Seadrill Limited (SDRL) - Third Quarter Results 2008

Highlights

- Seadrill generates EBITDA* of US$234 million based on sound operational performance.
- Seadrill reports net income of US$69 million and earnings per share of US$0.18 for the third quarter of 2008
- Seadrill takes delivery of three newbuilds (one drillship and two semi-submersible units)
- Seadrill paid US$0.30 per share in dividends in September and postpones distribution of further cash dividends
- Seadrill signs a five-year contract for the semi-tender West Alliance
- Seadrill has taken delivery of five of eight deepwater units scheduled for delivery in 2008
- Seadrill commences operations with deepwater newbuild West Sirius in Gulf of Mexico in July, deepwater drillship West Polaris in Brazil in October and deepwater semis West Hercules in China in November

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

Condensed consolidated income statements

Third quarter results

Consolidated revenues for the third quarter of 2008 amounted to US$566 million as compared to US$603 million for the second quarter 2008. The decrease was a result of a US$80 million gain from sale of the jack-up rig West Titania in the second quarter.

Operating profit for the third quarter was US$174 million, an increase of approximately US$42 million compared to second quarter 2008 when excluding the gain on sale. For the Mobile Units the operating profit in the third quarter was US$126 million as compared to US$90 million in the preceding quarter (excluding gain on sale). The improvement was mainly related to start-up of operations for the deepwater newbuild semi West Sirius and jack-up West Ariel. The operating profit from the Tender Rigs of US$34 million was up US$9 million compared to the preceding quarter. This improvement was in the main caused by a full quarter operation for the new tender rig T11 as well as T4 resuming operations after a mandatory yard-stay. Operating profit from Well Services totaled US$14 million in the third quarter compared to US$17 million in the preceding quarter. The decrease was in the main related to lower wireline activity level in the quarter, but also partly reflects a weaker Norwegian Kroner.

Net financial items for the quarter resulted in a loss of US$71 million compared to a gain of US$7 million in the preceding quarter. Contribution from associated companies amounted to US$12 million whereas other financial items amounted to a loss of approximately US$61 million primarily related to foreign exchange losses and total return swap agreements.

Income before taxes was US$103 million, a decrease of US$116 million compared to the preceding quarter.

Net income for the quarter amounted to US$69 million corresponding to earnings per share of US$0.18.

Balance sheet
Total assets increased from US$9,293 million at year-end 2007 to US$11,667 million as of September 30, 2008.

Total current assets decreased from US$1,697 million to US$1,615 million. The decrease primarily reflects lower cash and cash equivalents. Marketable securities consist of shares and share forward contracts in Pride. The Company's total holding amounting to 16,500,000 shares and forwards representing approximately 9.5 percent of the company. 8,429,400 of the shares and forwards are recorded as marketable securities. During the third quarter, the Company recorded a loss against equity of US$149 million related to the marketable securities. In the nine months period, total non-current assets increased from US$7,596 million to US$10,053 million. The increase is related to further installments paid under construction contracts for new drilling units as well as drilling units already delivered. In addition, the Company has established restricted 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 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$1,848 million. The increase mainly reflects future obligations to settle share forward transactions. Short-term interest bearing debt increased by approximately US$148 million during the nine months period. Long-term interest bearing debt increased from US$4,116 million to US$5,850 million. Net interest bearing debt amounted to US$5,277 million as of September 30, 2008, an increase of US$1,690 million from end of 2007.

The minority interests increased during the nine months from US$105 million to US$283 million. A new drilling unit financed through a sale and lease back arrangement with Ship Finance has contributed to the increase. In addition, part of the increase is also 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 decreased from US$3,623 million to US$3,353 million due to paid dividend and loss of US$142 million on marketable securities partly offset by net income earned over the first nine months.

Seadrill has a holding of 8,070,000 share forward agreements in Pride and 6,292,300 share forward agreements in Scorpion that are treated off balance sheet. However, the accumulated unrealized loss related to the forwards in Pride, amounting to US$48 million, has been recorded against equity.

Cash flow
At September 30, 2008, cash and cash equivalents amounted to US$776 million, a decrease of US$237 million as compared to end of 2007. During the first nine months of the year, net cash from operating activities amounted to US$730 million. In the same period, investments

in fixed assets amounted to US$1,685 million. Total net cash from investing activities amounted to US$2,352 million while net cash from financing activities amounted to US$1,386 million.

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.

