Seadrill Limited (SDRL) - Second Quarter 2006

Highlights

- Seadrill reports net income of US$ 33.3 million and earnings per share of US$ 0.07 for the second quarter of 2006
- Seadrill completed a US$ 210 million sale and leaseback for the newbuilt jack-up West Ceres (former Seadrill 3)
- Seadrill orders new tender barge rig from Malaysia Marine & Heavy Engineering
- Seadrill maintains ownership position in Eastern Drilling ASA by acquiring 5.3 million shares at NOK 90 per share in a share emission
- Seadrill secured new contracts for the jack-up rigs West Epsilon and West Larissa (former Seadrill 5) as well as the tender rig under construction West Berani
- Seadrill completed private placement of 39,000,000 shares raising total proceeds of some US$ 530 million

Condensed consolidated income statements

Second quarter results

Consolidated revenues for the second quarter of 2006 amounted to US$ 275.6 million as compared to US$ 233.8 million for the pro forma first quarter 2006 (see note to the report). The increase in revenues reflects higher utilization and dayrates from the mobile units.

Operating profit for the second quarter was US$ 59.1 million compared to US$ 27.5 million in the pro forma figures for the first quarter. For the mobile units, operating profit increased from US$ 10.2 million in the pro forma first quarter to US$ 35.8 million in the second quarter. The increase was related to higher utilization for the West Titania (former Seadrill 7) and West Navigator as well as a full quarter at higher dayrate under the new contract for West Alpha. For the tender rigs, the operating profit increased from US$ 11.8 million in the pro forma first quarter to US$ 13.9 million in the second quarter. The increase was a result of increased performance bonuses. Operating profit from well services increased from US$ 5.4 million in the pro forma first quarter to US$ 9.4 million in the second quarter. The increase was due to increased activity and higher operating margin.

Net financial items for the quarter resulted in an expense of US$ 17.7 million as compared to an income of US$ 63.2 million in the pro forma first quarter. Interest expenses decreased from US$ 31.1 million to US$ 23.9 million which reflects increased capitalization of interest related to the newbuilding program. The first quarter also included a gain of US$ 80.0 million from sale of the shareholding in Ocean Rig ASA.

Income before income taxes amounted to US$ 41.4 million.

Income taxes are calculated to US$ 8.1 million.

Net income for the quarter amounted to US$ 33.3 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 inter-company balances and transactions have been eliminated in the consolidation.

Cash flow
At the end of the second quarter, cash and cash equivalents amounted to US$ 433.8 million, an increase of US$ 384.2 million compared to year-end 2005. The increase reflected the proceeds from the sale of West Ceres (former Seadrill 3) that was received at the end of second quarter. Net cash provided by the operating activities amounted to US$ 178.9 million. Net investments of US$ 3,661.7 million were mainly related to the acquisition of the assets in Mosvold Drilling Ltd. and Smedvig asa. In the second quarter, net investments increased by approximately 350 million. Payments related to the newbuilding contracts as well as further investment in Eastern Drilling ASA contributed to the increase. Net cash from financing activities was US$ 3,867.0 million reflecting the proceeds from issuance of new equity, the new US$ 1,200 million loan facility as well as the existing debt in Mosvold Drilling Ltd. and Smedvig asa. In the second quarter, net cash from financing activities increased by approximately 600 million. A private placement completed on April 2 which raised some US$ 530 million represented the majority of the increase, but also the draw down amount under the revolving credit facility increased during the quarter.

Sale and lease back of West Ceres (former Seadrill 3)
In June, the Company sold West Ceres for a total consideration of US$ 210 million to Rig Finance Limited, a company in the Ship Finance Group. The unit was subsequently leased back to the Company for a fifteen-year period. Seadrill has also been granted a five repurchase options at predetermined prices at various anniversaries. The Company has, in accordance with US GAAP, consolidated Rig Finance Limited into the Seadrill Group and as such, no gain from the sale has been reported in the consolidated accounts.

Option program
Under the employee share option plan, the Board is authorized to grant and allocate up to five million share options at a subscription price pursuant to the plan. The objective of the employee share option 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 previously announced allocations of options to subscribe for 1,470,000 shares to its directors and certain key employees in Seadrill. On September 6, the Board plan to allocate further 2,780,000 options of the program to cover second and third level managers. The strike price for these options will be the average market price for the trading days in the period September 1 – September 6. The options will be given five years validity from the date of award and become exercisable by 1/3 annually with the first callable date for any options one year after allotment. The remaining part of the overall option program estimated to 750,000 shares remains unallocated but targeted potential new recruitments. Total number of options outstanding is 4,250,000 equal to 1.2 % of the outstanding shares.

