jurong shipyard. As a consequence of Petromena's failure to pay the final installment on the first of the two units, and also non-payment of interest on the NOK2,000 million loan earlier this year the loan was called in default. Simultaneously, the bond trustee filed a motion for a hearing in the US bankruptcy court - Southern District of New York. In June, the yard with the courts permission completed the sale process for the first unit. The sale consideration exceeding the outstanding claim from the yard has been transferred to the bankruptcy court. On August 6, the bankruptcy court approved the distribution of approximately US$130 million to the bondholders in the Petromena NOK2,000 bond through the trustee of which Seadrill is entitled to some US$105 million.

New contracts and dayrates
In May, Seadrill received an early termination letter regarding the contract for the semi-tender West Menang, which extends throughout 2010. As compensation for the early termination,

Seadrill will receive a termination fee that provides the Company an EBITDA contribution as if the unit would have been in operation throughout the contract period.

In August, Seadrill agreed to extend the contract for the jack-up West Ariel with Vietsopetro throughout October 2010. The agreed dayrate will be US$142,000. Seadrill also agreed with PTTEP Australia to reactivate the jack-up West Triton to drill a relief well for the Montana platform in Australia. The mobilization is estimated to take 20 days and the well is expected to take some four weeks to drill. The agreed dayrate will be US$175,000.

For more detailed information regarding dayrates and contract durations including minor changes to dayrate levels and duration profiles, see the fleet status report or news releases on the Company's web site www.seadrill.com.

Market development
The slowdown in the world economy continues to adversely affect the activity levels in most rig segments. Energy prices have come off the lows seen end of last year but market participants still feel there is a lack of evidence that the rebound in price is sustainable near term even though most agree the long-term outlook remains promising. This uncertainty makes drilling programs in the planning phase more risky resulting in postponement of drilling activities. The market segment or rig type most impacted by the drop in activity is the benign environment jack-ups where a significant number of units are stacked in the Gulf of Mexico, Africa and Southeast Asia areas. For ultra deepwater units, the market has been less affected due to the limited availability of such rigs in the near term.

Deepwater Floaters (>5,000 ft water)
The deepwater drilling market remains firm although the number of prospects for deepwater rig capacity has temporarily slowed as a result of the uncertainty regarding the development of the world economy and future oil and gas prices. As such, there have been few fixtures since Seadrill's last reporting in May. The fixtures that have been confirmed, including sublets, have however been at historical decent dayrate levels above US$500,000. This relates to the fact that the availability of ultra-deepwater capacity for 2010 continues to contract due to strong demand in particular from Brazil. In general, most oil companies anticipate higher energy prices in the longer term, and most of the smaller and medium sized independent oil companies are more cautious or forced to reduce spending as a function of reduced cash flow and more limited financing availability. The national oil companies and some of the super majors with sound balance sheets continue to be more optimistic but at the same time selective in securing ultra-deepwater capacity for long-term development programs. The deepwater rig demand therefore continues to be supported by exploration and development drilling activities in deepwater US Gulf where demand is further spurred by moored deepwater units being replaced with dynamically positioned rigs, but also through natural growth in Mexico and West Africa in addition to Brazil.

Premium Jack-ups (>300 ft water)
The market for jack-ups has a more short-term nature as the majority of assignments have duration from three to 12 months and wells often are tiebacks to existing infrastructure. The demand is also much more fragmented and debt-leverage as well as break-even oil price for the marginal projects are higher on average. As a result, the market for jack-ups continues to be adversely impacted by the uncertainty regarding future oil and gas prices, the more challenging financial markets and increased economic uncertainty and postponement of drilling campaigns. On a general basis, there are positive signs in form of increased tender activity over the last few months. Nevertheless, the pickup in tendering activity has been offset by the number of rigs coming off contracts and new units being delivered from yards. The overall utilization rate for premium jack-ups are some 80 percent compared with the high 90ies as late as 12 months ago. Although the near term outlook is uncertain, Seadrill expects operators to gradually replace older and incumbent drilling units with new, modern efficient

rigs due to wells being increasingly more technically challenging and consequently more demanding with respect to rig equipment. This replacement could however take more time than previously anticipated given the prevailing economic environment.

Tender rigs
The fact that tender rigs primarily are undertaking development drilling based on long-term contracts, has historically made this market segment more resilient to the volatility in activity levels seen in the shallow water market than what has been the experience for benign environment jack-ups. Nevertheless, the sharp drop in the activity level in shallow water witnessed over the last six months has adversely affected the tender rig market also. The short-term effects are that dayrates are receding from recent peaks and that some rigs that have come off contracts have been warm stacked as oil companies have postponed drilling activity in response to lower oil and gas prices. In spite of the increased near term uncertainty, Seadrill remains of the opinion that the long-term outlook for tender rigs remains sound, and expects the market to continue to offer opportunities to build additional order backlog and earnings visibility.

Next quarter operational events
In response to delivery and start-up of several new deepwater units, Seadrill is enjoying a period where the operational cash flow is expected to significantly exceed the Company's capital expenditure program. The result for the third quarter 2009 is likely to confirm the growth in operating earnings. The performance should be favorably impacted by higher utilization rates on deepwater newbuilds as well as one new deepwater unit in operations i.e. West Eminence in Brazil for Petrobras. The result will be adversely impacted by a 50 days off-hire period for the jack-up West Janus due to a five-year mandatory survey including some steel replacement. Furthermore, the Company has also the tender rig T8 in lay up from early July and will undertake a five-year survey with upgrades for the 1984 built semi West Alpha starting in September.