Outstanding shares
As of September 30, 2008, issued shares in Seadrill Limited totaled 399,133,216. The Company currently holds 717,800 of own treasury shares compared to 869,400 at June 30 this year. The decrease in treasury shares is related to options being exercised under the share incentive program.

As of September 30, 2008, the Company had 6,092,800 options outstanding under the management share incentive program out of which 602,733 are vested and exercisable. However, the stock price is currently below the lowest strike price for the majority of the options.

For the third quarter 2008, the weighted average number of shares outstanding was 398,301,208 as compared to 398,127,978 and 398,185,808 in the first and second quarter 2008 respectively. The Company has used an average number of shares of 399,628,458 in the calculation of dilutive earnings per share for the third quarter.

Total Return Swaps
In November, Seadrill agreed an early termination of the total return swap agreements with Carnegie Investment Bank AB Norway Branch with 4,500,000 shares in Seadrill Limited as underlying security. The swaps originally had December 19, 2008 as maturity date with an average reference price of NOK154.3 per share.

Simultaneously, Seadrill entered into a total return swap agreement with DnB Nor Markets with 4,500,000 shares in Seadrill Limited as underlying security. The agreed initial reference price under the swap agreement is NOK56.7 per share with expiry on February 12, 2009.

The Company has expensed US$26 million related to the total return swap agreements under other financial items in the third quarter.

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 August this year, the conversion price has been adjusted in line with the underlying loan agreement to US$32.33.

Operations
Mobile units
Seadrill had 12 mobile rigs in operation in whole or part of the third quarter. In Norway, the semi-submersible rigs West Alpha and West Venture continued drilling operations for StatoilHydro while the ultra-deepwater drillship West Navigator worked for Shell on the Ormen Lange field. The ultra-large jack-up West Epsilon continued operations for StatoilHydro. In the Gulf of Mexico, the newbuild deepwater semi-submersible rig West Sirius commenced

operations for ATP on a sublet from Devon Energy late July following the transit from Singapore. The utilization rate since commencement for the unit has been 93 percent. 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. The newbuild jack-up West Ariel delivered from PPL in June has been in operations for PTT since mid July. In Australia, the jack-up West Atlas continued the operations for Coogee while West Triton carried out operations under the Apache-contract. Mid October, West Triton suffered a punch through and damaged one leg. The unit resumed operations in mid November.

Tender rigs
Seadrill's self-erecting tender rigs were all in operation 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, 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.

Well services (Seawell Limited)(74% ownership)
Seawell is a company 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 was sound in the third quarter but slightly lower than the previous quarter of 2008.

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 and T10 worked for PTT and CarigaliHess respectively in Thailand whereas in Malaysia, the tender barges T6 and Teknik Berkat worked for Petronas Carigali and T9 worked for Exxon.

Sapura Crest Bhd
Seadrill currently owns 288,364,800 shares in the Malaysian oil service provider Sapura Crest Bhd that corresponds to an ownership interest of 24.6 percent. Sapura Crest owns 51 percent of Varia Perdana Bhd. Based on closing price November 21 on the Malaysian Stock Exchange, Seadrill's holding in SapuraCrest has a gross value of some US$63 million with US$62 million in unrealized losses compared to the average purchase price. The shares are at September 30 recorded as investment in associated companies in the balance sheet as opposed to being booked as marketable securities at June 30 due to the ownership exceeding 20 percent.

Scorpion Offshore Ltd.
Seadrill currently has a holding of 23,828,092 shares and forward contracts corresponding to 39.65 percent of the outstanding shares. The total ownership percentage has been calculated based on an issued share capital in Scorpion Offshore Ltd of 60,100,955 shares. Scorpion owns and operates four jack-ups and has 3 jack-ups and one semi-submersible drilling rig under construction. Based on closing share price on November 21 of Scorpion on the Oslo Stock Exchange, Seadrill's exposure, including the shares covered by the forwards, has a gross value of some US$40 million with US$275 million in unrealized losses.

New contracts and dayrates
Seadrill has through the quarter been awarded several jack-up and tender rig contracts.

In August, the jack-up West Ceres was awarded a one well assignment by Tullow for operations in Ghana at an agreed dayrate of US$220,500.

In September, Seadrill was awarded a five-year firm contract for the semi-submersible tender rig West Alliance for operations in Southeast Asia with contract commencement in January 2010 in direct continuation of existing contract. The agreed dayrate is US$170,000.

Further, Seadrill was awarded a contract by VSP in Vietnam for the jack-up rig West Ariel. The assignment covers 10 wells with expected duration of 18 months at dayrate US$183,500.

