



## Seadrill Limited (SDRL) - Second Quarter and Six Months 2008 Results

### Highlights

- Seadrill reports net income of US\$210 million and earnings per share of US\$0.53 for the second quarter of 2008
- Seadrill takes delivery of three newbuilds (one jack-up, one tender rig and one drillship)
- Seadrill secures contracts worth US\$4.8 billion
- Seadrill orders four jack-up newbuilds for delivery in 2010 for US\$850 million
- Seadrill orders new semi-submersible rig for US\$640 million
- Seadrill orders new self-erecting tender rig for US\$210 million
- Seadrill records US\$80 million gain on sale of jack-up West Titania
- Seadrill resolves to distribute cash dividend of US\$0.60 per share
- Seadrill secures US\$2 billion in financing including the sale and leaseback arrangement for West Polaris with Ship Finance International
- Seadrill commences operations with deepwater newbuild West Sirius in Gulf of Mexico in July

### Condensed consolidated income statements

#### *Second quarter results*

Consolidated revenues for the second quarter of 2008 amounted to US\$603 million as compared to US\$438 million for the first quarter 2008. The increase was impacted by US\$80 million in gain on sale of the jack-up rig West Titania.

Operating profit for the second quarter, excluding the gain on sale, was US\$132 million, an increase of approximately US\$20 million compared to first quarter 2008. For the Mobile Units the operating profit in the second quarter, excluding the gain, was US\$90 million as compared to US\$74 million in the preceding quarter. The improvement was mainly related to higher contribution from the drillship West Navigator than in the first quarter. The operating profit from the Tender Rigs of US\$25 million was in line with the preceding quarter.

Operating profit from Well Services totaled US\$17 million in the second quarter, up from US\$10 million in the preceding quarter. The improvement was related to higher overall activity as well as positive contribution from the newly acquired companies.

Net financial items for the quarter resulted in an income of US\$7 million. Other financial items amounted to an income of approximately US\$25 million. The income was primarily related to foreign exchange gains.

Income before taxes was US\$219 million, a decrease of US\$53 million compared to the preceding quarter.

Net income for the quarter amounted to US\$210 million corresponding to earnings per share of US\$0.53.

#### *First six months 2008*

Operating profit for the half year amounted to US\$322 million, an increase of US\$40 million compared to the same period in the preceding year. The increase is a result of higher utilization, increased number of units in operation as well as higher dayrates.

The Company reported net financial income of US\$169 million compared to a loss of US\$44 million in the six months period last year. The increase is primarily related to the gain on sale of the shares in Apexindo amounting to US\$148 million.

Net income for the six months period amounted to US\$473 million compared to US\$210 million in the preceding year.

The condensed Consolidated Financial Statements are prepared in accordance with US GAAP and include the assets and liabilities of the Company. All material inter-company balances and transactions have been eliminated in the consolidation.

#### *Balance sheet*

Total assets increased from US\$9,293 million at year-end 2007 to US\$10,966 million as of June 30, 2008.

Total current assets decreased from US\$1,697 million to US\$1,487 million. The decrease primarily reflects lower cash and cash equivalents. In the same period, total non-current assets increased from US\$7,596 million to US\$9,479 million. The increase is related to further installments paid under construction contracts for new drilling units as well as for drilling units for already taken delivery of. In addition, the Company has established restricted cash via bank deposits related to realization of interest rate options. These options were granted at the time the delivered deepwater units were ordered. An equivalent number is reflected under Long-term interest bearing debt, hence realization of these options have no material impact on the balance sheet.

Total current liabilities increased from US\$1,155 million at year-end to US\$1,639 million. The increase mainly reflected future obligations to settle share forward transactions. Short-term interest bearing debt increased by approximately US\$65 million during the six months period. Long-term interest bearing debt increased from US\$4,116 million to US\$5,035 million. Net interest bearing debt amounted to US\$4,812 million as of June 30, 2008, an increase of US\$1,225 million from end of the year.

The minority interests increased during the first half year from US\$105 million to US\$128 million. Part of the increase is related to reduced ownership interest in Seawell Limited. Seadrill's holding has been reduced from 80 percent to 74 percent through a new private placement in Seawell.

The total shareholders' equity increased from US\$3,623 million to US\$3,832 million due to net income earned over the first half year offset by paid dividend as well as other equity

adjustments. At June 30, US\$114 million has been added to equity but not included in the income statement as a function of a positive mark to market valuation of securities.

#### *Cash flow*

At June 30, 2008, cash and cash equivalents amounted to US\$425 million, a decrease of US\$588 million as compared to end of 2007. During the first half of the year, net cash from operating activities amounted to US\$470 million. In the same period, investments in fixed assets amounted to US\$1,108 million. The investments were mainly related to the newbuild construction program. Net investments amounted to US\$1,726 million while net cash from financing activities amounted to US\$668 million.