Corporate strategy and outlook
Seadrill has over the last years established itself as a leading offshore drilling company. The Company is the second largest player in the ultra deepwater market focused on modern quality assets and with operations in all the important offshore oil and gas regions. The worldwide operations are supported by a strong and dynamic organization of more than 7,000 people with main operational support centers in Norway, USA and Singapore. Seadrill has based on the combination of assets and people been able to build one of the best order backlogs in the industry based on quality names including but not limited to Chevron, Exxon, Petrobras, Shell and Total.

In June, Seadrill completed the original eight deepwater rig newbuild program with commencement of operations with the semi West Eminence in Brazil. As such, eight deepwater units have been taken into operations over the last 12 months. This has demanded focus and time from senior management in order to complete in a successful manner. The completion of the initial newbuild program brings the development of the Company to the next phase where focus is to strive for operational excellence including optimization of operating expenses, building order backlog and visibility, continued debt financing, shareholder return through dividends and further growth.

Operational excellence
In the initial start-up phase of operations for the newbuilds the main target has been to ensure safe operations and maximize the economical utilization rate. As previously mentioned, the Company set clear targets regarding the economic utilization rate in the start-up period for the new units. For the deepwater newbuilds, the target was set at 90 percent during the first year of operation, starting with a lower utilization rate as rigs are likely to experience various start-up issues (linked to fine-tuning of the drilling package and the

subsea equipment) and then gradually improving. Along these lines, Seadrill experienced utilization rates in the low 80's in the fourth quarter as well as in the first quarter undershooting the internal expectations. The main reasons for utilization rate below expectations were BOP equipment challenges on a couple of the units, as well as software, hoisting and pipe-handling equipment issues in general. As mentioned early July, the performance, operational reliability and utilization rates have improved significantly over the last six months. In the second quarter, we achieved an average utilization rate for the newbuild deepwater units exceeding 90 percent. This improvement in performance has been related to experience transfer from start-up of the first four deepwater newbuilds units to their four sister vessels as well as implementation of several improvement measures. The improved performance has enforced a high level of confidence in our crews and organization that will continue to improve our performance going forward. Nevertheless, drilling operations with new equipment in new areas, in challenging environments, in deep subsea formations have inherent risks, which expose us to equipment failure and downtime. In order to mitigate these risks, systematic improvement of work processes, adherence to procedures and awareness of potential dangers and hazards are key.

During the start-up phase of the new deepwater operations in a number of new locations priority has been on getting the units up and running in a safe manner. The various operational challenges mentioned have also adversely affected the operational expenses through more use of vendor personnel, spare parts, etc. than what should be the case in a more steady operational environment. Higher utilization rates mean less time spent on repair of equipment, which leads to lower operating expenses. As such, we are confident that over the next quarters Seadrill will be able to reduce the daily operating expenses for our new deepwater rigs. In order to utilize economy of scale opportunities related to supply chain management and reinforce cross learning across the fleet, a management team focusing on operational excellence have been established.

Market and order backlog
Seadrill continue to benefit from a strong order backlog of some US$11.5 billion (out of which US$9.5 billion is related to the semi-submersible units and drillships). In addition to strong dayrates and high visibility, the Company's order backlog also offers a strong combination of customers with quality credit ratings and contracts with overall terms and conditions that should provide resilience given the current market environment.

The average contract length of the Company's deepwater capacity is 40 months. The first available deepwater unit is the newbuild drillship West Gemini, which will be available in the second half of 2010. The Company is in general discussions with customers regarding employment of this rig as well as the semi-submersible West Capricorn that will be delivered in 2011. The available deepwater supply in 2010 for both drillships and semi-submersible drilling rigs is limited and market opportunities for individual ultra-deepwater units are considered attractive. There are still a number of units under construction that have not been contracted but the majority of these are not available before late 2010 or well into 2011. Furthermore, some of the owners of these units have also limited or no operating experience. There is a risk that these players could be willing to accept contract conditions that deviate from Seadrill's expectations in order to secure employment for their units and thereby get the necessary financing of their newbuilds. Further consolidation could mitigate such development.

For the shallow water capacity, the average contract length is 31 months for the tender rigs and 9 months for the jack-ups (excluding the four newbuilds). The Company currently has one tender rig warm-stacked in West Africa that concluded its contract early July. Although it has not been possible to get a back-to-back contract for this unit, we have several discussions ongoing with customers regarding new employment for our fleet including the stacked unit. On the jack-up side, Seadrill has one 400ft modern jack-up warm-stacked in

Singapore and available for contract with immediate start-up. The Company is working with several leads in order to have the unit back in operation. Although the number of prospects has increased over the last few months including opportunities for term contract, the near term market outlook for jack-ups remains uncertain. This market sentiment might continue until oil and gas prices stabilize at an acceptable level or the oil companies from a risk and efficiency point of view, start replacing older units with more modern and efficient equipment. In response to the uncertain market conditions, Seadrill in July decided to sell the jack-up West Ceres that was stacked in Ghana. The Board considers the sale price achieved to be a fair value that reflected the quality of the 2006 built unit.