The Seadrill operated tender rig T9 has been awarded a three-year contract extension with ExxonMobil. Commencement of the extension is scheduled to mid January 2009 and agreed dayrate is US$139,000.

Late October, West Prospero initiated a 25 days assignment for Talisman in Malaysia at dayrate US$130,000. The unit will thereafter undertake a 4-5 weeks yards-stay in order to extend the legs. Following the extensions, the operational water depth for the unit will be 400ft.

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.

Newbuild program
Seadrill has taken delivery of three deepwater units since July this year when the drillship West Polaris left the Samsung yard heading for its first assignment for Exxon in Brazil. West Polaris commenced operations early October, at the same time the semi-submersible rig West Hercules was delivered from the DSME yard in Korea. West Hercules commenced operations for Husky in China early November, the same week as the semi-submersible rig West Taurus was delivered from Jurong Shipyeard in Singapore. West Taurus is in transit to its first drilling assignment in Brazil with anticipated start-up of drilling operations in February.

Following these deliveries, the remaining newbuild program includes 13 units of which two are ultra-deepwater drillships, four ultra-deepwater semi-submersible rigs, three tender rigs and four jack-ups. The delivery schedule is two newbuilds in 2008, one unit in early 2009, eight newbuilds in 2010 and two in 2011.

Rig	Yard	Delivery date	Contract price*	Installment paid as of 3Q08
Jack-ups				
West Callisto	Keppel	2Q 2010	US$210 mill.	US$42 mill.
West Juno	Keppel	4Q 2010	US$210 mill.	US$42 mill.
West Leda	PPL	1Q 2010	US$215 mill.	US$42 mill.
West Elara	PPL	4Q 2010	US$215 mill.	US$21 mill.
Tender rigs				
T12	MSE	1Q 2010	US$116 mill.	US$24 mill.
West Berani II	Keppel	1Q 2010	US$180 mill.	US$68 mill.
West Berani III	Keppel	1Q 2011	US$210 mill.	US$35 mill.
Semi-submersible rigs				
West Eminence	Samsung	1Q 2009	US$542 mill.	US$482 mill.
West Taurus	Jurong	4Q 2008	US$457 mill.	US$161 mill.
West Hercules	Daewoo	4Q 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	4Q 2011	US$640 mill.	US$128 mill.
Drillships				
West Capella	Samsung	4Q 2008	US$478 mill.	US$310 mill.
West Gemini	Samsung	2Q 2010	US$598 mill.	US$245 mill.
Sum			US$5,671 mill.	US$2,107 mill.

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

As of September 30, 2008, US$2,107 million in installments have been paid on the newbuilds as compared to US$1,883 million at the end of the second quarter. The remaining installments to be paid for the newbuilds amount to US$3,564 million split on approximately US$1,420 million, US$830 million, US$1,000 million and US$314 million in 2008, 2009, 2010 and 2011, respectively. As of today, we have already paid US$670 million of the US$1,420 million in relation to the deliveries of West Taurus and West Hercules.

In addition, incurred costs related to capital spares, capitalized interest, contract supervision and operations preparations for the same units increased by approximately US$70 million in third quarter.

Market development

The oil and gas prices have over the last months dropped significantly from the record levels experienced earlier this year. Oil and gas prices are currently back at mid 2007 levels something that together with the ongoing credit crunch have resulted in uncertainty in most markets including the offshore drilling market. Although the share price for all offshore drilling companies has taken a nosedive, recent fixtures for offshore drilling units have been relatively strong. In particular, the deepwater floater market and tender rig market remain sound based on the long-term horizon for projects that require the services provided by such units. For jack-ups, the market outlook for the next one to two years is more uncertain. The combination of lower oil and gas prices and the tightened liquidity situation particularly for smaller independent oil companies are likely to result in reduced jack-up drilling activity.

Deepwater Floaters (>5,000 ft water)
The market for deepwater units continues to look healthy due to the limited availability of both drillships and semi-submersible drilling rigs. Several fixtures have been announced lately including a record five-year contract for a newbuild at some US$640,000 per day. If we look at the number of deepwater newbuilds currently on order compared to the numbers from August, four more orders have been made. The total number of units under construction currently stands at 91 and includes 44 drillships and 47 semi-submersible. Eight units have been delivered so far in this cycle. The ongoing financial turmoil is however expected to create a more challenging environment for financing of such projects. This could result in some projects being either cancelled or postponed. Given the contract awards over the last year, the availability of deepwater rig capacity is already scarce even in 2010. Postponements or cancellations are therefore expected to only tighten the demand supply situation further and preserve a strong market outlook. Seadrill is in dialog with customers about units available in 2010 and continues to receive requests from oil companies for rig availability in 2011 and 2012. However, there is some concern linked to the fact that more than 10 units scheduled for delivery in 2011 and 2012 have been ordered by smaller players with limited operational experience on a speculative basis.