Operations
Mobile units
The fifth-generation semi-submersible rig West Venture continued drilling operations for Norsk Hydro on the Troll field offshore Norway. The fourth-generation semi-submersible rig West Alpha worked for Statoil in the Norwegian Sea and the ultra-deepwater drillship West Navigator drilled on the Ormen Lange field offshore Norway for Shell.

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 October 2006. West Epsilon is subsequently scheduled to commence a new three-year contract with Statoil at a dayrate of US$ 305,000. Statoil has in addition a one-year option at a dayrate at the same level. West Ceres (former Seadrill 3) was delivered from the yard early May. The unit has been dry towed to Nigeria for operations under a two-year contract with Total. Drilling operations for Total started in the latter part of July. West Larissa (former Seadrill 5) has, following the “punch through incident” in India, been at a Singaporean yard for repair of the unit’s legs. As the jacking operation of the rig was performed based on soil information provided by the oil company Gazprom and as specified in the contract, Seadrill has been given legal advise which supports that Seadrill based on the contractual wording is entitled to receive a standby rate for the period repairs are carried out. There are, discussions ongoing with Gazprom concerning this issue and the Company has as such made certain provisions in the accounts for the second quarter. If no agreement can be reached with Gazprom, the case will be referred to London High Court. The repair of West Larissa was completed mid July and the unit started operations for Premier Oil Indonesia in Indonesia ultimo July. The jack-up has been awarded contracts in Indonesia for four and five well programs by Serica Energy and Premier Natuna Sea BV, respectively. The agreed dayrate is US$ 195,000 and start-up of the drilling programs is scheduled in direct continuation of the unit’s ongoing activities. West Janus (former Seadrill 6) completed its employment with EMP Kangean in Indonesia in the first half of May. Following a yard stay, the unit has been towed to Sakhalin Island to work for Shell. Drilling operations for Shell started late August. In August, the unit was awarded a 210 day contract in Thailand at dayrate US$ 195,000 by Pearl Oil Thailand and Nucoastal. West Titania (former Seadrill 7) continued its operations for Tetra Petroleum in Nigeria.

MV Crystal Ocean continued its employment for Anzon Australia under a contract that extends throughout 2007. Crystal Sea was to commence operations under a five-year contract with Discovery Enterprise in June. However immediately after start-up, riser related problems occurred that halted the operation. The Company has ordered new riser parts but due to the monsoon season impletion of the new riser parts and subsequent production start-up cannot be expected before November. The Company is currently in discussions with Discovery and ONGC regarding a contractual solution to the situation. The Company has offhire insurance and expects the insurance to partly cover the loss of hire in the off hire period. The vessel is currently in Mumbai, India.

Tender rigs

Seadrill’s self-erecting tender rigs were all 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. Late June, the Company ordered a new tender rig from the Malaysian Marine & Heavy Engineering yard. The new tender barge is based on a similar design and same specifications as T10 and will be particularly well suited for production drilling in selected shallow and deepwater areas. Furthermore, the Company has an option that expires year-end 2006 to build a similar unit with delivery in the fourth quarter 2008. In addition, the Company has one semi-tender named West Berani under construction in Singapore together with KFELS. The expected delivery for West Berani is end fourth quarter this year. Initial ownership for Seadrill in West Berani is 30 percent, but the Company has a 10-year option to acquire the remaining 70 percent at a predetermined price. In July, the

Company secured a two-year contract for West Berani with Newfield Peninsula Malaysia Inc. at a dayrate of US$ 120,000. In August, the Company was awarded a three-year contract in Angola by Cabinda Gulf Oil Company and Chevron at a dayrate of US$ 140,000. Seadrill will use either West Berani or West Setia for this assignment depending on availability.

Well services

On the Norwegian continental shelf, Seadrill performed various drilling and maintenance 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 North Cormorant. For the wireline operations in Norway and Denmark, the activity level remained sound.

Operations associated companies

Varia Perdana Bhd.

Varia Perdana owns four self-erecting tender rigs and has one unit under construction for delivery second quarter 2007. The four tender rigs were all in operation during the quarter. The tender barge T3 worked for PTT in Thailand whereas in Malaysia T6 and Teknik Berkat 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 US$ 86,000.