#### **Outstanding shares**

As of June 30, 2008, issued shares in Seadrill Limited totaled 399,133,216. The Company currently holds 856,100 of own treasury shares compared to 869,400 at June 30 this year. The decrease in treasury shares is due to options being exercised under the share incentive program.

As of June 30, 2008, the Company has 5,784,400 options outstanding under the management share incentive program out of which 602,733 are vested and exercisable.

For the second quarter 2008, the weighted average number of shares outstanding was 398,185,808 as compared to 398,127,978 in the first quarter 2008. The Company has used an average number of shares of 429,382,727 in the calculation of dilutive earnings per share.

#### **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% payable semi-annually. In connection with the cash dividend declared by the Board in May this year, the conversion price has been adjusted in line with the underlying loan agreement to US\$33.53. The conversion price will be further adjusted to reflect the cash dividend declared by the Board today.

#### **Investments in offshore drilling companies**

##### *Pride*

Seadrill currently owns 200,000 Pride International Inc. common shares and has forward contracts to acquire further 16,300,000 Pride International Inc. common shares. As such, Seadrill's exposure to Pride's share capital totals approximately 9.5 percent. Based on yesterday's closing share price of Pride on the New York Stock Exchange, Seadrill's exposure, including the shares covered by the forwards, has a gross value of some US\$661 million, which includes approximately US\$83 million in unrealized gains. The holding defined as shares (i.e. 200,000 shares and 8,229,200 shares that have been converted to forwards) is recorded as marketable securities in the balance sheet while the remainder is off-balance sheet.

##### *Sapura Crest Bhd*

Seadrill currently owns 254,197,000 shares in the Malaysian oil service provider Sapura Crest Bhd that corresponds to an ownership interest of 21.7 percent. Based on yesterday's closing share price of SapuraCrest on the Malaysian Stock Exchange, Seadrill's exposure has a gross value of some US\$96 million, which includes approximately US\$15 million in unrealized loss. The shares are at June 30 recorded as marketable securities in the balance sheet.

## **Operations**

### *Mobile units*

Seadrill had 10 mobile rigs in operation in whole or part of the second quarter. In Norway, the semi-submersible rigs West Alpha and West Venture continued drilling operations for StatoilHydro while the ultra-deepwater drillship West Navigator resumed work for Shell in May following a yard-stay for repair of the blow out preventer and associated equipment. The ultra-large jack-up West Epsilon continued operations for StatoilHydro. In Africa, the jack-up West Ceres continued the drilling operations offshore Nigeria for Total. In Southeast Asia, the jack-ups West Janus and West Prospero worked in Malaysia for Petronas and Exxon respectively whereas the jack-up West Larissa drilled for VietsoPetro in Vietnam. In Australia, the jack-up West Atlas continued the operations for Coogee while West Triton continued operations under the Apache-contract. In May, Seadrill took delivery of the newbuild jack-up West Ariel, which commenced operations for PTTEP Thailand in mid July.

The deepwater semi-submersible drilling rig West Sirius, which was delivered from Jurong Shipyard in Singapore on March 31 this year, arrived in the Gulf of Mexico early July. After finalizing the commissioning and acceptance work for the operator, the unit commenced operations for ATP on a sublet from Devon Energy on July 24. Start-up of operations is in line with the original start-up schedule in the contract. For the mobilization period, Seadrill will receive approximately US\$30 million and compensation for fuel costs which will be taken to income over the six-year contract with Devon Energy.

The deepwater semi-submersible drilling rig West Phoenix, which was delivered from Samsung Heavy Industries in Korea on March 31 this year arrived Norway earlier this month. The unit's main drilling equipment systems are at present undergoing testing and commissioning activities. This is taking longer than originally anticipated and consequently, the start-up of operations for Total on the Victoria field has been postponed from late August to November this year. West Phoenix has a three-year contract with Total for operations in the North Atlantic region with options to extend the contract up to five years declarable before the end of this year.

### *Tender rigs*

Seadrill's self-erecting tender rigs were all in operation during the quarter except T4 which in May was moved to a yard for a five-year mandatory survey that was completed in the second week of July. In Southeast Asia, the tender rig barge T7 continued its work for Chevron in Thailand. In Malaysia, the semi-tender West Alliance worked for Shell, the semi-tender West Setia was on contract with Murphy while the semi-tender West Berani worked under the contract with Newfield on an assignment for Nippon. In Brunei, the semi-tender West Pelaut continued operations for Shell. In West Africa, the tender barge T8 and the semi-tender West Menang continued operations for Total in Congo. Furthermore, in the latter part of May, Seadrill started operations in Thailand for Chevron with the new tender rig T11. The tender barge rig was delivered on time and according to initially announced construction price.