Debt financing, capital structure and dividend
In response to the more challenging financial environment last year, Seadrill took various actions to increase its financial flexibility. These included dialogs with the yards, which resulted in reduced jack-up newbuild commitments and postponed milestone payments for the deepwater units under construction. As part of the overall funding portfolio, Seadrill had a US$1 billion bridge facility with maturity in May 2010. In July, this bridge facility was replaced by a US$1.5 billion credit facility with a five-year tenor. The new facility secures financing of the Company's remaining newbuild installments as well as adding term to the overall loan portfolio.

In order to reduce interest spread and optimize the interest expenses on the loan portfolio Seadrill has actively used its rig fleet as security. At present, Seadrill has three deepwater units, four (or alternatively two) jack-ups, and three tender rigs under construction, free of any liens and available as collateral for additional credit facilities. The ambition is to utilize this financial flexibility as the units are delivered to increase the term and flexibility of the loan portfolio. The important measures in determining the future debt level is dependent on the contract coverage for the fleet, capital expenditure programs, other investments, free cash flow and business outlook.

Furthermore, Seadrill has an objective to generate competitive returns to its shareholders supported by frequent distribution of cash dividend. The level of dividend will be guided by more or less the same measures that determine the debt level. The cash dividend distribution that had been initiated last year was interrupted by the financial crises that emphasized a need to secure financing for the newbuild program that was outstanding at that time. The majority of the Company's newbuild program has now been completed and the new deepwater operations coming from that has increased the EBITDA performance significantly. The Board has a clear ambition and a plan to reinstate a limited cash dividend distribution in the second half of 2009, and establish a solid stable long term dividend in 2010. The size of the 2009 dividend and the start level of the 2010 dividend will depend on our ability to generate additional liquidity from financing of assets that are unencumbered or have a low leverage. Long term, the Board intends to pay out a significant part of the operating cashflow.

Further growth and outlook
Seadrill has built the most modern quality drilling fleet in the world with an average age that is almost 20 years younger than its peer group. The Board is of the opinion that this forms a strong platform for Seadrill to position the Company for further growth as well as provide shareholders a solid long-term return.

In spite of the recent market turbulence, the Board continues to be optimistic on the long-term market outlook for offshore drilling units, in particular for the ultra deepwater segment. This optimism builds on the fact that the remaining reserve-life for oil and gas assets has been reduced significantly over the last 10 years. At the same time, the depletion rate for the existing fields has reached unprecedented levels stressing the need for more reserves to be discovered to meet future energy demand. The huge finds made offshore Brazil is the confirmation that the discoveries that will make a difference to reserve replacement rates largely are made in deep and ultra-deep waters. This provides an encouraging match with Seadrill's investments and rig fleet.

An important part in Seadrill's corporate history has been to grow the Company through taking positions in other drilling companies where good value proposition has been identified. Seadrill currently holds investments in Pride International Inc, Scorpion Offshore Limited and SapuraCrest Bhd. These investments have been considered strategic investments as the companies have offered exposure to good composition of assets, which matches the asset profile of Seadrill. There is a clear ambition to develop these positions going forward.

As a natural evolution of Seadrill, the Board has decided to focus the Company around modern deepwater operations. As a direct consequence, initiatives have commenced to seek alliances to establish a separate and larger stand alone jack-up company where Seadrill can be a major shareholder. The supply side of the jack-up market is today fragmented and the Board is of the opinion that a larger player with a fleet of modern units could play an important part in consolidating and developing this market. In today's soft jack-up market it is important to observe that approximately 70 percent of the fleet is over 20 years. The current weakness also creates interesting opportunities to develop transactions which would be more difficult in a good market. This combined create strong fundamentals for a consolidation in the modern end of the high performance jack up market. Seadrill expects to play an active part in such a consolidation operationally as well as on the ownership side.

As far as the deepwater segment is concerned, the Board is of the opinion that more consolidation would strengthen the owners and improve their services and cost base. Seadrill likes to take an active role in such consolidation and believes the current environment could offer attractive M&A opportunities including purchase of single assets. However, it should be noted that further investments in deepwater capacity would only be of interest to Seadrill if the transactions are value accretive and create a stronger Seadrill going forward.

Seadrill has since November 2005 been listed on the Oslo Stock Exchange. As alluded to in the second quarter report last year and in response to the growth of the Company, the Board has decided to seek a US listing for the Company. The aim is to further increase trading liquidity of the stock and to broaden the investor interest for the Company. The Board sees a listing on New York Stock Exchange as a way to achieve this. Based on a normal process a full listing is targeted within first quarter 2010.

The focus for the next quarters remains to achieve maximum utilization under the existing drilling contracts, and on making sure that the fleet operating costs reflect Seadrill's position as a leading drilling contractor. There has been a good cost development over the last six months that going forward should help us to bring down cost further with increased focus on cost effective operations.

The Board extends the appreciation to all of Seadrill's employees for their contribution to the Company's development. The workload on people on the newbuilding, operational, financing and administrative side has been extreme during the last years. It is with great pleasure that the Board observes that the quality of the work done now converts into a high standard operation with strong positive feedback from our customers.

The Board is very confident in the outlook for the Company's operation and expects continued solid development in earnings over the next quarters. The results for third quarter 2009 will confirm this trend.

Forward Looking Statements
This report contains forward-looking statements. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Seadrill management's examination of historical operating trends.

