

Seadrill Limited (SDRL) - First Quarter 2006

Highlights

- Seadrill reports net income of USD 69.5 million and earnings per share of USD 0.24 for the first quarter of 2006
- Seadrill purchased 100 percent of Smedvig asa
- Seadrill increased the ownership in Mosvold Drilling Ltd. from 40.1 percent to 99.8 percent
- Options exercised to build one new semi-submersible rig at Daewoo and one more jack-up at KFELS
- Seadrill completed three private placements issuing 134,000,000 shares raising total proceeds of NOK 9.9 billion

Condensed consolidated income statements

First quarter results

Consolidated revenues for the first quarter of 2006 amounted to USD 191.6 million as compared to USD 193.6 million for the pro forma fourth quarter 2005 (see note to the report). The slight decrease in revenues reflects somewhat lower revenues from the mobile units and tender rigs.

Operating profit for the first quarter was USD 23.8 million and in line with the pro forma figures for the fourth quarter. For the mobile units, operating profit increased from USD 5.2 million in the pro forma fourth quarter to USD 10.1 million in the first quarter. The increase was related to higher utilization for the jack-ups Seadrill 6 and 7 as well as higher average dayrate from the semi-submersible rig West Alpha as the unit started on a new contract at higher dayrate at the end of February. For the tender rigs, the operating profit decreased from USD 11.2 million in the pro forma fourth quarter to USD 9.5 million in the first quarter. The decrease was mainly a result of reduced performance bonuses. Operating profit from well services decreased from USD 7.3 million in the pro forma fourth quarter to USD 4.2 in the first quarter. The reduction was due to a lower overall operating margin.

Net financial items for the quarter resulted in an income of USD 79.5 million as compared to a loss of USD 3.9 million in the pro forma fourth quarter. This result reflects a gain of USD 80.0 million from sale of the holdings in Ocean Rig ASA. During the period, interest expenses increased from USD 8.6 million to USD 12.7 million which represents increased borrowings but not including capitalized interests.

Income before income taxes amounted to USD 103.3 million.

Income taxes are calculated to USD 7.2 million.

Minority interests amounted to USD 26.4 million and mainly reflect the 47 percent minority interests in Smedvig during the period 20 January to 30 March, 2006.

Net income for the quarter amounted to USD 69.5 million.

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

Cash flow

At the end of the first quarter, cash and cash equivalents amounted to USD 479.7 million, an increase of USD 430.1 million compared to year-end 2005. Net cash provided by the operating activities amounted to USD 487.2 million. Net investments of USD 3,302.8 million were mainly related to the acquisition of the assets in Mosvold Drilling Ltd. and Smedvig asa. Net cash from financing activities was USD 3,245.7 million reflecting the proceeds from issuance of new equity, the new USD 1.2 billion loan facility as well as the existing debt in Mosvold Drilling Ltd and Smedvig asa.

Corporate finance

Ocean Rig ASA

Seadrill sold its 21,414,028 shares in Ocean Rig ASA (Ocean Rig) at NOK 89 per share on 6 January. Simultaneously, the holding of the convertible bond Ocean Rig 04/07, which was convertible into 552,632 shares in Ocean Rig, was disposed of at the same price. The transactions generated profits of approximately USD 80 million.

Mosvold Drilling Ltd.

On 12 January, Seadrill participated in a private placement in Mosvold Drilling Ltd. (Mosvold) and was allocated 12,000,000 new shares. Together with shares already owned this represented 40.1 percent of the outstanding share capital in Mosvold. On 30 January, further purchases of 14,549,085 shares were completed at NOK 18.25 per share increasing Seadrill's ownership in Mosvold to 49.7 percent. Seadrill subsequently launched an offer to acquire the remaining outstanding shares at the same price. When the offer closed on 17 February Seadrill's shareholding represented approximately 93.0 percent of the outstanding share capital. Seadrill has continued to acquire shares in Mosvold and at the end of the first quarter the ownership interest had reached 96.9 percent. Following further share purchases in the second quarter the current holding represent 99.8 percent of the outstanding share capital.

On 29 May, Seadrill and Mosvold Management Ltd. came to an agreement regarding the termination of the management agreement between Mosvold and Mosvold Management Ltd. and the final success fee paid to Mosvold Management Ltd. with respect to Seadrill's acquisition of Mosvold. The parties agreed that the management agreement will be terminated without any termination cost and that Mosvold Management Ltd. shall repay USD 6.75 million of the initial charged success fees of USD 25.15 million.