Premium Jack-ups (>300 ft water)
The market for jack-ups has a more short-term nature as the majority of assignments has duration from three to 12 months and wells are often tie-backs to existing infrastructure. The market is also much more fragmented on the customer side, leverage is higher on average and so is the break-even oil price for the marginal projects. As such, the market for jack-ups are more exposed to the drop in oil and gas prices together with the credit crunch in the short-term picture. Even though rig contractors have continued to enter into reasonable contracts there has also been a few postponements of drilling programs for smaller players. Furthermore, there are a meaningful order book for new jack-ups that currently stand at 83 units, compared to 86 in August (adjusted for eight deliveries and five new orders). As many as 53 of these newbuilds are scheduled for delivery this and next year. This creates some uncertainty about the short-term market development for this segment. Longer term, the growing demand from in particular the Far East, India, Middle East and Africa regions supports the supply side. Drilling assignments are increasingly getting more technically challenging and consequently more demanding on the rig equipment side something that favors newer jack-ups with strong technical capabilities managed by companies with strong operational records of accomplishment. The fact that the average age of the jack-up fleet is about 23 years is also likely to support the supply demand balance going forward.

Tender rigs
The market sentiment for tender rigs remains strong as confirmed by the recent contract awards for West Alliance. As tender rigs primarily are doing development drilling, the contract duration for tender rigs continues to be long term and the contracts are entered into well in advance of commencement. Seadrill is of the opinion that the outlook remains favorable and expects that the market will continue to offer good opportunities to continue to build order backlog and earnings visibility at premium margins. Seadrill is currently in final negotiations for several new contracts, which confirms the positive outlook.

Assets – Order Backlog
The corporate objective for Seadrill is to develop a world leading offshore drilling company focusing on modern quality assets. The strategy has been to construct new deepwater and shallow water units at quality yards, build a strong and dynamic organization, enter into term

contracts with quality customers, secure financing based on such contracts and put the new units into operation safely and efficiently.

In line with this strategy, Seadrill has through a series of acquisitions and newbuild orders grown its fleet to 43 units. 26 units are newbuild of which we have taken delivery of 13, five jack-ups, three tender rigs and five deepwater units. 11 of these units have commenced operations while two deepwater units are in transit to their first drilling location. We still have three more deepwater units that originally were scheduled for delivery this year.

Seadrill will with these deliveries enter the final and maybe most crucial part of building new units namely the part where the newbuilds are commencing operations. We have stated that this is more challenging for the deepwater units than for shallow water units due to the technological complexity of the equipment. We are therefore proud of successfully having commenced operations for three deepwater units this year, one in the Gulf of Mexico, one in China and one in Brazil. Our experience so far has been positive with utilization rate in line with or above expectations.

With respect to construction project performance, the Jurong yard once again proved themselves with before schedule delivery of the deepwater semi-submersible rig West Taurus. This was the second unit they built for us with delivery on time and on budget. As mentioned, we have three more deepwater units to be delivered this year. At the Samsung Heavy Industries yard, the delivery for the deepwater drillship West Capella is expected in line with the initial schedule in December. West Capella is the sister vessel of West Polaris that we took on time delivery of in July and that commenced operations for Exxon in Brazil early October. Further, we have the deepwater semi-submersible rig West Eminence in the final stages of completion at the same yard. Delivery is expected in January. The sister rig West Phoenix, which was delivered in March, will commence operations for Total in Norway next week. At Daewoo, we are expecting the deepwater semi-submersible rig West Aquarius to be completed in the latter part of December this year. West Aquarius is the sister rig of West Hercules that was completed in October and commenced operation in early November. There are still risks attached to final testing and commissioning of the projects and the initial start-up phase of drilling operations. However, based on our experience these risks seem to have diminished with the learning effects from the units that have already been delivered and commenced operations.