### *Well services (Seawell Limited)(74% ownership)*

Seawell is a company providing well services with core business being platform drilling, drilling facility engineering, modular rig and workover units, well intervention and oilfield technology. Seawell currently operates on nearly 50 installations in the North Sea and has offices in Norway, Denmark and the UK. The overall activity level was sound in the second quarter and improved compared to the previous quarter of 2008.

For more information on Seawell see separate quarterly report published on [www.nfmf.no](http://www.nfmf.no) in connection with the Seawell's separate Norwegian OTC listing.

### **Operations in associated companies**

#### *Varia Perdana Bhd.*

Varia Perdana Bhd. owns five self-erecting tender rigs. The units were all in operation during the quarter. The tender barge T3 and T10 worked for PTT and CarigaliHess respectively in Thailand whereas in Malaysia, the tender barges T6 and Teknik Berkat worked for Carigali and CarigaliHess and T9 worked for Exxon.

#### *Scorpion Offshore Ltd.*

In April, Seadrill acquired 8,100,000 shares in Scorpion increasing its ownership to 19,494,700 shares and subsequently made a mandatory tender offer for the remaining outstanding shares in Scorpion Offshore at NOK80 per share. The mandatory offer that expired June 23 increased Seadrill's holding in Scorpion by 581,492 shares. At present, Seadrill has a holding of 23,021,492 shares and forward contracts corresponding to 38.6 percent of the outstanding shares. The total ownership percentage has been calculated based on an issued share capital in Scorpion Offshore Ltd of 59,605,156 shares. Based on yesterday's closing share price of Scorpion on the Oslo Stock Exchange, Seadrill's exposure, including the shares covered by the forwards, has a gross value of some US\$343 million, which includes approximately US\$8 million in unrealized gains. The holding defined as shares at June 30, which totals 15,294,900, is recorded as associated companies in the balance sheet while the remainder is off-balance sheet.

### **New contracts and dayrates**

Seadrill has announced several new contracts and contract extensions in the second quarter this year totaling US\$4.8 billion.

In April, the deepwater semi-submersible drilling rigs West Taurus, West Orion and West Eminence, all currently under construction, were each awarded six year contracts with Petrobras for operations in Brazil. The agreed dayrates including a five percent performance bonus and assumed taxes are US\$630,000 for West Taurus and US\$600,000 for West Orion and West Eminence. In addition, Seadrill will receive a fixed mobilization fee of US\$45 million plus fuel reimbursement for the transit period for each of the rigs.

In April, ExxonMobil exercised the option to extend the contract for West Aquarius from three years to four years. The revised dayrate over the full contract period is US\$525,000 including escalation from initial contract award up to present date. In addition, ExxonMobil has awarded Seadrill one additional year to the existing three-year contract for West Polaris. The dayrate for the additional year is US\$615,000.

In May, the new jack-up West Ariel received a letter of award for a two well assignment for PTT Thailand expected to take some 80 days. Commencement took place mid July following delivery from yard. The agreed dayrate is US\$182,500.

In June, Devon Energy exercised the option to extend the contract for West Sirius from four to six years. Estimated contract value for the full six-year period is approximately US\$1 billion including escalation from initial contract award up to present date corresponding to a dayrate of US\$475,000.

Seadrill has also secured a nine-month contract extension for the jack-up West Atlas at dayrate US\$252,000 with Coogee in Australia as well as some smaller assignments for the jack-up West Ceres in West Africa.

For more detailed information regarding dayrates and contract durations, see the fleet status report or news releases on the Company web site [www.seadrill.com](http://www.seadrill.com).

### **Newbuild program**

Seadrill has taken delivery of three units since April this year. In April, the T11 tender rig was delivered and subsequently started operations for Chevron in Thailand. Late May, the jack-up West Ariel was delivered and commenced work for PTTEP in mid-July. In July, the drillship West Polaris left the Samsung yard heading for its first assignment for Exxon in Brazil.

Simultaneously, Seadrill ordered one deepwater semi-submersible drilling rig from Jurong in May and one tender rig from Keppel with deliveries in 2011. In June, four jack-ups were ordered for delivery in 2010, two units from the Keppel yard and two units from the PPL yard. As such, the remaining newbuild program includes 15 units of which two are ultra-deepwater drillships, six ultra-deepwater semi-submersible rigs, three tender rigs and four jack-ups. The delivery schedule is five more newbuilds in 2008, eight newbuilds in 2010 and two in 2011.