Including among others, factors that, in the Company's view, could cause actual results to differ materially from the forward looking statements contained in this news release are the following: the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing for the newbuilds or existing assets on favorable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports filed with the Oslo Stock Exchange.

August 27, 2009
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management AS represented by:

Alf C Thorkildsen:	Chief Executive Officer
Trond Brandsrud:	Chief Financial Officer
Jim Daatland:	Vice President Investor Relations

Seadrill Limited

Interim financial information
(Unaudited)

Second quarter 2009

Condensed Consolidated Income Statements

Unaudited accounts in USD million	1Q09	**2Q09**	2Q08	**6M09**	6M08	2008
Revenues						
Operating revenues	641,5	**760,9**	452,1	**1 402,4**	832,9	1 867,8
Reimbursables	43,6	**43,8**	52,5	**87,4**	84,2	163,5
Other revenues	11,1	**11,1**	98,3	**22,2**	124,1	154,6
Total revenues	696,2	**815,8**	602,9	**1 512,0**	1 041,2	2 185,9
Operating expenses						
Vessel and rig operating expenses	273,6	**299,8**	260,7	**573,4**	477,6	1 021,6
Reimbursable expenses	42,0	**41,3**	49,3	**83,3**	79,8	156,6
Depreciation and amortisation	88,6	**99,2**	51,0	**187,8**	100,2	233,2
General and adminstrative expenses	33,5	**37,0**	30,3	**70,5**	61,9	125,8
Total operating expenses	437,7	**477,3**	391,3	**915,0**	719,5	1 537,2
Operating profit	**258,5**	**338,5**	**211,6**	**597,0**	**321,7**	**648,7**
Interest income	14,3	**7,1**	6,6	**21,4**	15,5	30,9
Interest expense	(44,7)	**(57,2)**	(34,1)	**(101,9)**	(62,1)	(130,0)
Share of results from associated companies	20,2	**15,8**	9,2	**36,0**	15,7	15,6
Other financial items	25,5	**101,7**	25,3	**127,2**	199,9	(49,8)
Impairement loss - financial assets	0,0	**0,0**	-	**-**	-	(615,0)
Net financial items	15,3	**67,4**	7,0	**82,7**	169,0	(748,3)
Income (loss) before income taxes and minority interest	**273,8**	**405,9**	**218,6**	**679,7**	**490,7**	**(99,6)**
Income taxes	(30,6)	**(41,5)**	(2,8)	**(72,1)**	(7,4)	(48,3)
Gain on issuance of shares by subsidiary	0,0	**0,0**	0,0	**0,0**	0,0	25,2
Net income (loss)	**243,2**	**364,4**	**215,8**	**607,6**	**483,3**	**(122,7)**
Net income (loss) attributable to the parent	**217,9**	**339,3**	**209,8**	**557,2**	**472,8**	**(164,4)**
Net income attributable to the noncontrolling interest	**25,3**	**25,1**	**5,9**	**50,4**	**10,5**	**41,7**
Earnings (loss) per share *(in USD)*	0,55	**0,85**	0,53	**1,40**	1,19	(0,41)
Diluted earnings (loss) per share *(in USD)*	0,53	**0,81**	0,51	**1,34**	1,14	(0,41)

Condensed Consolidated Balance Sheets

Unaudited accounts in USD million	30.06.09	31.12.08	30.06.08
Current assets			
Cash and cash equivalents	**603,4**	657,1	425,4
Marketable securities	**386,0**	134,7	496,3
Accounts receivables	**536,4**	341,1	311,6
Other current assets	**318,2**	530,9	253,7
Total current assets	**1 844,0**	**1 663,8**	**1 487,0**
Non-current assets			
Investment in associated companies	**289,5**	240,1	337,7
Newbuildings	**1 177,2**	3 660,5	3 972,0
Drilling units	**7 819,7**	4 645,5	2 814,3
Goodwill	**1 570,0**	1 547,3	1 608,9
Restricted cash	**350,2**	345,9	347,6
Other non-current assets	**232,9**	201,4	398,9
Total non-current assets	**11 439,5**	**10 640,7**	**9 479,4**
Total assets	**13 283,5**	**12 304,5**	**10 966,4**
Current liabilities			
Short-term interest bearing debt	**1 779,0**	746,1	550,2
Other current liabilities	**1 083,5**	1 311,7	1 088,7
Total current liabilities	**2 862,5**	**2 057,8**	**1 638,9**
Non-current liabilities			
Long-term interest bearing debt	**5 976,1**	6 690,7	5 035,1
Deferred taxes	**156,5**	125,0	127,0
Other non-current liabilities	**276,0**	209,0	205,2
Total non-current liabilities	**6 408,6**	**7 024,7**	**5 367,3**
Shareholders' equity			
Paid-in capital	**2 796,1**	2 791,9	2 786,8
Other equity	**576,5**	-162,7	1 045,6
Noncontrolling interest	**639,8**	592,8	127,8
Total shareholders' equity	**4 012,4**	**3 222,0**	**3 960,2**
Total shareholders' equity and liabilities	**13 283,5**	**12 304,5**	**10 966,4**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD million	**6M2009**	**6M2008**	**2008**
Cash flow from operating activities			
Net income	607,6	483,3	(122,7)
Adjustement to reconcile net income to net cash provided by operating activities:			
Impairment loss on marketable securities and investments in associated companies	-	-	615,0
Depreciation and amortisation	162,9	100,2	175,5
Gains on disposals	-	(258,4)	(252,8)
Share of results from associated companies	(36,0)	(15,7)	(15,6)
Change in working capital	(149,4)	160,7	(111,9)
Other, net	102,5	-	181,1
Net cash from operating activities	687,6	470,1	468,6
Cash flow from investing activities			
Investment in subsidiaries, net of cash acquired	-	(99,3)	(173,2)
Acquisition of fixed assets	(899,1)	(1 108,2)	(2 767,5)
Disposal of fixed assets	-	98,1	103,8
Purchase of marketable securities	(174,8)	(235,3)	(309,9)
Investment in associated companies	(24,3)	(167,4)	(369,2)
Short term loan to related parties	115,0	-	(115,0)
Change in margin calls and restricted cash	(5,4)	(347,6)	(345,8)
Sale of other investments	-	159,5	369,1
Other, net	-	(25,8)	25,2
Net cash from investing activities	(988,6)	(1 726,0)	(3 582,5)
Cash flow from financing activities			
Proceeds from debt	588,5	1 162,9	5 150,0
Repayment of debt	(340,9)	(178,0)	(2 107,7)
Debt fees paid	(0,3)	-	(30,1)
Sale (Purchase) of treasury shares, net	-	(7,7)	(5,4)
Paid dividend	-	(339,0)	(688,1)
Contribution by minority interest	-	30,2	440,0
Net cash from financing activities	247,3	668,4	2 758,7
Effect of exchange rate changes on cash equiv.	0,0	0,0	(0,6)
Net change in cash and cash equivalents	(53,7)	(587,5)	(355,8)
Cash and cash equivalents at beginning of year	657,1	1 012,9	1 012,9
Cash and cash equivalents at end of period	603,4	425,4	657,1
Interest paid	(113,2)	(115,4)	(245,4)
Taxes paid	(48,2)	(23,0)	(52,0)