Seadrill has built an order backlog of some US$12.5 billion that is mainly related to the deepwater units. The Board is pleased to observe that the Company has been able to be in the forefront in pricing our services when it comes to dayrates and contract duration. In addition to term and dayrate levels, our order backlog consists of customers with strong credit ratings, which are valued in today’s market. At present, the average contract length of the Company’s deepwater capacity is 46 months and the first available unit is the newbuild deepwater drillship West Gemini with scheduled delivery in the second quarter of 2010. For the shallow water capacity, the average contract length for the units in operation is 44 months for the tender rigs and 13 months for the jack-ups.There are two tender rigs that are available in the second quarter next year. We have ongoing discussions with customers regarding extensions of employment for these units. We have currently two modern 300ft jack-ups that are available for contract with immediate start-up. In addition and in light of the market development, we have decided to upgrade one of the jack-ups to 400ft. We are working with several leads and expect to have the units back in operation in the not to distant future. Even though the near term market outlook is uncertain, we are optimistic on the longer-term market fundamentals for new and modern jack-ups. The drilling assignments are increasingly getting more technically challenging and consequently more demanding on the rig equipment side something that favors newer jack-ups with strong technical capabilities (managed by companies with strong operational track-record). For the deepwater floaters and tender rigs, we continue to see a strong market for our units. The recent strengthening of the US dollar particularly against the Far East currencies in combination with the drop in steel price and inflation expectations in general will most likely push newbuild prices downwards to some extent. However, the financial turmoil has created a difficult financing environment for many existing deepwater newbuild projects that could actually result in an even tighter supply/demand situation than we expected three months ago. Based on the current rig inquiries, rig tenders and customer discussions regarding our available units, we expect the earnings visibility to continue improving over the next quarters.

Corporate Strategy – Financing - Dividend
Seadrill targets a best possible equity return to shareholders. The order backlog built on term contracts with quality customers has given Seadrill a unique opportunity to leverage our existing assets without adding material financial risk. The replacement of equity with debt should increase the return on the remaining equity significantly. The Company has therefore been actively pursuing leveraging strategies. Along these lines, the Company in September announced a new US$1.7 billion sale and leaseback arrangement for the two deepwater units West Hercules and West Taurus. Most of the amount was received in the first part of November and significantly increased Seadrill's liquidity position. The financing of the two rigs are benefitting from the low US LIBOR interest rate and has as of today an all-in-cost of 7.1 percent.

Seadrill has through the existing financing arrangement and the cash flow from the fixed contracts secured full financing for completion of the Company's deepwater and tender newbuildings. The operating cash flow in 2009 is expected to be more than twice the projected capital expenditure. No dedicated financing has yet been arranged for the four jack-ups to be delivered in 2010. Due to the fact that these units have been ordered by Special Purpose Companies (SPC) various options are being considered to conclude the way forward for these newbuilding projects. So far the SPCs have invested approximately US$150 million in equity. Seadrill Limited has not given corporate guarantees for these projects. The major construction work on these units has not yet started and constructive dialog with the yards has started in order to find mutually acceptable arrangements.

The Board is pleased with the fact that the Company has used the financing market effectively in 2008 to meet the financing needs. The Board is also pleased to see that the financing structure has been flexible enough to absorb US$688million in dividend payments for the year as well as US$588 million in security deposits for the Company's TRS and forward exposures. The low overall cost of the financing further highlights the attractiveness. Seadrill will continue its efforts to raise further debt in order to increase the robustness for unforeseen events, to position for profitable growth and to manoeuvre the Company into a sustained dividend paying position.

Based on a large number of available unpledged or low pledged premium assets and our contract reserve with fundamentally solid clients, we considere it possible to raise significant additional funding. The Company will generate approximately US$4.5 billion in incremental liquidity if similar lease financing can be put in place for the remaining eight deepwater newbuildings as for the first three. A significant amount can also be freed up on the jack-up and tender rig side. However, the present weakness of the financing market is realistically likely to reduce these numbers.

We have previously communicated that cash dividends are one of the main priorities of the Company. Following the US$0.60 per share dividend declared in August when the second quarter results were announced, the Company resolved a dividend of US$0.30 per share in September. In total during 2008, some US$688 million has been distributed in cash in line with our objective of paying out surplus cash to our shareholders. The Board has after a long discussion decided not to pay an additional dividend in the third quarter except for the US$0.30 already paid. The decision is mainly based on the following factors.

1. As per November 21, approximately US$588 million of the Company's liquidity has been temporarily used to support the exposure in Scorpion and Pride forward contracts and Seadrill total return swap agreements.
2. The present weakness of the financing markets
3. Interesting corporate opportunities is likely to arise within the Company's core market

The temporary halt in dividend should not be seen as a change in strategy, but more a reflection of current market conditions. We will revert to the long-term dividend strategy in connection with publication of the full year result.