Rig	Yard	Delivery date	Contract price*	Installment paid as of 2Q08
<i>Jack-ups</i>				
West Callisto	Keppel	2Q2010	US\$210 mill.	US\$42 mill.
West Juno	Keppel	4Q2010	US\$210 mill.	US\$42 mill.
West Leda	PPL	1Q2010	US\$215 mill.	US\$42 mill.
West Elara	PPL	4Q2010	US\$215 mill.	US\$21 mill.
<i>Tender rigs</i>				
T12	MSE	1Q 2010	US\$116 mill.	US\$18 mill.
West TBA	Keppel	1Q 2010	US\$180 mill.	US\$68 mill.
West TBA II	Keppel	1Q 2011	US\$210 mill.	US\$32 mill.
<i>Semi-submersible rigs</i>				
West Eminence	Samsung	4Q 2008	US\$542 mill.	US\$482 mill.
West Taurus	Jurong	4Q 2008	US\$457 mill.	US\$147 mill.
West Hercules	Daewoo	3Q 2008	US\$512 mill.	US\$157 mill.
West Aquarius	Daewoo	4Q 2008	US\$530 mill.	US\$164 mill.
West Orion	Jurong	2Q 2010	US\$558 mill.	US\$186 mill.
West Capricorn	Jurong	4Q2011	US\$640 mill.	US\$0 mill.
<i>Drillships</i>				
West Polaris	Samsung	2Q 2008	US\$478 mill.	US\$357 mill.
West Capella	Samsung	4Q 2008	US\$478 mill.	US\$304 mill.
West Gemini	Samsung	2Q 2010	US\$598 mill.	US\$178 mill.
Sum			US\$6,149 mill.	US\$2,240 mill.

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

As of June 30, 2008, US\$2,240 million in installments has been paid on the newbuilds as compared to US\$1,970 million at the end of the first quarter. The remaining installments to be

paid for the newbuilds amount to US\$3,909 million split on approximately US\$1,859 million, US\$750 million, US\$1,000 million and US\$300 million in 2008, 2009, 2010 and 2011, respectively. In addition, incurred costs related to capital spares, capitalized interest, contract supervision and operations preparations for the same units totaled approximately US\$400 million as of June 30, 2008.

### **Market development**

Recent fixtures in the market continue to confirm the strength in the market for mobile offshore drilling units, in particular for deepwater rigs. Over the last few months, further orders for newbuilds have been planned and at present the number of drillships and semi-submersible rigs under construction stands at 96 (adjusted for delivery of 1 unit and 17 new orders) up from 80 in May. For jack-ups, market conditions are developing favorably, newbuilds are being put to work subsequent to delivery and dayrates are reverting to previous highs. Demand looks particularly strong for new quality jack-ups with superior technical capabilities compared to older units. Currently, the order book for new jack-ups is up to 86 units, compared to 84 in May (adjusted for four deliveries and six new orders).

#### *Deepwater Floaters (>5,000 ft water)*

The number of deepwater newbuilds on order continues to increase and at present includes 42 drillships and 50 semi-submersible units under construction. It seems that the historic high number of deepwater newbuilds is not sufficient to cover demand and offshore drillers continue to benefit from the lack of available deepwater capacity and dayrates are increasing. As a consequence of recent contract awards, the availability of deepwater rig capacity has decreased significantly and there is very limited deepwater capacity available in 2009 as well as 2010. As a result, dayrates for term contracts are now exceeding US\$600,000s and approaching US\$700,000 even for contracts with commencement in 2010 or later. Seadrill is already receiving requests from oil companies for rig availability in 2011 and 2012.

#### *Premium Jack-ups (>300 ft water)*

The market for premium jack-ups has improved over the last months and dayrates are starting to revert to previous highs. In addition to higher rates, the average length of the contracts is also improving. The growing demand is in particular coming from the Far East, India, Middle East and Africa regions. The fact is that the drilling assignments are increasingly getting more technically challenging and consequently more demanding on the rig equipment side. In response, the oil companies are focusing their requirements on newer jack-ups with strong technical capabilities managed by companies with strong operational track-records. The aim for the oil companies is to achieve cost effective drilling operations over time. Seadrill is of the opinion that the Company's jack-up fleet matches the coming demand hand in glove. As such, Seadrill is optimistic on the market development for premium jack-ups and expect the market to be strong in the foreseeable future. The fact that the current jack-up order book is less than 20 percent of the existing ageing fleet (which has an average age of 23 years) supports this view.

#### *Tender rigs*

The market sentiment for tender rigs remains strong as confirmed by the recently awarded four-year contract for the Seadrill operated unit Teknik Berkat. As tender rigs primarily are doing development drilling, the contract duration for tender rigs is usually longer term and the contracts are entered into well in advance of commencement. Seadrill is of the opinion that the outlook is favorable and expects that the market will continue to offer good opportunities to continue to build order backlog and earnings visibility at premium margins as well as

facilitating further organic growth as illustrated by the Company ordering two new units so far this year.

### **Corporate Development - Strategy - Growth**

Seadrill has since the start-up in May 2005 grown its fleet to 43 units through a series of acquisitions and newbuild orders. Out of the 43 units, 26 units are newbuilds out of which 11 units have been delivered from the yards already. Seadrill has put five jack-ups, five tender rigs and one deepwater unit into operation.