Smedvig asa

On 4 January, Seadrill announced its intention to make a voluntary offer to acquire all of the outstanding shares in Smedvig asa (Smedvig) at an offer price of NOK 201 per class A-share and NOK 160 per class B-share, conditional on receiving 33.3 percent pre-acceptance of the offer. As a consequence of a non-satisfactory acceptance level, Seadrill on 6 January announced, that this offer would not be made.

On 9 January, Seadrill announced a voluntary offer to acquire all of the outstanding shares in Smedvig at a price of NOK 205 per class A-share and NOK 165 per class B-share. The

voluntary offer was conditional on Seadrill acquiring more than 50 percent of all of the outstanding class A-shares in Smedvig. Seadrill had, at such time, entered into agreements confirming pre-acceptances of the voluntary offer for a total of 19,260,383 class A-shares and 8,881,969 class B-shares, constituting 35.8 percent of the share capital and 34.4 percent of the votes in Smedvig.

Seadrill received acceptances for a total of 24,876,009 class A-shares and 15,417,402 class B-shares through the voluntary offer. Seadrill also acquired a total of 3,023,600 class A-shares and 90,680 class B-shares in the open market while the voluntary offer was open at NOK 205 and NOK 165 per share, respectively. Subsequent to the closing of the voluntary offer, the Company controlled a total of 27,899,609 class A-shares and 15,508,082 class B-shares, constituting 51.9 percent of the votes in Smedvig's general meeting and 53.1 percent of Smedvig's share capital. Settlement of the purchase of these shares required funds of NOK 8.3 billion.

On 6 March, Seadrill announced that it would make a mandatory offer to purchase all of the remaining shares issued by Smedvig at a price of NOK 205 per class A-share and NOK 165 per class B-share. As a consequence of this offer, Seadrill received acceptances for a total of 25,534,086 class A-shares and 10,190,131 class B-shares. Following the closing of the offer, Seadrill controlled a total of 53,433,695 class A-shares and 25,698,213 class B-shares, constituting 99.4 percent of the votes in Smedvig's general meeting and 96.8 percent of Smedvig's equity capital. Settlement of the purchase of these shares required funds of an additional NOK 6.9 billion.

Seadrill thereafter organized its ownership of the shares in Smedvig through a Norwegian sub-holding company and incorporated Smedvig Holding AS (Smedvig Holding) as a wholly owned subsidiary for this purpose. Smedvig Holding proceeded to acquire all of Seadrill's shares in Smedvig including the obligation to acquire the shares tendered under the mandatory offer. Smedvig Holding proceeded to declare the compulsory acquisition of the remaining shares in Smedvig on 26 April offering NOK 205 per class A-share and NOK 165 per class B-share as compensation. The compulsory acquisition became effective on 2 May from which date Smedvig Holding became the sole shareholder of Smedvig. The compensation offered in exchange for the shares compulsorily acquired totals NOK 114.6 million. Smedvig Holding has deposited this amount in a specified account pending settlement at the end of the period during which the former shareholders of Smedvig may dispute the same. This period expires on or around 3 July 2006. On 12 May, Smedvig changed its name to Seadrill Norge AS. Seadrill Norge AS will be de-listed from the Oslo Stock Exchange following the expiry of the creditor notice period.

Equity offerings and debt financing

The above-referred transactions required Seadrill to raise financing externally as its available cash and credit lines were insufficient to cover the aggregate amount. As such, the Company completed three private placements during the period 20 January to 5 April.

In the first private placement of 20 January, Seadrill raised NOK 4,950 million through issuance of 75,000,000 shares at a subscription price of NOK 66 per share. The proceeds were targeted the financing of the acquisition of the shares in Smedvig through the voluntary offer and the initial installment in respect of the second semi-submersible rig ordered from Daewoo. On 21 February, Seadrill completed another private placement issuing 20,000,000 shares at a subscription price of NOK 70.75 per share, raising NOK 1,415 million in order to

finance its acquisition of the shares in Mosvold. On 2 April, the third private placement of the year consisted of 39,000,000 shares issued at a subscription price of NOK 90 per share raised NOK 3,510 million in order to finance the acquisition of the shares in Smedvig acquired through the mandatory offer.

In addition to the equity offerings, Seadrill completed a USD 1.2 billion loan facility agreement with Nordea and DnB NOR related to the Smedvig acquisition.