Eastern Drilling ASA

Seadrill has a 39 percent ownership interest in the Oslo stock exchange listed company Eastern Drilling ASA (Eastern). In June, Seadrill participated in the NOK 1,200 million private placement in Eastern in order to maintain its ownership interest in the company. Seadrill acquired 5,300,000 new shares at average price of NOK 90. The purpose of the share emission in Eastern was to raise capital to exercise an option to build a second harsh environment semi-submersible rig in addition to the one already under construction at Samsung in Korea. In addition to the ownership interest in Eastern, Seadrill is responsible for marketing and construction supervision of the units and has 10-year management contracts for operation of the units after delivery.

PT Apexindo Pratama Duta TBK

PT Apexindo Pratama Duta Tbk (Apexindo) 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. As of June 30, the market value of the Company’s holding in Apexindo was USD 134 million as compared to the initial investment of USD 53 million.

Newbuild program

At this date the ongoing newbuild program in Seadrill include four jack-ups, four semi-submersible rigs, one tender rig and two ultra deepwater drillships under construction. In addition, the Company has two tender rigs under construction, a semi-tender called West Berani together with the shipyard KFELS and a tender barge called T10 through the 49 percent owned Varia Perdana, as well as two deepwater semi-submersible rigs through the 39 percent owned Eastern Drilling ASA.

In May, Seadrill took delivery of the jack-up West Ceres (former Seadrill 3) from Keppel. The construction was complete according to schedule and budget. The Board is particularly pleased with the fact that the first well now has been completed without any technical start-up problems of any significance. In June, Seadrill ordered one new tender rig from the Malaysia Marine & Heavy Engineering yard. The tender rig will be a copy of the existing unit T9 and the unit under construction T10. Seadrill has also an option to build a similar unit at the same Malaysian yard. Furthermore, Seadrill had an option to order another semi-submersible unit at Jurong based on a similar design as the two units currently under construction. The Company has however decided not to exercise the Jurong option, but does maintain a close dialogue with the yard concerning further potential newbuilds.

The average length of risers for the 100 percent owned deepwater units under construction is some 2,200 meters. As a result of increased demand from oil companies for rig capacity in even deeper waters as well as a very tight market for rig equipment (especially related to delivery time), Seadrill has ordered 3,000 meters of extra risers representing an investment of approximately US$ 78 million. All of Seadrill's four semi-submersible newbuildings are after this equipped with some 10,000 ft of risers. The strategy is to establish a pool for capital spares (including risers) for the deepwater fleet with the objective of increasing the deepwater fleet's flexibility and at the same time reduce the risk for loss of revenue related to down time.

Rig	Yard	Delivery date	Contract price*	Installments paid as of 2Q 2006
Jack-ups				
West Atlas (SeaDrill 1)	Keppel	3Q 2007	US$ 129M	US$ 77.3M
West Triton (SeaDrill 2)	PPL	4Q 2007	US$ 129M	US$ 19.3M
West Ceres (SeaDrill 3)	Keppel	2Q2006	US$ 112M	US$ 112M
West Prospero (SeaDrill 4)	Keppel	3Q 2007	US$ 123M	US$ 51.2M
West Ariel (SeaDrill 8)	Keppel	2Q 2008	US$ 132M	US$ 13.2M
Tender rig				
T11	MSE	2Q 2008	US$ 90M	US$ 0M
Semi-submersibles				
West Sirius	Jurong	1Q 2008	US$ 395M	US$ 119.5M
West Taurus	Jurong	4Q 2008	US$ 407M	US$ 60.6M
West Hercules	Daewoo	1Q 2008	US$ 506M	US$ 79.4M
West Aquarius	Daewoo	3Q 2008	US$ 496M	US$ 74.7M
Drillships				
West Polaris	Samsung	2Q 2008	US$ 470M	US$ 158.5M
West Capella	Samsung	4Q 2008	US$ 470M	US$ 85.6M

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

As of 30 June 2006, US$ 851.3 million had been paid on the newbuildings as compared to US$ 576.8 million at the end of the first quarter 2006. The remaining installments to be paid on newbuildings amount to approximately US$ 2.6 billion. Of the remaining installments, US$ 150 million was paid in July and August 2006 with US$ 177 million payable in the remaining period of 2006. In addition, expenses related to accrued interest, capital spares, contract supervision and operation preparation for the remaining newbuild program totaled US$ 30 million at the end of the second quarter.

The Board is confident that the necessary external financing is available 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.