Condensed Consolidated Statement of Changes in Equity

Unaudited accounts in USD million	Issued share capital	Additional paid in capital	Contributed surplus	Accum. compreh. income	Accum. earnings	Non controlling interest	Total shareholders' equity
Balance at 31 December, 2005	**458,3**	**267,0**	**0,0**	**82,4**	**(7,6)**	**181,6**	**981,7**
Issue of ordinary shares, net	308,0	1 416,5					1 724,5
Transfer of profit and loss accounts				(82,4)			(82,4)
Net income attributable to the parent					214,1		214,1
Share-based compensation plans		9,6					9,6
Foreign exchange differences, other				51,8			51,8
FASB adjustment				(2,7)			(2,7)
Net income attributable to noncontrolling interest						30,4	30,4
Balance at 31 December, 2006	**766,3**	**1 693,1**	**0,0**	**49,1**	**206,5**	**212,0**	**2 927,0**
Issue of ordinary shares, net	32,0	271,9					303,9
Unrealized gain on marketable securities				61,9			61,9
Net income attributable to the parent					502,0		502,0
Share-based compensation plans		15,1					15,1
Net purchase/sale of Treasury shares	(1,2)				1,4		0,2
Effect of shares issued to minority					(15,9)		(15,9)
FASB adjustment				7,1			7,1
Foreign exchange differences, other				33,9			33,9
Sale and leaseback arrangements						40,5	40,5
Share issuance in Seawell						1,2	1,2
Eastern Drilling ASA						(162,1)	(162,1)
Net income attributable to noncontrolling interest						13,0	13,0
Balance at 31 December, 2007	**797,1**	**1 980,1**	**0,0**	**152,0**	**694,0**	**104,6**	**3 727,8**
Other comprehensive income				(61,9)			(61,9)
Net loss attributable to the parent					(164,4)		(164,4)
Share-based payments		14,9					14,9
Dividend payment					(688,1)		(688,1)
Net purchase/sale of Treasury shares	(0,2)				(5,1)		(5,3)
FASB adjustment				(5,8)			(5,8)
Foreign exchange differences				(28,2)			(28,2)
Capital contribution by noncontrolling interest						446,5	446,5
Change in unrealized gain/loss on interest rate SWAP agreements in VIE				(55,2)			(55,2)
Net income attributable to noncontrolling interest						41,7	41,7
Other		(1 955,5)	1 955,5				0,0
Balance at 31 December, 2008	**796,9**	**39,5**	**1 955,5**	**0,9**	**(163,6)**	**592,8**	**3 222,0**
Net income attributable to the parent					557,2		557,2
Net income attributable to noncontrolling interest						50,4	50,4
Other comprehensive income				167,9			167,9
Share-based payments		4,2				0,1	4,3
Foreign exchange differences, other				14,1		(3,5)	10,6
Balance at 30 June, 2009	**796,9**	**43,7**	**1 955,5**	**182,9**	**393,6**	**639,8**	**4 012,4**

Note 1- General information

Seadrill Limited ("Seadrill" or the "Company") is an international offshore drilling contractor providing services within drilling and well services incorporated under the laws of Bermuda. In addition to owning and operating offshore mobile drilling units, Seadrill provides platform drilling, well intervention and engineering services through the separately OTC listed subsidiary company Seawell Limited ("Seawell"), a Bermuda company in which Seadrill owned 74% at June 30, 2009. Seadrill is listed in Norway on the Oslo Stock Exchange.

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP).