Option program

Under the employee share ownership plan, the Board is authorized to grant and allocate up to five million shares at a subscription price pursuant to the plan. The objective of the employee share ownership plan is to align the interests of management, the Board and the shareholders and secure long-term employment and recruitment of key individuals. The Board has announced allocations of options to subscribe for 1,470,000 shares to its directors and certain key employees in Seadrill. The Board intends to allocate a further 2,780,000 shares of the program to cover second and third level managers. The remaining part of the option program estimated to 750,000 shares will remain unallocated but targeted potential new recruitments.

Operations

Mobile units

The fifth-generation semi-submersible rig West Venture continued drilling operations for Norsk Hydro on the Troll field offshore Norway. In February 2006, the firm contract for West Venture with Norsk Hydro was extended by one-year from August 2006 to August 2007. The fourth-generation semi-submersible rig West Alpha continued operations for Statoil in the Norwegian Sea. In March, the unit commenced a three-year contract with Statoil. The ultra-deepwater drillship West Navigator worked on the Ormen Lange field offshore Norway for Shell under a contract expected to extend to the third quarter of 2007. In January, the drillship suffered some three weeks of downtime due to repair-work on the BOP connector and riser handling equipment.

The ultra-large jack-up West Epsilon continued operations for BP on the Valhall field in the Norwegian sector of the North Sea under a contract that extends to December 2006. Seadrill 5 has, following the “punch through incident” in India, spent the first quarter at a Singaporean yard for repairment of the unit’s legs. As the jacking operation of the rig was performed based on soil information provided by the oil company Gazprom as specified in the contract, Seadrill is of the opinion that it is entitled to receive a standby rate for the period repairs are carried out. There are, however, discussions ongoing with Gazprom concerning this issue and the Company as such has made certain reservation in the accounts for the first quarter. The repair of Seadrill 5 is expected to be completed mid July and the unit will then commence a five well plus one well option contract with Premier Indonesia. Seadrill 6 continued its employment with EMP Kangean in Indonesia. The contract was completed in May 2006 and the unit is en route to Sakhalin Island to drill a well for Shell. Seadrill 7 completed its refurbishment in February and subsequently commenced a contract with Tetra Petroleum in Nigeria. Seadrill 7 has at present a contract portfolio expected to keep the rig employed into January 2007.

MV Crystal Ocean continued its employment for Anzon Australia under a contract that extends throughout 2007. Crystal Sea was idle in the first quarter, but will commence a five-year contract with Discover Enterprise in June.

Tender rigs

All of Seadrill's self-erecting tender rigs was in operation during the quarter. In Thailand, T4 and T7 continued their work for Chevron. In Malaysia, the semi-tender West Pelaut continued drilling operations for Shell, while the semi-tenders West Alliance and West Setia worked for Shell in Brunei. In West Africa, the barge T8 and the semi-tender West Menang continued operations for Total in Congo. In addition, the Company has one semi-tender named West Berani under construction in Singapore together with KFELS. The new unit is expected to be delivered from the yard in the fourth quarter this year. Initial ownership for Seadrill is 30 percent, but the Company has a 10-year option to acquire the remaining 70 percent at an agreed price.

Well services

On the Norwegian continental shelf, Seadrill performed operations for Statoil on the Statfjord A, B and C platforms, the Veslefrikk field as well as the Gullfaks A, B and C platforms. In addition, the Company carried out drilling operations and maintenance work for BP on the Ula and Valhall platforms and for Talisman Energy on the Gyda field. On the U.K. Continental Shelf, Seadrill performed drilling and maintenance activities for Shell on several platforms including among others Brent D, Cormorant Alpha and Nelson. For the wireline operations in Norway and Denmark, the activity level remained solid.

Operations associated companies

Varia Perdana Bhd. (49 percent ownership interest)

Varia Perdana owns five self-erecting tender rigs and has one unit under construction. The five tender rigs were all in operation during the quarter. The tender barge T3 worked for PTT in Thailand whereas in Malaysia T6 and Teknik Berkas worked for Carigali and T9 worked for Exxon. In May, T6 was awarded a letter of intent for a three-year contract with CTOC in Thailand at a dayrate of USD 86,000. In January 2006, Varia Perdana ordered a new tender rig from the Malaysian yard Malaysia Marine & Heavy Engineering Sdn. Bhd. scheduled for delivery at the end of the second quarter 2007. Estimated capital expenditure for the unit, which is an enhanced version of the tender barge T9 delivered in 2004, totals USD 89 million. There has already been agreed a three-year contract for T9 with Carigali Triton in Malaysia with commencement subsequent to delivery from the yard.