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 situation 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 until the end of 2007. Several of the large oil companies are now planning tenders for three to six year contracts with start-up in 2008 and 2009 with the numbers of tenders increasing rapidly. 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 US$ 500,000 dayrate mark.

Premium Jack-ups (>300 ft water)
Dayrate fixtures in the market for premium jack-ups have now reached US$ 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 US$ 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 West Larissa and West Titania.

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 organic growth.

Outlook and strategy
The Board of Seadrill has an ambition to act for consolidation in the offshore rig industry with the objective of creating a world leading offshore drilling company.

In order to reach that objective Seadrill has completed a string of takeovers over the last year. Through the acquisitions, the number of units has increased from seven to 36 (including 15 units under construction). The current fleet provides the Company with the ability to deliver offshore drilling services on a worldwide basis in all water depths. At present, the Company's offshore drilling activity includes geographical presence in Southeast Asia, West Africa and the North Sea. Going forward, the Company expects to grow it presence in West Africa and expand its activities to the Gulf of Mexico through assignments of the deepwater units under construction.

Even though the new combined Company consists of high quality assets already in operations in addition to the newbuilding program, the Board and management acknowledge that creation of shareholder value in Seadrill heavily depends on a successful completion of the deepwater newbuilding program, which will include securing term contracts at meaningful dayrates for the same assets.

As such, strong emphasis has been put on making sure the project supervision teams for the advanced deepwater units have the necessary experience, skills and means available to assure that the deepwater newbuilds are delivered according to the agreed schedule and turn key contracts. The Board is pleased with the development that has been made and believes that the project supervision teams now is well organized and prepared to handle challenges that may arise related to the construction projects. The construction projects are progressing according to plan in relation to the original scope. However, as none of the deepwater units are allocated to customers as of yet circumstances could arise where customer specific or region specific requirements could be added at the time of contract or at delivery.

The Board would like to emphasis that the construction contracts entered into with the most experienced yards in the offshore industry and fixed price turnkey. In addition, the ordered units are based on proven designs, equipped with well-known technology and in the main have a heavy back-loaded payment schedule regarding yard installments. This provides the yards with strong incentives to complete the construction within the agreed schedule. The Seadrill newbuilds are also among the first deepwater units to be delivered in this cycle, which should reduce both risk related to late delivery as well as market conditions. The Board is confident that all efforts have been made to secure on time delivery of the newbuilds.

With respect to the contract situation for the newbuilds, the Board considers the market conditions to be as sound as ever. The Board believes that higher activity from oil companies over the next years will provide for a favorable environment creating good opportunities to enter into term contracts at attractive dayrates in all segments. Based on this market view, the Board is very comfortable with the Company's current exposure to the offshore drilling market and is optimistic regarding the future earnings potential for the Company's assets.

The tight market for experienced offshore workers has been given much attention lately. Seadrill has through the acquisition of Smedvig gained access to a large pool of seasoned offshore workers. The current workforce of Seadrill totals approximately 4,300 people and creates a sound starting point for development and training of new employees. Over the next two years, the Company will hire some 2,000 people in order to operate all newbuilds. Based on the scale of the existing operations the Board believes that the Company has adequate time to hire and train the necessary people. The Company will have the most modern and advanced rig fleet in the industry, which should be an attractive element for new employees.

The Board is particular pleased with the development of the tender rig division. The contribution from this division is increasing as a function of higher rates and more units in operation. The Board has as a result of the favorable development initiated an analysis of the optimum capital and operational strategy for this division going forward. One of the ideas, which will be thoroughly researched, is the possibility to separate this division into a public master limited partner structure. Such a structure is dependent on solid free cash flow, growth and fixed long-term contracts, all criteria, which are met by the tender rig division. The objective for such a spin off should be to optimize the value of the Company's assets to the benefit of the shareholders.

The Company has currently 20 units generating income. The operational results from the second part of 2006 will be stronger than the first part of 2006 as a function of an increased number of units in operation but also as a function of increasing dayrates. The Board feels that the combination of the operational cash flow from the existing units and the newbuilding orders done at favorable terms and delivery positions create a solid basis for company going forward.

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 Oslo Stock Exchange.