Seadrill has as of November 21, invested US$1,009 million in forward contracts and shares in Scorpion, Pride and Sapura Crest. In addition, the Company has a total return swap agreements exposure of 4.5 million shares in Seadrill. If Seadrill takes delivery of all the underlying shares and forward contracts, Seadrill's total investment would be approximately US$1,045 million. As of September 30, the value of the same underlying shares would be approximately US$956 million, while the same value as of November 21 would be US$349 million. The termination of the total return swap agreements in November resulted in a loss of approximately US$60 million of which US$26 million was recorded in third quarter. The Board of Seadrill is not pleased with this performance but sees these positions as strategic long-term holdings and expects that these unrealized losses can be reduced over time as a function of strong cash flows and the current low valuation of the underlying companies.

Seadrill has built the most modern quality drilling fleet in the world with an average age that is almost 20 years younger than its peers. 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.

Outlook

The Board is convinced that the market for offshore drilling units will be strong in the longer term in particular for the ultra deepwater segment. The remaining reserve-life for oil and gas has for the oil companies over the last 10 years been reduced significantly. At the same time, the depletion rate for the existing fields has reached unprecedented levels. The result is simply that more reserves have to be discovered to meet future energy demand. This challenge is now tougher than ever. In order to bridge this gap more drilling will be needed. The huge finds made offshore Brazil is the confirmation that the discoveries that will make a difference to a very large extent are made in deeper waters. This is providing an encouraging match with Seadrill's investments and rig fleet. In spite of the recent dramatic drop in oil and gas prices,

prices are still at favorable levels. The larger oil companies have also stronger balance sheets than ever. Together with ambitious national oil companies that have grown rapidly since the millennium, this will form a strong basis for demand for deepwater offshore drilling units.

Any reductions in capital expenditures from the oil companies as a function of the drop in oil price is likely to reduce the future available oil production, and tighten the forward supply demand balance. While such a development will influence the drilling companies adversely short term, it might, combined with reduced investments create a better long-term situation for the drillers. Seadrill is with an order backlog of more than US$12 billion and an average contract length on the deepwater fleet of some four years, well positioned to meet and benefit from this situation. The Board currently observes that Seadrill’s equity and debt paper in general trade at a huge discount to underlying assets pricing. This limits our current interest in further organic growth, but could at the same time create interesting opportunities for accretive buy-backs, acquisitions and further consolidation.

The focus in the next quarters will be to achieve maximum utilization under the existing drilling contracts. Further focus will be on making sure that the Company’s operating costs reflect Seadrill’s position as a leading drilling contractor. The recent strengthening of the US dollar and the economic weakness eases the cost pressure in the industry and contributes positively to an improved margin on the existing contracts. This trend has already been observed in the fourth quarter.

The result for the fourth quarter is likely to confirm Seadrills strong growth in operating earnings. After three years of substantially investments, Seadrill enters a new area where the operational cash flow is expected to be higher than the Company’s capital expenditures program. Five more deepwater units are expected to commence operations in the next months. In addition, the floaters West Navigator and West Alpha will commence new long-term contracts at significantly higher dayrates.

The Board is confident about the future development of the Company.

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.

November 24, 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

Unaudited accounts in USD millions	2Q08	**3Q08**	3Q07	**9M08**	9M07	2007
Revenues						
Operating revenues	452,1	**517,2**	323,6	**1 350,1**	937,5	1 318,5
Reimbursables	52,5	**30,2**	30,9	**114,4**	103,4	146,6
Other revenues	98,3	**18,8**	22,6	**142,9**	189,4	211,2
Total revenues	602,9	**566,2**	377,1	**1 607,4**	1 230,3	1 676,3
Operating expenses						
Vessel and rig operating expenses	260,7	**270,7**	178,4	**748,3**	537,5	755,5
Reimbursable expenses	49,3	**28,9**	28,8	**108,7**	98,6	139,4
Depreciation and amortisation	51,0	**60,4**	47,4	**160,6**	134,2	182,9
General and adminstrative expenses	30,3	**32,6**	26,3	**94,5**	81,4	109,8
Total operating expenses	391,3	**392,6**	280,9	**1 112,1**	851,7	1 187,6
Operating profit	**211,6**	**173,6**	**96,2**	**495,3**	**378,6**	**488,8**
Interest income	6,6	**4,8**	3,0	**20,3**	10,2	23,6
Interest expense	(34,1)	**(25,9)**	(30,8)	**(88,0)**	(74,7)	(112,7)
Share of results from associated companies	9,2	**11,5**	6,5	**27,2**	18,0	23,2
Other financial items	25,3	**(61,2)**	(33,0)	**138,7**	(51,4)	(36,2)
Net financial items	7,0	**(70,8)**	(54,3)	**98,2**	(97,9)	(102,1)
Income before income taxes and minority interest	**218,6**	**102,8**	**41,9**	**593,5**	**280,7**	**386,7**
Income taxes	(2,9)	**(21,7)**	(5,0)	**(29,1)**	(29,9)	78,3
Minority interest	(5,9)	**(11,8)**	(4,1)	**(22,3)**	(7,8)	(13,0)
Gain on issuance of shares by subsidiary	0,0	**0,0**	0,0	**0,0**	0,0	50,0
Net income	**209,8**	**69,3**	**32,8**	**542,1**	**243,0**	**502,0**
Earnings per share *(in USD)*	0,53	**0,18**	0,08	**1,36**	0,62	1,28
Diluted earnings per share *(in USD)*	0,51	**0,18**	0,08	**1,33**	0,62	1,20