The strategy to establish a world leading offshore drilling company focusing on modern high quality assets has been to secure exposure to newbuild orders at quality yards, build a strong and dynamic organization, win term contracts, secure financial leverage, deliver the projects according to plan and put the new units into operation safely and efficiently.

The Company has built a strong organization to manage not only the ongoing drilling operations, but in particular to prepare, plan and organize the future operations as the new units are delivered. As part of the preparation, Seadrill has been successful in recruiting some 2,200 experienced and skilled offshore workers that have grown the workforce to more than 7,000 people. The main operational offices have been built in Stavanger, Singapore and Houston. On the operational side, the Company has increased its presence to the Gulf of Mexico and shortly also China and Brazil in addition to the existing drilling operations in the North Sea, Australia, Southeast Asia and West Africa.

The main operational challenge short term is to ensure effective and safe commencement of operations especially for the deepwater units scheduled for completion this year. So far, one deepwater unit has been successfully put into operation in the Gulf of Mexico and another seven units are expected to commence operations the coming six months. On the construction side, the project performance for the semi-submersibles at the Jurong yard and the drillships at Samsung Heavy Industries has been solid with deliveries more or less according to original schedules. For the semi-submersibles West Phoenix and West Hercules commissioning and testing have caused delays that have also effected the delivery schedules for the sister rigs West Eminence and West Aquarius. These delays are in the main caused by delays from the yards' subcontractors. In order to mitigate these delays, Seadrill has implemented a tighter project supervision. However, in the bigger picture, these delays seem to be smaller than delays experienced by other drilling contractors. Seadrill has kept a strong and efficient cost control over the projects and are on average not experiencing significant cost overruns linked to the building projects. There are still risk attached to final testing and commissioning of the projects and the initial start-up phase of drilling operations. Nevertheless, the Board is of the opinion that the strategy to enter into fixed-price turnkey newbuild contracts with the most experienced yards in the offshore industry on speculation was the right decisions that will provide the Company with state-of-the-art drilling rigs at a competitive price.

Seadrill has built an order backlog of some US\$12.4 billion mainly related to the deepwater units. Since April, the Company has signed US\$4.8 billion of contracts with major customers like Exxon and Petrobras. The Board is pleased to observe that the dayrates level and average contract lengths continue to increase and that the Company has been able to be in the forefront in pricing our services. At present, the average contract length of the Company's deepwater capacity is 54 months and the first available unit is the newbuild deepwater drillship West Gemini with scheduled delivery in the second quarter of 2010. In response to the strong international demand for deepwater capacity available in 2010 and 2011, Seadrill

has initiated a project to increase the water depth capacity for West Venture as well as started tendering the unit for international operations in 2011. For the shallow water capacity, the tender rigs have average contract length of 43 months with the first available unit in the second quarter 2009. For the jack-ups, the average contract length is 14 months for the units in operation. Although the contract coverage for the jack-ups is short term, the Board is of the opinion that the available capacity will be absorbed and that order backlog for this segment will grow going forward. For the deepwater and tender rig units the earnings visibility is expected to improve further over the next 12 months as oil companies are believed to secure capacity well ahead of start-up of operations. This view is based on recent market development as well as existing rig inquiries, rig tenders and customer discussions regarding the Company's available units. Given the strong outlook for the deepwater market, the Company is in no hurry to sign contract at this stage.

The main objective for Seadrill is to deliver the best possible equity return to shareholders. The order backlog built through term contracts with quality customers gives Seadrill a unique opportunity to leverage its existing assets without adding material financial risk. Through a replacement of equity with debt, the return on the remaining equity should increase significantly. The Company therefore actively pursues leveraging strategies although the soft status of the financing markets might limit these opportunities to some extent in the short-term picture.

During the quarter, Seadrill secured a US\$1 billion bridge financing with a two-year tenor for the remaining rig delivery program through a bank syndicate in addition to the US\$850 million sale and leaseback for the drillship West Polaris that was completed in May. Furthermore, the Company is currently working on further financing arrangements for a few deepwater units that are expected to close in the not to distant future. Seadrill would with such arrangements in place, have secured financing for all remaining installments related to the newbuild program.

As a result of the recent developments on the financing side, the significant increase in order backlog, the continued strong market outlook especially for deepwater units as well as the good progress made on newbuild deliveries, the Board has decided to declare a cash dividend of US\$0.60 per share. The ex. dividend date has been set at September 4, 2008, the record date is September 9, 2008 and payment date is on or about September 16, 2008. As communicated earlier, the Board plans to increase the dividend stream materially when the deepwater rigs commence their contracts and additional financing has been secured. The level of dividend will be guided by present earnings, market outlook, current capital expenditure programs as well as investment opportunities.