Eastern Drilling ASA (39.75 percent ownership interest)

The Oslo stock exchange listed company Eastern Drilling ASA (Eastern) has one harsh environment semi-submersible rig under construction at Samsung in Korea. The estimated capital expenditure for the unit is USD 550 million and delivery is scheduled for the fourth quarter 2007. Eastern has in addition one option to build a similar unit. In addition to the ownership interest in Eastern, Seadrill is responsible for marketing and construction supervision of the unit and has a 10-year management contract for operation of the unit after delivery. In April, the general meeting in Eastern elected the CEO in Seadrill Management AS Kjell E. Jacobsen as chairman of the board and Seadrill board member Kate Blankenship as board member. CFO in Seadrill Management AS Alf C. Thorkildsen is also member of the Eastern board.

PT Apexindo Pratama Duta TBK (33.04 percent ownership interest)

PT Apexindo Pratama Duta Tbk offers onshore and offshore drilling services. The drilling fleet comprises of four submersible swamp barges, one jack-up rig, one new jack-up rig under construction, and nine onshore drilling rigs. Apexindo's swamp barges Maera, Raisis, Raissa

and Yani continued operation under long-term contracts with Total E&P Indonesia, while the jack-up Rani Woro was working in the Middle East.

Newbuild program

During the quarter, Seadrill exercised one option to build a second harsh environment semi-submersible rig at the Daewoo Shipyard in Korea and one option to build a jack-up at Keppel in Singapore. As such, Seadrill at the end of the first quarter had five jack-ups, four semi-submersible rigs and two ultra deepwater drillships under construction.

The estimated capital expenditure for the second semi-submersible rig at Daewoo is USD 496 million and scheduled delivery is in the third quarter of 2008. The estimated capital expenditure for the fourth jack-up from Keppel is USD 131 million with delivery scheduled for the second quarter of 2008.

In early May, the Company took delivery of the jack-up Seadrill 3 from Keppel reducing the number of jack-ups under construction to four units. Seadrill 3 has commenced a two-year contract with Total and is currently on a standby dayrate awaiting a dry tow to Nigeria.

The Company is in addition part of an agreement with Jurong pursuant to which Seadrill has an option to order another semi-submersible unit with similar design as the two units currently under construction at Jurong. The Company had also an option to build a third harsh environment semi-submersible rig at Daewoo and an option to build a third drillship at Samsung. The Company has decided not to exercise these options, but do maintain a close dialogue with the respective yards concerning further newbuilds.

Rig	Delivery date	Total contract price*	Installments paid as of 1Q 2006
<i>Jack-ups</i>			
SeaDrill 1 (Keppel B277)	3Q 2007	USD 129M	USD 51.3M
SeaDrill 2 (PPL 2011)	4Q 2007	USD 129M	USD 19.3M
SeaDrill 3 (Keppel B265)	2Q 2006	USD 112M	USD 22.8M
SeaDrill 4 (Keppel B272)	3Q 2007	USD 123M	USD 27.0M
SeaDrill 8 (Keppel B291)	2Q 2008	USD 132M	USD 13.2M
<i>Semi-submersibles</i>			
Jurong 1085	1Q 2008	USD 395M	USD 59.6M
Jurong 1086	4Q 2008	USD 409M	USD 60.0M
Daewoo 3019	1Q 2008	USD 506M	USD 78.2M
Daewoo 3020	3Q 2008	USD 496M	USD 74.3M
<i>Drillships</i>			
MOSD Hull 1657	2Q 2008	USD 470M	USD 85.5M
<u>MOSD Hull 1687</u>	<u>4Q 2008</u>	<u>USD 470M</u>	<u>USD 85.6M</u>

* Including change of order, but excluding spars, accrued interest expenses, construction supervision and operation preparation and mobilization

As of 31 March 2005, USD 576.8 million had been paid on the newbuildings as compared to USD 441.1 million at the end of the fourth quarter 2005. The remaining installments to be

paid on newbuildings amount to approximately USD 2.8 billion. Of the remaining installments, USD 267.8 million was paid in April and May 2006 with USD 347.2 million payable in the remaining period of 2006. The Board is confident that the necessary external financing will be achieved through a combination of cash flow from existing units, bank financing, lease financing and loan from other sources.

Contract and dayrates

For additional information regarding the fleet status, including dayrates and contracts, see the fleet status on the Company's web site www.seadrill.bm.