Note 2- Accounting policies

Basis of accounting:

The condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The condensed interim consolidated financial statements do not include all of the disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2008.

Significant accounting policies:

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2008.

In 2009, there has been one material change in accounting policies compared to the annual financial statements of 2008. The change is related to non controlling interest, previously called minority interest, which with effect from January 1, 2009, is classified as equity. Prior periods have been adjusted accordingly.

Note 3 – Segment information

The split of our organization into three segments is based on management reporting and structure. As of June 30, 2009, the Company operates in the following segments:

• Mobile Units: The Company offers services encompassing drilling, completion and maintenance of offshore wells. The drilling contracts relate to semi-submersible rigs, jack-ups and drillships.

• Tender Rigs: The Company operates self-erecting tender barges and semi-submersible tender rigs, which are used for production drilling and well maintenance in Southeast Asia and West Africa.

• Well Services: The Company performs production drilling and maintenance activities on several fixed installations primarily in the North Sea. The company also provides wireline services including well maintenance, modification and abandonment.

Condensed Consolidated Segment Information

Mobile Units Division

Unaudited accounts in USD million	1Q09	**2Q09**	2Q08	**6M09**	6M08	2008
Operating revenues	422,3	**532,1**	242,9	**954,4**	458,9	1 043,0
Reimbursables	5,9	**5,9**	13,2	**11,8**	22,2	32,0
Other revenues	10,7	**11,1**	97,1	**21,8**	121,0	149,2
Total revenues	438,9	**549,1**	353,2	**988,0**	602,1	1 224,2
Vessel and rig operating expenses	140,4	**164,3**	113,6	**304,7**	219,1	462,8
Reimbursable expenses	5,6	**5,6**	11,5	**11,2**	20,1	28,6
Depreciation and amortisation	73,5	**83,9**	37,2	**157,4**	73,7	173,0
General and adminstrative expenses	24,7	**28,3**	21,3	**53,0**	45,4	92,1
Total operating expenses	244,2	**282,1**	183,6	**526,3**	358,3	756,5
Operating profit	194,7	**267,0**	169,6	**461,7**	243,8	467,7

Tender Rigs Division

Unaudited accounts in USD million	1Q09	**2Q09**	2Q08	**6M09**	6M08	2008
Operating revenues	98,1	**106,0**	69,1	**204,1**	134,6	311,5
Reimbursables	5,3	**5,9**	7,4	**11,2**	11,6	24,5
Other revenues	0,4	**0,0**	1,2	**0,4**	3,1	5,4
Total revenues	103,8	**111,9**	77,7	**215,7**	149,3	341,4
Vessel and rig operating expenses	33,7	**36,2**	31,1	**69,9**	58,9	133,6
Reimbursable expenses	5,0	**5,5**	7,1	**10,5**	11,2	23,5
Depreciation and amortisation	10,7	**10,4**	10,2	**21,1**	19,9	41,7
General and adminstrative expenses	3,2	**3,5**	4,3	**6,7**	8,1	16,5
Total operating expenses	52,6	**55,6**	52,7	**108,2**	98,1	215,3
Operating profit	51,2	**56,3**	25,0	**107,5**	51,2	126,1

Well Services Division

Unaudited accounts in USD million	1Q09	**2Q09**	2Q08	**6M09**	6M08	2008
Operating revenues	121,1	**122,9**	140,1	**244,0**	239,4	513,3
Reimbursables	32,4	**31,9**	31,9	**64,3**	50,4	106,9
Total revenues	153,5	**154,8**	172,0	**308,3**	289,8	620,2
Operating expenses	99,5	**99,3**	116,8	**198,8**	199,6	425,2
Reimbursable expenses	31,4	**30,2**	30,7	**61,6**	48,5	104,4
Depreciation and amortisation	4,4	**4,9**	3,6	**9,3**	6,6	18,5
General and adminstrative expenses	5,6	**5,2**	3,9	**10,8**	8,4	17,2
Total operating expenses	140,9	**139,6**	155,0	**280,5**	263,1	565,3
Operating profit	12,6	**15,2**	17,0	**27,8**	26,7	54,9

Note 4 – Non-current assets

Newbuildings:

	(In million of US dollar)
Opening balance December 31, 2008	3,660.5
Additions	274.4
Depreciation	-
Reclassified as drilling units	(2,757.7)
Closing balance as of June 30, 2009	1,177.2

Included in additions of newbuildings are interest expenses and loan related costs amounting to US$35 million.

Remaining yard-installments newbuilds:

Rig	Yard	Delivery date	Contract price yard*)	Installment paid as of 2Q09
Jack-ups				
West Callisto	Keppel	3Q 2010	US$213 mill.	US$75 mill.
West Juno **)	Keppel	4Q 2010	US$216 mill.	US$32 mill.
West Leda	PPL	3Q 2010	US$219 mill.	US$87 mill.
West Elara **)	PPL	4Q 2010	US$226 mill.	US$22 mill.
Tender rigs				
T12	MSE	1Q 2010	US$116 mill.	US$67 mill.
West Vencedor	Keppel	1Q 2010	US$180 mill.	US$121 mill.
West Berani III	Keppel	1Q 2011	US$210 mill.	US$67 mill.
Semi-submersible rigs				
West Orion	Jurong	2Q 2010	US$558 mill.	US$186 mill.
West Capricorn	Jurong	4Q 2011	US$640 mill.	US$197 mill.
Drillships				
West Gemini	Samsung	2Q 2010	US$598 mill.	US$245 mill.
Sum			US$3,176 mill.	US$1,099 mill.