The Board is determined to continue to grow the Company and is continuously evaluating opportunities to grow further by ordering more newbuilds or through corporate actions. Based on the continued momentum in the deepwater market and the considerable strengthening of the Company's order backlog, the Board decided to order a new semi-submersible rig from the Jurong Shipyard in May. In addition, four jack-ups and one tender rig were ordered in June. The units were all based on similar design as previous Seadrill newbuilds and ordered from the same construction yards. The standardization of the fleet will lead to lower operating cost as well as more flexibility when it comes to crewing. The Board is of the opinion that these newbuild orders are the best way to increase Seadrill's near term earnings potential in the offshore drilling market.

The Board is convinced that the market for offshore drilling units in general will remain tight in the years to come and consequently believes there will be room for opportunistic actions in order to maximize return to shareholders, but limited to investments in modern drilling assets.

Seadrill has since November 2005 been listed on the Oslo Stock Exchange. In response to the growth of the Company, the Board has asked management to evaluate the opportunity for a US listing to further increase trading liquidity and to broaden the investor interest for the Company. A decision on this matter is expected to be taken within the next six months.

### **Outlook**

The Board is particular pleased with the strong operational improvement in the Jack-up operation, as well as the continued high performance in the tender rig division. It is the Company's target to be among the top three drilling contractors measured by EBITDA margin as percentage of total revenue.

For the third quarter 2008, the operating results will be positively influenced by the commencement of operations for the newbuilds West Sirius and West Ariel as well as a full quarter in operations for the tender rig addition T11. On the negative side, the Company has to expense crew-training cost as they are incurred, while the mobilization income on the other hand has to be taken to income over the fixed contract period. The cash will however be received shortly after the rigs start their operations.

Seadrill expects revenues to continue to grow going forward as more deepwater units come on stream in addition to several of the existing contracts rolling over at higher dayrates.

The Company has through well timed investment decisions secured the most modern high quality drilling fleet in the world with an average age almost 20 years younger than any of our large competitors. The Board feels that a strong base has been created to give Seadrill shareholders a solid long-term return reflected by a combination of share price performance and dividend. The Board will maintain an active and opportunistic investment approach in order to maximize the return to shareholders from this very strong offshore cycle. This might include asset investments as well as corporate investments.

The results for the coming quarters will show strong earnings growth and high dividend payout.

### **Forward Looking Statements**

This press release 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 press 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 newbuildings 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 28, 2008  
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

## Accounts

### Condensed Consolidated Income Statement

<i>Unaudited accounts in USD millions</i>	1Q08	2Q08	2Q07	6M08	6M07	2007
<b>Revenues</b>						
Operating revenues	380,8	452,1	307,9	832,9	613,8	1 318,5
Reimbursables	31,7	52,5	44,3	84,2	72,6	146,6
Other revenues	25,8	98,3	21,8	124,1	166,8	211,2
<b>Total revenues</b>	438,3	602,9	374,0	1 041,2	853,2	1 676,3
<b>Operating expenses</b>						
Vessel and rig operating expenses	216,9	260,7	180,9	477,6	359,1	755,5
Reimbursable expenses	30,5	49,3	42,8	79,8	69,8	139,4
Depreciation and amortisation	49,2	51,0	43,6	100,2	86,8	182,9
General and administrative expenses	31,6	30,3	29,8	61,9	55,1	109,8
<b>Total operating expenses</b>	328,2	391,3	297,1	719,5	570,8	1 187,6
<b>Operating profit</b>	110,1	211,6	76,9	321,7	282,4	488,8
Interest income	8,9	6,6	4,8	15,5	7,2	23,6
Interest expense	(28,0)	(34,1)	(20,9)	(62,1)	(43,9)	(112,7)
Share of results from associated companies	6,5	9,2	4,6	15,7	11,5	23,2
Other financial items	174,6	25,3	(10,3)	199,9	(18,4)	(36,2)
<b>Net financial items</b>	162,0	7,0	(21,8)	169,0	(43,6)	(102,1)
<b>Income before income taxes and minority interest</b>	272,1	218,6	55,1	490,7	238,8	386,7
Income taxes	(4,5)	(2,9)	(11,2)	(7,4)	(24,9)	78,3
Minority interest	(4,6)	(5,9)	(1,9)	(10,5)	(3,7)	(13,0)
Gain on issuance of shares by subsidiary	0,0	0,0	0,0	0,0	0,0	50,0
<b>Net income</b>	263,0	209,8	42,0	472,8	210,2	502,0
Earnings per share <i>(in USD)</i>	0,66	0,53	0,11	1,19	0,55	1,28
Diluted earnings per share <i>(in USD)</i>	0,63	0,51	0,11	1,14	0,55	1,20