The Market

The rig market has continued to show strength across all categories and classes of mobile offshore drilling units in 2006. This trend is anticipated to continue over the next years assuming no fundamental change to the price of oil. The supply-demand equation is tight and oil companies' demand for rigs remains robust as the number of cold stacked rigs and those engaged in alternative work (i.e. accommodation units, production duties, etc) continue to decline. The geographical location of rigs is now becoming less important as pricing patterns begin to reflect a truly global market.

Deepwater Floaters (>5000 ft water)

A number of commitments by oil companies to upgrade second and third generation semi-submersibles for deepwater service will increase supply in the long term, but will only have minor effect on the prevailing dayrates. Offshore drillers have taken advantage of the strong demand for rig capacity and increased both dayrates and contract term. The deepwater rig supply is for all practical purposes sold out for 2006 and the market is tight for 2007 as well. Several of the large oil companies are now planning tenders for three to six year contracts with start-up in 2008 and 2009. Another feature of the deepwater market is the fact that the deepwater production development makes an increasing part of the deepwater fleet tide up in development drilling and available capacity for exploration work is therefore expected to be reduced significantly. As a result of a tight market dayrates, in some instances, have exceeded the USD 500,000 dayrate mark.

Premium Jack-ups (incl. newbuilds and >300 ft water)

Dayrate fixtures in the market for premium jack-ups have now reached USD 200,000 for work commencing in late 2006. The majority of the jack-ups under construction is scheduled for delivery in 2007. Consequently, some market participants are still uncertain of the markets ability to absorb the significant influx of newbuildings without downward pressure on dayrates. The Company, however, is confident that growing demand from India, Middle East and West Africa will absorb the supply of newbuilds. When it comes to the market for harsh environment heavy-duty jack-ups like the West Epsilon, the North Sea demand remains strong and dayrates on recent fixtures have reached USD 300,000.

Commodity Jack-ups (<= 300 ft water)

The market development for commodity jack-ups continues to track the market development for premium jack-ups at a discount only reflecting the rig specification and geographic market. The Company considers itself well positioned to benefit from further improvements in the market for Seadrill 5 and Seadrill 7.

Tender rigs

The market development for tender rigs is sound. The increased dayrate level for jack-ups has improved the dayrates for tender rigs as well. In addition, oil companies have increasingly expressed an interest for entering into longer-term contracts well in advance of commencement. The Company expects the favorable market environment to continue going forward and provide for opportunities for additional tender rig newbuilds.

Outlook

The Board of Seadrill has an ambition to be a consolidator in the offshore rig industry with the objective of creating a world leading offshore drilling company.

In order to reach that goal the friendly takeover of Smedvig was an important step in the right direction. Not only did the acquisition increase Seadrill's active rig fleet considerably but it also provided the Company with access to seasoned operational experience in key offshore drilling markets. The offshore drilling activity of Smedvig further broadens the geographical presence of Seadrill in Southeast Asia, West Africa and the North Sea. In addition, the workforce grew by more than 4,300 new employees to approximately 4,800 in a period when human resources in the offshore drilling business are scarce. As the former Seadrill offered leverage to a significant newbuild program, the Board is of the opinion that the new combined company is more diverse and forms a more balanced portfolio of high quality assets already in operations coupled with a newbuilding program targeting growth areas in both shallow and deep waters.

The Board recognizes the importance of careful integration of the acquired companies. As such, management focus has been on combining the workforce of Smedvig and Seadrill in order to create a new strong organization. In that process, emphasis has been on making sure that the project supervision team for the advanced deepwater units has the necessary experience, skills and means available to assure that the deepwater newbuilds are delivered according to schedule and contract. The next step is to fortify the marketing efforts of the deepwater assets by utilizing the marketing experience and knowledge of the former Smedvig organization to secure long-term employment. The Company has also initiated selective recruiting of key personnel for the new units as they come into operations in the years to come.

The Board is of the opinion that the current market conditions remain strong and provide for good opportunities to enter into term contracts at attractive dayrates. The expectations are that the management will be able to secure several long-term contracts in all segments including two deepwater contracts. The Board is as such comfortable with the Company's current contract exposure to the offshore drilling market and is optimistic regarding the future earnings potential for the Company's assets.

Finally, the investment in Apexindo has developed in a positive way. When it comes to the future development of Apexindo, Seadrill maintains a close dialog with Apexindo's largest shareholder, Medco.

Forward Statement

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 the 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 bases and other important factors mentioned from time to time in our reports filed with Oslo Stock Exchange.