*) Including variation orders and riser allocations, but excluding spares, accrued interest expenses, construction supervision and operations preparations and mobilization

**) Seadrill has an option to not take delivery of this rig. Installments paid to date will not be recovered from the yard.

As of June 30, 2009, US$1,099million in installments has been paid on the remaining newbuilds as compared to US$1,036 million at the end of the first quarter.

In addition, incurred costs related to capital spares, capitalized interest, contract supervision and operations preparations for the same units increased by approximately US$17 million in the second quarter 2009.

Drilling units:

The following table discloses cost and accumulated depreciation of the Group's operating drilling units:

(In million of US dollar)	**June 30, 2009**	**December 31, 2008**
Cost	5,646.5	5,056.2
Accumulated depreciation	(584.5)	(410.7)
Reclassified from newbuildings	2,757.7	-
Net book value	7,819.7	4,645.5
Depreciation for the period	173.8	208.5

Goodwill:

Goodwill balance and changes in the carrying amount of goodwill are as follows:

(In million of US dollar)	**June 30, 2009**	**December 31, 2008**
Net book balance at January 1	1,547.3	1,509.5
Goodwill acquired during the year	-	112.2
Impairment losses	-	-
Currency adjustments	22.7	(74.4)
Net book balance at the end of the period	1,570.0	1,547.3

Note 5- Interest bearing debt and financial covenants

Interest bearing debt overview
US$ million

	Long-term portion, June 30 2009	Short-term portion, June 30 2009	Amount outstanding, June 30 2009
Credit facilities			
			USD
US$ 1,500 facility	1 146	129	1 275
US$ 185 facility	32	27	58
US$ 100 facility	79	8	88
US$ 800 facility	616	152	769
US$ 585 facility	412	50	461
US$ 100 facility	83	7	91
US$ 1,000 facility	0	1 000	1 000
NOK 1,425 facility (Seawell)	190	33	223
NOK other loans and leasings (Seav	6	0	6
Total Bank Loans + other	2 565	1 406	3 971
Ship Finance International Loans			
US$ 165 facility	87	10	97
US$ 170 facility	106	10	116
US$ 700 facility	583	71	654
US$ 1,400 facility	1 178	151	1 329
Total Ship Finance Facilities	1 953	243	2 196
Bonds and convertible bonds			
Bonds	108	86	195
Convertible bond loan	1 000	0	1 000
Total Bonds	1 108	86	1 195
Subtotal	5 626	1 735	7 361
Other credit facilities with corresponding restricted cash deposits			
Misc. NOK facilities	350	44	394
Total interest bearing debt	5 976	1 779	7 755

Interest bearing debt repayment and maturity schedule

Year	Credit facilities	Ship Finance Facilities	Bonds	CIRR	Total
2009 (3Q & 4Q)	235	213	86	23	556
2010	254	239	0	45	538
2011	603	246	0	45	894
2012	847	196	1 108	45	2 196
2013	421	245	0	45	711
2014 onwards	1 610	1 057	0	192	2 859

Changes in interest bearing debt:

(In million of US dollar)	
Interest bearing debt as of December 31, 2008	7,437
Draw down current year	589
Repayment current year	(341)
Currency effect current year	70
Interest bearing debt as of June 30, 2009	7,755

Covenants - Credit facilities:

Seadrill has miscellaneous covenants in its credit facilities.

See annual report 2008.

Note 6- Related Party Transactions

Hemen Holding Limited ("Hemen") and Farahead Holdings Limited ("Farahead") are ultimately controlled by Mr. John Fredriksen, a director and chairman of the Company. At June 30, 2009 Mr. Fredriksen indirectly controlled approximatexly 33.32% of Seadrill through Hemen and Farahead, excluding total return swap agreements.

Ship Finance International Limited ("Ship Finance") is indirectly controlled by Mr. John Fredriksen. Seadrill has entered into several sale and lease back contracts with Ship Finance. The rigs will still be consolidated in the financial statement of the Company as the rig owning company will be recorded as a Variable Interest Entity (VIE). The lease cost for these rigs are for the first half year of 2009 is:

West Ceres	US$4.4 million
West Prospero	US$4.6 million
West Polaris	US$29.4 million
West Hercules	US$33.4 million
West Taurus	US$33.4 million
Total	**US$105.2 million**

In November 2008, the Seadrill granted Ship Finance an unsecured credit facility of US$115 million. During the first half of 2009 Seadrill transferred the remaining US$90 million credit facility at par value to Metrogas Holdings Inc ("Metrogas"), a company controlled by Mr. Fredriksen

Note 7- Commitments and contingencies

Purchase commitments:

The Company had several contracts for the construction of the newbuilds. As of June 30, 2009 the Company has 10 units under construction. The units are scheduled to be delivered in 2010 and 2011. As of June 30, the Company has paid US$1,099 million directly to the construction yards on the newbuildings, and committed to make further US$2,077 million. The amount includes contract variation orders but exclude spares, accrued interest expenses, construction supervision and operation preparation and mobilization.