Condensed Consolidated Segment Information

Mobile Units Division *Unaudited accounts in USD millions*	2Q08	**3Q08**	3Q07	**9M08**	9M07	2007
Operating revenues	242,9	**289,8**	175,5	**748,7**	516,3	729,9
Reimbursables	13,2	**3,0**	6,9	**25,2**	24,0	32,8
Other revenues	97,1	**17,7**	19,6	**138,7**	180,2	198,9
Total revenues	353,2	**310,5**	202,0	**912,6**	720,5	961,6
Vessel and rig operating expenses	113,6	**116,9**	85,1	**336,0**	266,1	376,4
Reimbursable expenses	11,5	**2,5**	5,4	**22,6**	20,8	28,2
Depreciation and amortisation	37,2	**43,1**	35,2	**116,8**	98,5	135,1
General and adminstrative expenses	21,3	**22,5**	17,5	**67,9**	58,0	73,3
Total operating expenses	183,6	**185,0**	143,2	**543,3**	443,4	613,0
Operating profit	169,6	**125,5**	58,8	**369,3**	277,1	348,6

Tender Rigs Division *Unaudited accounts in USD millions*	2Q08	**3Q08**	3Q07	**9M08**	9M07	2007
Operating revenues	69,1	**82,9**	60,6	**217,5**	169,4	236,3
Reimbursables	7,4	**7,3**	5,4	**18,9**	13,8	17,2
Other revenues	1,2	**1,1**	3,0	**4,2**	9,1	12,2
Total revenues	77,7	**91,3**	69,0	**240,6**	192,3	265,7
Vessel and rig operating expenses	31,1	**34,4**	24,7	**93,3**	68,9	100,8
Reimbursable expenses	7,1	**7,0**	5,1	**18,2**	13,1	16,3
Depreciation and amortisation	10,2	**11,1**	9,7	**31,0**	29,1	38,6
General and adminstrative expenses	4,3	**5,1**	3,9	**13,2**	10,8	13,0
Total operating expenses	52,7	**57,6**	43,4	**155,7**	121,9	168,7
Operating profit	25,0	**33,7**	25,6	**84,9**	70,4	97,0

Well Services Division *Unaudited accounts in USD millions*	2Q08	**3Q08**	3Q07	**9M08**	9M07	2007
Operating revenues	140,1	**144,5**	87,5	**383,9**	251,7	352,4
Reimbursables	31,9	**19,9**	18,6	**70,3**	65,8	96,7
Total revenues	172,0	**164,4**	106,1	**454,2**	317,5	449,1
Operating expenses	116,8	**119,4**	68,6	**319,0**	202,6	285,6
Reimbursable expenses	30,7	**19,5**	18,3	**68,0**	64,7	94,9
Depreciation and amortisation	3,6	**6,2**	2,5	**12,8**	6,6	9,2
General and adminstrative expenses	3,9	**5,0**	4,8	**13,4**	12,6	16,1
Total operating expenses	155,0	**150,1**	94,2	**413,2**	286,5	405,8
Operating profit	17,0	**14,3**	11,9	**41,0**	31,0	43,3