August 31, 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:	Vice President Investor Relations

Accounts

Condensed Consolidated Income Statement

Unaudited accounts in USD millions	1Q06	**2Q06**	2Q05	**6M 2006**	6M 2005	2005
Operating Revenues						
Operating revenues	160.8	**224.3**	-	385.2	-	26.6
Reimbursables	15.7	**22.9**	-	38.5	-	1.7
Other revenues	15.1	**28.4**	-	43.5	-	-
Total revenues	191.6	**275.6**	-	467.2	-	28.3
Operating expenses						
Vessel and rig operating expenses	107.7	**133.3**	-	241.1	-	23.3
Reimbursable expenses	14.8	**21.6**	-	36.4	-	1.7
Depreciation and amortisation	32.2	**46.0**	-	78.2	-	12.9
General and adminstrative expenses	13.1	**15.6**	-	28.6	-	5.8
Total operating expenses	167.8	**216.5**	-	384.3	-	43.7
Operating income	**23.8**	**59.1**	**-**	**82.9**	**-**	**(15.4)**
Interest income	3.3	**2.9**	0.07	6.2	0.1	1.7
Interest expense	(12.7)	**(23.9)**	-	(36.6)	-	(0.9)
Share of results from associated companies	5.3	**6.9**	-	12.2	-	2.7
Other financial items	83.6	**(3.6)**	0.55	80.0	0.5	6.0
Net financial items	79.5	**(17.7)**	0.62	61.8	0.6	9.5
Income before income taxes and minority interes	**103.3**	**41.4**	**0.62**	**144.7**	**0.6**	**(5.9)**
Income taxes	(7.2)	**(8.1)**	-	(15.4)	-	(1.6)
Minority interest	(26.4)	**-**	-	(26.5)	-	(0.1)
Net income	**69.5**	**33.3**	**0.62**	**102.8**	**0.6**	**(7.6)**
Earnings per share *(in USD)*	0.24	0.07	0.00	0.31	-	(0.04)
Diluted earnings per share *(in USD)*	0.24	0.07	0.00	0.31	-	(0.04)

Condensed Consolidated Segment Information

Mobile Units

Unaudited accounts in USD millions	1Q06	**2Q06**	2Q05	6M 2006	6M 2005	2005
Operating revenues	74.7	**112.9**	-	187.6	-	26.6
Reimbursables	5.8	**15.2**	-	21.1	-	1.7
Other revenues	12.9	**24.3**	-	37.2	-	-
Total revenues	93.4	**152.4**	-	245.9	-	28.3
Vessel and rig operating expenses	46.2	**59.5**	-	105.6	-	23.3
Reimbursable expenses	5.2	**14.3**	-	19.6	-	1.7
Depreciation and amortisation	23.6	**33.9**	-	57.5	-	12.9
General and adminstrative expenses	8.3	**8.9**	-	17.3	-	5.8
Total operating expenses	83.3	**116.6**	-	200.0	-	43.7
Operating profit	10.1	**35.8**	-	45.9	-	(15.4)

Tender Rigs

Unaudited accounts in USD millions	1Q06	**2Q06**	2Q05	6M 2006	6M 2005	2005
Operating revenues	31.1	**41.5**	-	72.7	-	0.0
Reimbursables	1.3	**2.3**	-	3.5	-	0.0
Other revenues	2.2	**4.1**	-	6.3	-	-
Total revenues	34.6	**47.9**	-	82.5	-	0.0
Vessel and rig operating expenses	14.9	**18.6**	-	33.5	-	0.0
Reimbursable expenses	1.2	**2.2**	-	3.4	-	0.0
Depreciation and amortisation	7.4	**10.2**	-	17.6	-	0.0
General and adminstrative expenses	1.6	**3.0**	-	4.6	-	0.0
Total operating expenses	25.1	**34.0**	-	59.1	-	0.0
Operating profit	9.5	**13.9**	-	23.4	-	0.0

Well Services

Unaudited accounts in USD millions	1Q06	**2Q06**	2Q05	6M 2006	6M 2005	2005
Operating revenues	55.0	**69.9**	-	124.9	-	-
Reimbursables	8.6	**5.3**	-	13.9	-	-
Total revenues	63.6	**75.2**	-	138.8	-	-
Vessel and rig operating expenses	46.7	**55.2**	-	101.9	-	-
Reimbursable expenses	8.3	**5.1**	-	13.4	-	
Depreciation and amortisation	1.2	**1.8**	-	3.0	-	-
General and adminstrative expenses	3.2	**3.7**	-	6.9	-	-
Total operating expenses	59.4	**65.8**	-	125.2	-	-
Operating profit	4.2	**9.4**	-	13.6	-	-