The remaining committed newbuild yard installments are expected to be due in the following years:

Year	In million of US dollar
2009 (third and fourth quarter)	227
2010	1,350
2011	500

Legal Proceedings:

The Company is a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the operation of its vessels, in the ordinary course of business or in connection with its acquisition activities. The Company believes that the resolution of such claims will not have a material adverse effect on the Company's operations or financial condition. The Company's best estimate of the outcome of the various disputes has been reflected in the financial statements of the Company as of June 30, 2009.

FPSO "Crystal Sea" – dispute related to termination of operations in India:

The Company has a dispute with Discovery Enterprise Pvt Ltd., India ("Discovery") in connection with the operations of the the FPSO "Crystal Sea" operations in India. Discovery has sued the Company in the Norwegian Courts claiming that Seadrill is responsible for the losses incurred by Discovery. The Oslo District Court and the Court of Appeal have ruled in favor of the Company. The Appeals Selection Committee of the Norwegian Supreme Court had refused to grant Discovery the opportunity to appeal the decision, thus the decision in Norway is final.

Eastern Drilling – dispute related to acquisition of shares:

In April 2007 Seadrill made a mandatory offer for all outstanding shares of Eastern Drilling ASA at a price of NOK135 per share. The offer price was determined by a ruling of the Oslo Stock Exchange Appeal Committee following a disagreement between the Oslo Stock Exchange and the Company related to use of Total Return Swap Agreements. The Company subsequently took legal actions against Oslo Stock Exchange and The Norwegian State with a claim of damages up to NOK850 million. The Oslo District Court and the Borgarting Court of appeal made their ruling in favor of the Oslo Stock Exchange. In July 2009, the Company was informed that the Appeals Selection Committee of the Norwegian Supreme Court had refused to grant Seadrill the opportunity to appeal the decision by the Borgarting Court, thus the decision is final.

"West Larissa" – dispute with Gazprom:

The Company has a dispute with Gazprom in connection with the operations of the jack-up rig "West Larissa" (called "Ekha" at that time) in late 2005, early 2006. Legal hearings related to the dispute were carried out in the High Court of Justice, London in May 2009. The court has issued a preliminary decision, but the final outcome of the this ruling will be decided in future hearings.

Dual drilling:

The Norwegian Borgarting Court of Appeal has granted Seadrill full support in Transocean's patent lawsuit against the Company. The court maintained the judgement of the Oslo District Court in February 2008 and rejected Transocean's appeal. The rulings invalidated Transocean's patents on both multi-activity offshore drilling apparatus as well as for applying simultaneous operations in offshore drilling activities in Norway. All claims against Seadrill were found invalid, and the court ruled that Transocean shall cover all litigation costs.

Seadrill also has a dispute with Heerema Engineering Services B.V. related to alleged patent infringements in connection with dual drilling operations offshore performed by Seadrill in Norway. The legal hearings are scheduled to take place in Oslo District Court ultimo August and September 2009.

Note 8- Marketable securities

Marketable securities consist of approximately 4.87 percent of the shares in Pride International Inc ("Pride") and the ownership of the Petromena NOK2,000 million bond ("Petromena")

Marketable securities and changes in the carrying amount of marketable securities are as follows:

(In million of US dollar)	**Pride**	**Petromena bond**	**Total**
Historic cost as of December 31, 2008*)	134.7	-	134.7
Purchase of marketable securities	-	174.8	174.8
Sale of marketable securities	-	-	-
Marked to market changes	76.5	-	
Net book balance at the end of the period	211.2	174.8	386.0

*) The write down in Q4 2008 related to the Pride investment has set a new basis for historic cost

The historic cost value is marked to market, and the change in market value is recognized as "other comprehensive income" in the equity statement.

Note 9- Other financial instruments

Total Return Swaps (TRS):
As of June 30, 2009 the Company has a TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK 61.3 per share with expiry on August 17, 2009. Unrealized gain as of June 30, 2009 is recognized over the profit and loss statement as other financial items based on a share price of NOK 91.8 per share.

Upon maturity the Company has settled the TRS agreement and subsequently entered into a new TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK100.4 per share with expiry on February 12, 2010.

Share Forward contracts that do not qualify as derivative instruments:

The Company has a forward contract to purchase 8,070,800 Pride shares (representing an ownership of 4.7 percent) which does not qualify as a derivative instrument and is consequently not recognized on the balance sheet. Unrealized gain in the first half of 2009 amounted to US$68.8 million and is recognized as “other comprehensive income” in the equity statement.

Interest-rate swap agreements and forward exchange contracts:

Changes in the fair value of interest-rate swap agreements and forward exchange contracts amount to US$ 101 for the first half of 2009 and are recorded as a gain under Other Financial Items.

Note 10- Subsequent events

As part of the overall funding portfolio, the Company had a US$1 billion bridge facility with maturity in May 2010. In early July 2009, the bridge loan facility was replaced by a US$1.5 billion credit facility with a five-year tenor.

In mid July 2009, the jack-up drilling rig West Ceres was sold to a third party of a total consideration of US$178 million. Seadrill will report a gain of approximately US$20 million related to the sale in the third quarter 2009. As Seadrill had a sale and leaseback arrangement with a subsidiary of Ship Finance International Ltd related to the unit, the Company prior to the external sale, exercised the option to repurchase the unit.

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 period 1 January to 30 June 2009 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 first six months of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related transactions.

August 27, 2009

The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Alf C. Thorkildsen
CEO Seadrill Management AS
Stavanger, Norway