31 May 2006
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management AS represented by:
Kjell E Jacobsen: Chief Executive Officer
Alf C Thorkildsen: Chief Financial Officer
Jim Daatland: Investor Relation Manager

Condensed Consolidated Income Statements

<i>Unaudited accounts in USD millions</i>	4Q05	1Q06	1Q05	2005
Operating Revenues				
Operating revenues	21.7	160.8	-	26.6
Reimbursables	1.2	15.7	-	1.7
Other revenues	-	15.1	-	-
Total revenues	22.9	191.6	-	28.3
Operating expenses				
Vessel and rig operating expenses	19.1	107.7	-	23.3
Reimbursable expenses	1.2	14.8	-	1.7
General and administrative expenses	4.9	13.1	-	5.8
Depreciation and amortisation	7.7	32.2	-	12.9
Total operating expenses	32.9	167.8	-	43.7
Operating income	(10.0)	23.8	-	(15.4)
Interest income	0.6	3.3	-	1.7
Interest expense	(0.3)	(12.7)	-	(0.9)
Share of results from associated companies	2.7	5.3	-	2.7
Other financial items	4.8	83.6	-	6.0
Net financial items	7.8	79.5	-	9.5
Income before income taxes and minority interest	(2.2)	103.3	-	(5.9)
Income taxes	(1.6)	(7.2)	-	(1.6)
Minority interest	(0.0)	(26.4)	-	(0.1)
Net income	(3.8)	69.5	-	(7.6)
Earnings per share <i>(in USD)</i>	(0.02)	0.24	-	(0.04)
Diluted earnings per share <i>(in USD)</i>	(0.02)	0.24	-	(0.04)

Condensed Consolidated Segment Information

Mobile Units				
<i>Unaudited accounts in USD millions</i>				
	4Q05	1Q06	1Q05	2005
Operating revenues	21.7	74.7	-	26.6
Reimbursables	1.2	5.8	-	1.7
Other revenues	-	12.9	-	-
Total revenues	22.9	93.4	-	28.3
Vessel and rig operating expenses	19.1	45.8	-	23.3
Reimbursable expenses	1.2	5.2	-	1.7
General and administrative expenses	4.9	8.7	-	5.8
Depreciation and amortisation	7.7	23.6	-	12.9
Total operating expenses	32.9	83.3	-	43.7
Operating profit	(10.0)	10.1	-	(15.4)

Tender Rigs				
<i>Unaudited accounts in USD millions</i>				
	4Q05	1Q06	1Q05	2005
Operating revenues	-	31.1	-	-
Reimbursables	-	1.2	-	-
Other revenues	-	2.2	-	-
Total revenues	-	34.5	-	-
Vessel and rig operating expenses	-	15.6	-	-
Reimbursable expenses	-	1.2	-	-
General and administrative expenses	-	0.9	-	-
Depreciation and amortisation	-	7.4	-	-
Total operating expenses	-	25.0	-	-
Operating profit	-	9.5	-	-

Well Services				
<i>Unaudited accounts in USD millions</i>				
	4Q05	1Q06	1Q05	2005
Operating revenues	-	55.0	-	-
Reimbursables	-	8.6	-	-
Total revenues	-	63.6	-	-
Vessel and rig operating expenses	-	46.3	-	-
Reimbursable expenses	-	8.3	-	-
General and administrative expenses	-	3.6	-	-
Depreciation and amortisation	-	1.2	-	-
Total operating expenses	-	59.4	-	-
Operating profit	-	4.2	-	-

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions

	31.03.06	31.12.05
<i>Current assets</i>		
Cash and cash equivalents	479.7	49.6
Receivables	198.6	24.0
Other investments	-	302.3
Total current assets	678.3	375.9
<i>Non-current assets</i>		
Investment in associated companies	353.5	152.8
Other non-current assets	44.0	2.8
Newbuildings	918.4	439.3
Drilling units	2,151.5	178.2
Goodwill	1,185.9	-
Total non-current assets	4,653.3	773.1
Total assets	5,331.6	1,149.0
<i>Current liabilities</i>		
Short-term interest bearing debt	481.6	137.4
Other current liabilities	312.4	33.2
Total current liabilities	794.0	170.6
<i>Non-current liabilities</i>		
Deferred taxes	215.1	-
Long-term interest bearing debt	2,239.4	176.8
Other non-current liabilities	223.7	-
Total non-current liabilities	2,678.2	176.8
Minority interest	13.7	1.4
<i>Shareholders' equity</i>		
Paid-in capital	1,653.4	725.3
Retained earnings	192.3	74.9
Total shareholders' equity	1,845.7	800.2
Total shareholders' equity and liabilities	5,331.6	1,149.0