## Condensed Consolidated Segment Information

<b>Mobile Units Division</b>						
<i>Unaudited accounts in USD millions</i>						
	1Q08	2008	2Q07	6M08	6M07	2007
Operating revenues	216,0	242,9	166,7	458,9	340,8	729,9
Reimbursables	9,0	13,2	11,9	22,2	17,1	32,8
Other revenues	23,9	97,1	18,7	121,0	160,7	198,9
Total revenues	248,9	353,2	197,3	602,1	518,6	961,6
Vessel and rig operating expenses	105,5	113,6	88,8	219,1	181,0	376,4
Reimbursable expenses	8,6	11,5	11,0	20,1	15,4	28,2
Depreciation and amortisation	36,5	37,2	31,8	73,7	63,3	135,1
General and administrative expenses	24,1	21,3	22,4	45,4	40,5	73,3
Total operating expenses	174,7	183,6	154,0	358,3	300,2	613,0
Operating profit	74,2	169,6	43,3	243,8	218,4	348,6

<b>Tender Rigs Division</b>						
<i>Unaudited accounts in USD millions</i>						
	1Q08	2008	2Q07	6M08	6M07	2007
Operating revenues	65,5	69,1	55,9	134,6	108,8	236,3
Reimbursables	4,2	7,4	4,4	11,6	8,4	17,2
Other revenues	1,9	1,2	3,1	3,1	6,1	12,2
Total revenues	71,6	77,7	63,4	149,3	123,3	265,7
Vessel and rig operating expenses	27,8	31,1	23,8	58,9	44,1	100,8
Reimbursable expenses	4,1	7,1	4,2	11,2	8,0	16,3
Depreciation and amortisation	9,7	10,2	9,6	19,9	19,4	38,6
General and administrative expenses	3,8	4,3	3,6	8,1	6,9	13,0
Total operating expenses	45,4	52,7	41,2	98,1	78,4	168,7
Operating profit	26,2	25,0	22,2	51,2	44,9	97,0

<b>Well Services Division</b>						
<i>Unaudited accounts in USD millions</i>						
	1Q08	2008	2Q07	6M08	6M07	2007
Operating revenues	99,3	140,1	85,3	239,4	164,2	352,4
Reimbursables	18,5	31,9	28,0	50,4	47,1	96,7
Total revenues	117,8	172,0	113,3	289,8	211,3	449,1
Operating expenses	82,8	116,8	68,3	199,6	134,0	285,6
Reimbursable expenses	17,8	30,7	27,6	48,5	46,4	94,9
Depreciation and amortisation	3,0	3,6	2,2	6,6	4,1	9,2
General and administrative expenses	4,5	3,9	3,8	8,4	7,7	16,1
Total operating expenses	108,1	155,0	101,9	263,1	192,2	405,8
Operating profit	9,7	17,0	11,4	26,7	19,1	43,3

## Condensed Consolidated Balance Sheets

<i>Unaudited accounts in USD millions</i>	<b>30.06.08</b>	<b>31.03.08</b>	<b>31.12.07</b>
<i>Current assets</i>			
Cash and cash equivalents	425,4	317,2	1 012,9
Marketable securities	496,3	242,6	240,4
Accounts receivables, net	311,6	240,6	220,5
Other current assets	253,7	350,4	223,1
<b>Total current assets</b>	<b>1 487,0</b>	<b>1 150,8</b>	<b>1 696,9</b>
<i>Non-current assets</i>			
Investment in associated companies	337,7	250,0	176,1
Newbuildings	3 972,0	3 744,8	3 339,8
Drilling units	2 814,3	2 588,4	2 451,9
Goodwill	1 608,9	1 521,7	1 509,6
Restricted cash	347,6	0,0	0,0
Other non-current assets	398,9	345,3	118,8
<b>Total non-current assets</b>	<b>9 479,4</b>	<b>8 450,2</b>	<b>7 596,2</b>
<b>Total assets</b>	<b>10 966,4</b>	<b>9 601,0</b>	<b>9 293,1</b>
<i>Current liabilities</i>			
Short-term interest bearing debt	550,2	584,1	484,1
Other current liabilities	1 088,7	825,8	670,6
<b>Total current liabilities</b>	<b>1 638,9</b>	<b>1 409,9</b>	<b>1 154,7</b>
<i>Non-current liabilities</i>			
Long-term interest bearing debt	5 035,1	4 039,8	4 116,4
Deferred taxes	127,0	125,8	96,1
Other non-current liabilities	205,2	180,7	198,1
<b>Total non-current liabilities</b>	<b>5 367,3</b>	<b>4 346,3</b>	<b>4 410,6</b>
Minority interest	127,8	108,8	104,6
<i>Shareholders' equity</i>			
Paid-in capital	2 786,8	2 774,1	2 778,5
Retained earnings	1 045,6	961,9	844,7
<b>Total shareholders' equity</b>	<b>3 832,4</b>	<b>3 736,0</b>	<b>3 623,2</b>
<b>Total shareholders' equity and liabilities</b>	<b>10 966,4</b>	<b>9 601,0</b>	<b>9 293,1</b>