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	**30.09.08**	**30.06.08**	**31.12.07**
Current assets			
Cash and cash equivalents	**776,4**	425,4	1 012,9
Marketable securities	**249,6**	496,3	240,4
Accounts receivables, net	**340,9**	311,6	220,5
Other current assets	**247,9**	253,7	223,1
Total current assets	**1 614,8**	1 487,0	1 696,9
Non-current assets			
Investment in associated companies	**492,2**	337,7	176,1
Newbuildings	**3 950,1**	3 972,0	3 339,8
Drilling units	**3 359,4**	2 814,3	2 451,9
Goodwill	**1 590,8**	1 608,9	1 509,6
Restricted cash	**427,6**	347,6	0,0
Other non-current assets	**232,5**	398,9	118,8
Total non-current assets	**10 052,6**	9 479,4	7 596,2
Total assets	**11 667,4**	**10 966,4**	**9 293,1**
Current liabilities			
Short-term interest bearing debt	**631,7**	550,2	484,1
Other current liabilities	**1 216,0**	1 088,7	670,6
Total current liabilities	**1 847,7**	1 638,9	1 154,7
Non-current liabilities			
Long-term interest bearing debt	**5 849,7**	5 035,1	4 116,4
Deferred taxes	**142,9**	127,0	96,1
Other non-current liabilities	**191,7**	205,2	198,1
Total non-current liabilities	**6 184,3**	5 367,3	4 410,6
Minority interest	**282,8**	127,8	104,6
Shareholders' equity			
Paid-in capital	**2 792,4**	2 786,8	2 778,5
Retained earnings	**560,2**	1 045,6	844,7
Total shareholders' equity	**3 352,6**	3 832,4	3 623,2
Total shareholders' equity and liabilities	**11 667,4**	**10 966,4**	**9 293,1**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	**9M2008**	**2007**
Cash flow from operating activities		
Net income	**542,1**	502,0
Adjustement to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	**160,6**	182,9
Gains on disposals of other investments	**(259,2)**	(124,2)
Share of results from associated companies	**(27,2)**	(23,2)
Change in working capital	**313,3**	112,0
Net cash from operating activities	**729,6**	**649,5**
Cash flow from investing activities		
Acquisition of goodwill	**(99,3)**	(216,5)
Acquisition of fixed assets	**(1 684,8)**	(1 738,7)
Disposal of fixed assets	**102,4**	170,0
Purchase of other investments	**(251,6)**	(141,4)
Cash flow from (investment in) associated companies	**(311,2)**	83,3
Cash flow from other investments	**(276,6)**	5,4
Sale of other investments	**169,1**	99,3
Net cash from investing activities	**(2 352,0)**	**(1 738,6)**
Cash flow from financing activities		
Proceeds from debt	**2 346,2**	3 926,3
Repayment of debt	**(441,8)**	(2 211,9)
Proceeds from issuance of equity	**0,0**	304,0
Purchase of treasury shares	**(5,6)**	0,2
Paid dividend	**(688,1)**	
Contribution by minority interest	**175,2**	(128,2)
Net cash from financing activities	**1 385,9**	**1 890,4**
Effect of exchange rate changes on cash equiv.	**0,0**	**1,2**
Net change in cash and cash equivalents	(236,5)	802,5
Cash and cash equivalents at beginning of year	**1 012,9**	**210,4**
Cash and cash equivalents at end of period	**776,4**	**1 012,9**

Condensed Consolidated Statement of changes in Equity

Unaudited accounts in USD millions	Issued share capital	Treasury shares	Share premium reserve	Contributed surplus	Accum. compreh. income	Accum. earnings	Total shareholders' equity
Balance at 31 December, 2005	**458,3**	**0,0**	**267,1**	**0,0**	**82,4**	**(7,6)**	**800,2**
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 contolling interest						(9,6)	(9,6)
Other						61,4	61,4
FASB adjustment					(2,7)		(2,7)
Balance at 31 December, 2006	**766,3**	**0,0**	**1 693,2**	**0,0**	**(2,7)**	**258,2**	**2 715,0**
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
Balance at 31 December, 2007	**798,3**	**(1,2)**	**1 981,6**	**0,0**	**152,1**	**692,5**	**3 623,3**
Other comprehensive income					(142,3)		(142,3)
Net income for the period						542,1	542,1
Share-based payments			15,7				15,7
Dividend payment						(688,1)	(688,1)
Purchase of treasury shares		(1,2)	19,3			(31,9)	(13,8)
Sale of treasury shares		0,7	(20,7)			28,3	8,3
FASB adjustment					0,0		0,0
Translation adjustment					(9,2)		(9,2)
Capital contribution minority interest					16,6		16,6
Other			(1 955,5)	1 955,5			0,0
Balance at 30 September, 2008	**798,3**	**(1,7)**	**40,4**	**1 955,5**	**17,2**	**542,9**	**3 352,6**