Condensed Consolidated Cash Flow Statements

<i>Unaudited accounts in USD millions</i>	1Q06	1Q05	2005
Cash flow from operating activities			
Net income	69.5	-	(7.6)
<i>Adjustement to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortization	32.2	-	12.9
Gains on disposals of other investments	(80.0)	-	(0.8)
Change in working capital	465.5	-	6.7
Net cash from operating activities	487.2	-	11.2
Cash flow from investing activities			
Acquisition of goodwill	(1,185.9)	-	(19.1)
Acquisition of fixed assets	(2,405.4)	-	(268.8)
Purchase of associated companies	(195.4)	-	(31.4)
Disposal of other investments	387.5	-	48.7
Cash flow from other investments	96.4	-	14.6
Net cash from investing activities	(3,302.8)	-	(256.0)
Cash flow from financing activities			
Proceeds from debt	2,286.4	-	255.6
Repayment of debt	-	-	(169.1)
Proceeds from issuance of equity	928.0	-	207.9
Treasury shares	31.3	-	
Net cash from financing activities	3,245.7	-	294.4
Net change in cash and cash equivalents	430.1	-	49.6
Cash and cash equivalents at beginning of year	49.6	-	0.0
Cash and cash equivalents at end of period	479.7	-	49.6

Condensed Consolidated Statement of Changes in Equity

<i>Unaudited accounts in USD millions</i>	Issued share capital	Share premium reserve	Accum. other compre- hensive income	Accum. earnings	Total shareholders' equity
Balance at 10 May, 2005	0.0	0.0	0.0	(16.2)	(16.2)
Issue of ordinary shares, net	458.3	440.8			899.1
Effect of aquisition from shareholder		(173.7)		16.2	(157.5)
Other comprehensive income			82.4		82.4
Net loss for the period				(7.6)	(7.6)
Balance at 31 December, 2005	458.3	267.1	82.4	(7.6)	800.2
Issue of ordinary shares, net	190.0	738.0			928.0
Net income for the period				69.6	69.6
Share-based payments				(20.7)	(20.7)
Sale of treasury shares				31.4	31.4
Other				37.2	37.2
Balance at 31 March, 2006	648.3	1,005.1	82.4	109.9	1,845.7

Note to the quarterly report

Pro forma condensed Consolidated Financial Statements

The US GAAP pro forma figures shown below are a set of financial figures prepared in order to provide comparable quarterly figures for Seadrill, inclusive Mosvold and Smedvig. The pro forma statements include figures of Mosvold and Smedvig as if the acquisitions were made at the same time in the previous quarter as the actual acquisition in the first quarter.

Amortization of excess values identified in the preliminary purchase price allocation has been included in the fourth quarter 2005 pro forma income statement.

Purchase price allocation

Seadrill has at May 31, 2006 paid a consideration equivalent to USD 2,303.4 million and USD 352.8 million for the acquisitions of 100 percent and 99.8 percent of Mosvold Drilling, respectively.

In the period January 20, 2006 to March 31, 2006 the Company held an ownership share of 53.3 percent in Smedvig. As of March 31, 2006 the ownership share has increased to 96.3 percent. In the period January 1, 2006 to February 14, 2006 Mosvold has been accounted for as an associated company reflecting an ownership share between 40.1 and 49.9 percent. From February 15, 2006, Mosvold is consolidated as the Company owned more than 50 percent of the outstanding shares. As of March 31, 2006 the Company owned 96.7 percent of the shares in Mosvold. Preliminary purchase price allocations have been included in the actual for first quarter, however the final purchase price allocation will be completed by year-end.

The acquired assets will be fair valued to take into account the current market valuations of Mosvold and Smedvig's drilling units and newbuilding contracts, the value of Smedvig's well services tangible assets, associated companies, deferred tax adjustments and unfavourable contract values for mobile units and tender rigs. The purchase price paid in excess of the fair value of the net identifiable assets acquired will be allocated as goodwill.