## Condensed Consolidated Cash Flow Statements

<i>Unaudited accounts in USD millions</i>	<b>6M2008</b>	<b>3M2008</b>	<b>2007</b>
<b>Cash flow from operating activities</b>			
Net income	472,8	263,0	502,0
<i>Adjustment to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortisation	100,2	49,2	182,9
Gains on disposals of other investments	(258,4)	(163,3)	(124,2)
Share of results from associated companies	(15,7)	(6,6)	(23,2)
Change in working capital	171,2	(21,7)	112,0
<b>Net cash from operating activities</b>	<b>470,1</b>	<b>120,6</b>	<b>649,5</b>
<b>Cash flow from investing activities</b>			
Acquisition of goodwill	(99,3)		(216,5)
Acquisition of fixed assets	(1 108,2)	(599,3)	(1 738,7)
Disposal of fixed assets	98,1		170,0
Purchase of other investments	(235,3)	(164,1)	(141,4)
Cash flow from (investment in) associated companies	(167,4)	(140,0)	83,3
Cash flow from other investments	(373,4)		5,4
Sale of other investments	159,5	182,3	99,3
<b>Net cash from investing activities</b>	<b>(1 726,0)</b>	<b>(721,1)</b>	<b>(1 738,6)</b>
<b>Cash flow from financing activities</b>			
Proceeds from debt	1 162,9	186,5	3 926,3
Repayment of debt	(178,0)	(163,4)	(2 211,9)
Proceeds from issuance of equity	0,0		304,0
Purchase of treasury shares	(7,7)	(9,6)	0,2
Paid dividend	(339,0)	(100,6)	
Contribution by minority interest	30,2	-8,1	(128,2)
<b>Net cash from financing activities</b>	<b>668,4</b>	<b>-95,2</b>	<b>1 890,4</b>
<b>Effect of exchange rate changes on cash equiv.</b>	<b>0,0</b>	<b>0,0</b>	<b>1,2</b>
<b>Net change in cash and cash equivalents</b>	<b>(587,5)</b>	<b>(695,7)</b>	<b>802,5</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1 012,9</b>	<b>1 012,9</b>	<b>210,4</b>
<b>Cash and cash equivalents at end of period</b>	<b>425,4</b>	<b>317,2</b>	<b>1 012,9</b>

## Condensed Consolidated Statement of changes in Equity

<i>Unaudited accounts in USD millions</i>	Issued share capital	Treasury shares	Share premium reserve	Accum. compreh. income	Accum. earnings	Total shareholders' equity
<b>Balance at 31 December, 2005</b>	<b>458,3</b>	<b>0,0</b>	<b>267,1</b>	<b>82,4</b>	<b>(7,6)</b>	<b>800,2</b>
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 for the period					214,0	214,0
Share-based payments			9,6			9,6
Non controlling interest					(9,6)	(9,6)
Other					61,4	61,4
FASB adjustment				(2,7)		(2,7)
<b>Balance at 31 December, 2006</b>	<b>766,3</b>	<b>0,0</b>	<b>1 693,2</b>	<b>(2,7)</b>	<b>258,2</b>	<b>2 715,0</b>
Issue of ordinary shares, net	32,0		276,5			308,5
Correction 2007				51,8	(51,8)	0,0
Other comprehensive income				61,9		61,9
Net income for the period					502,1	502,1
Share-based payments			15,1			15,1
Purchase of treasury shares		(1,9)	(19,3)			(21,2)
Sale of treasury shares		0,7	20,7			21,4
Conversion of loan					(16,0)	(16,0)
FASB adjustment				7,1		7,1
Other			(4,6)	34,0		29,4
<b>Balance at 31 December, 2007</b>	<b>798,3</b>	<b>(1,2)</b>	<b>1 981,6</b>	<b>152,1</b>	<b>692,5</b>	<b>3 623,3</b>
Other comprehensive income				52,1		52,1
Net income for the period					472,8	472,8
Share-based payments			10,2			10,2
Dividend payment					(339,0)	(339,0)
Purchase of treasury shares		(1,2)	19,3		(31,9)	(13,8)
Sale of treasury shares		0,7	(20,7)		26,2	6,2
FASB adjustment				0,0		0,0
Translation adjustment				(7,8)		(7,8)
Capital contribution minority interest				30,2		30,2
Other					(1,8)	(1,8)
<b>Balance at 30 June, 2008</b>	<b>798,3</b>	<b>(1,7)</b>	<b>1 990,4</b>	<b>226,6</b>	<b>818,8</b>	<b>3 832,4</b>

## **Statement**

We confirm, to the best of our knowledge, that the condensed financial statements for the period 1 January to 30 June 2008 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 28, 2008

The Board of Directors  
Seadrill Limited  
Hamilton, Bermuda

Alf C. Thorkildsen  
CEO Seadrill Management AS  
Stavanger, Norway