Based on the preliminary analysis of the purchase price allocation, the preliminary estimate of the fair value of the acquired assets is as follows:

<i>Numbers in million USD</i>	Smedvig	Mosvold	Total
Book value of net assets	433.0	226.2	659.2
<i>Fair value adjustments</i>			
Rigs, vessels and equipment	982.3	-	982.3
Newbuildings and rig purchase option	20.0	109.8	129.8
Well services tangible assets	14.9	-	14.9
Associated companies	125.2	-	125.2
Deferred tax	(152.6)	-	(152.6)
Unfavourable contract values	(298.9)	-	(298.9)
	<u>1,123.9</u>	<u>336.0</u>	<u>1,459.9</u>
Goodwill	1,179.6	16.8	1,196.4
Purchase price	2,303.5	352.8	2,656.3

The table above reflects the purchase of 100 percent of the Smedvig shares and 99.8 percent of the Mosvold shares in accordance with the ownership as of May 31, 2006. The purchase price allocation and the financing have the following effects on the pro forma fourth quarter 2005 and actual first quarter 2006 numbers.

- A) Unfavourable contract values which represent the net present value of the existing contracts compared to the current market rates have been discounted at the weighted average cost of capital. The estimated unfavourable value will be amortized over the remaining contract periods resulting in USD 15.1 million being recognised both in the pro forma fourth quarter 2005 and the actual first quarter 2006 numbers.
- B) Additional depreciation has been recognized in the accounts for the pro forma fourth quarter 2005 and first quarter 2006 by way of fair value adjustment to the value of the rigs and well services tangible assets of USD 10.0 million.
- C) In first quarter 2006 the Company has capitalized interest of USD 6.8 million due to the newbuilding program.
- D) The results from associated companies have been reduced by USD 0.7 million in the pro forma fourth quarter 2005 and first quarter 2006 to reflect the additional depreciation charge resulting from the fair value adjustment of rigs owned by Smedvig associated companies.
- E) The income taxes have been adjusted both in the pro forma fourth quarter 2005 and the first quarter 2006 reflecting the effect of unfavourable contracts and increased depreciation. The effect is calculated to an expense of USD 1.4 million.

Condensed Pro forma Consolidated Income Statements

<i>Unaudited accounts in USD millions</i>	Pro forma 4Q05	Actual 1Q06
Operating Revenues		
Operating revenues	165.0	160.8
Reimbursables	13.5	15.7
Other revenues	15.1	15.1
Total revenues	193.6	191.6
Operating expenses		
Vessel and rig operating expenses	112.9	107.7
Reimbursable expenses	12.8	14.8
General and administrative expenses	12.1	13.1
Depreciation and amortisation	32.1	32.2
Total operating expenses	169.9	167.8
Operating income	23.7	23.8
Interest income	2.4	3.3
Interest expense	(8.6)	(12.7)
Share of results from associated companies	4.0	5.3
Other financial items	(1.8)	83.6
Net financial items	(3.9)	79.5
Income before income taxes and minority interest	19.8	103.3
Income taxes	54.2	(7.2)
Minority interest	(32.8)	(26.4)
Net income	41.2	69.5

Condensed Consolidated Segment Information

Mobile Units	Pro Forma	Actual
<i>Unaudited accounts in USD millions</i>	4Q05	1Q06
Operating revenues	76.5	74.7
Reimbursables	5.3	5.8
Other revenues	12.9	12.9
Total revenues	94.7	93.4
Vessel and rig operating expenses	54.1	45.8
Reimbursable expenses	4.8	5.2
General and administrative expenses	7.7	8.7
Depreciation and amortisation	22.9	23.6
Total operating expenses	89.5	83.3
Operating profit	5.2	10.1

Tender Rigs	Pro Forma	Actual
<i>Unaudited accounts in USD millions</i>	4Q05	1Q06
Operating revenues	34.2	31.1
Reimbursables	1.2	1.2
Other revenues	2.2	2.2
Total revenues	37.6	34.5
Vessel and rig operating expenses	16.0	15.6
Reimbursable expenses	1.2	1.2
General and administrative expenses	1.6	0.9
Depreciation and amortisation	7.6	7.4
Total operating expenses	26.4	25.0
Operating profit	11.2	9.5

Well Services	Pro Forma	Actual
<i>Unaudited accounts in USD millions</i>	4Q05	1Q06
Operating revenues	54.2	55.0
Reimbursables	7.0	8.6
Total revenues	61.2	63.6
Vessel and rig operating expenses	42.7	46.3
Reimbursable expenses	6.8	8.3
General and administrative expenses	2.9	3.6
Depreciation and amortisation	1.5	1.2
Total operating expenses	53.9	59.4
Operating profit	7.3	4.2