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	**30.06.06**	**30.06.05**	**31.12.05**
Current assets			
Cash and cash equivalents	**433.8**	61.7	49.6
Receivables	**243.4**	16.8	24.0
Other investments	**-**	42.4	302.3
Total current assets	**677.2**	120.9	375.9
Non-current assets			
Investment in associated companies	**445.6**	-	152.8
Other non-current assets	**43.1**	-	2.8
Newbuildings	**926.7**	243.1	439.3
Drilling units	**2,316.1**	167.6	178.2
Goodwill	**1,179.1**	-	-
Total non-current assets	**4,910.6**	410.7	773.1
Total assets	**5,587.8**	**531.6**	**1,149.0**
Current liabilities			
Short-term interest bearing debt	**474.4**	219.8	137.4
Other current liabilities	**314.3**	19.7	33.2
Total current liabilities	**788.7**	239.5	170.6
Non-current liabilities			
Deferred taxes	**221.6**	-	-
Long-term interest bearing debt	**2,001.6**	-	176.8
Other non-current liabilities	**184.3**	-	-
Total non-current liabilities	**2,407.5**	-	176.8
Minority interest	**46.6**	11.4	1.4
Shareholders' equity			
Paid-in capital	**2,178.4**	280.1	725.3
Retained earnings	**166.6**	0.6	74.9
Total shareholders' equity	**2,345.0**	280.7	800.2
Total shareholders' equity and liabilities	**5,587.8**	**531.6**	**1,149.0**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	**6M06**	**6M05**	**2005**
Cash flow from operating activities			
Net income	**102.8**	0.62	(7.6)
Adjustement to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	**78.2**	-	12.9
Gains on disposals of other investments	**(80.0)**	-	(0.8)
Change in working capital	**77.9**	1.02	6.7
Net cash from operating activities	**178.9**	**1.63**	**11.2**
Cash flow from investing activities			
Acquisition of goodwill	**(1,179.1)**	-	(19.1)
Acquisition of fixed assets	**(2,895.9)**	(58.5)	(268.8)
Disposal of fixed assets	**210.0**	-	-
Purchase of associated companies	**(280.6)**	-	(31.4)
Disposal of other investments	**387.5**	(7.7)	48.7
Cash flow from other investments	**96.4**	22.3	14.6
Net cash from investing activities	**(3,661.7)**	**(43.9)**	**(256.0)**
Cash flow from financing activities			
Proceeds from debt	**2,562.7**	-	255.6
Repayment of debt	**(180.0)**	-	(169.1)
Proceeds from issuance of equity	**1,453.0**	101.7	207.9
Treasury shares	**31.3**	-	-
Net cash from financing activities	**3,867.0**	**101.7**	**294.4**
Net change in cash and cash equivalents	**384.2**	59.5	49.6
Cash and cash equivalents at beginning of year	**49.6**	**-**	**-**
Cash and cash equivalents at end of period	**433.8**	**59.5**	**49.6**

Condensed Consolidated Statement of changes in Equity

Unaudited accounts in USD millions	Issued share capital	Share premium reserve	Accum. compreh. income	Accum. earnings	Total shareholders' equity
Balance at May 10 , 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 December 31, 2005	**458.3**	**267.1**	**82.4**	**(7.6)**	**800.2**
Issue of ordinary shares, net	268.0	1,185.0			1,453.0
Transfer of profit and loss accounts			(82.4)		(82.4)
Unrealised loss			(11.0)		(11.0)
Net income for the period				102.8	102.8
Share-based payments				(19.3)	(19.3)
Sale of treasury shares				31.4	31.4
Other				70.3	70.3
Balance at June 30, 2006	**726.3**	**1,452.1**	**(11.0)**	**177.6**	**2,345.0**

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 with effect from year-end 2005.

Condensed Pro forma Consolidated Income Statements

Unaudited accounts in USD millions	**Actual 2Q06**	Pro forma 1Q06
Operating Revenues		
Operating revenues	**224.3**	187.1
Reimbursables	**22.9**	18.4
Other revenues	**28.4**	28.4
Total revenues	**275.6**	233.8
Operating expenses		
Vessel and rig operating expenses	**133.3**	125.6
Reimbursable expenses	**21.6**	17.3
Depreciation and amortisation	**46.0**	44.8
General and adminstrative expenses	**15.6**	18.6
Total operating expenses	**216.5**	206.3
Operating income	**59.1**	**27.5**
Interest income	**2.9**	5.3
Interest expense	**(23.9)**	(31.1)
Share of results from associated companies	**6.9**	5.4
Other financial items	**(3.6)**	83.6
Net financial items	**(17.7)**	63.2
Income before income taxes and minority interest	**41.4**	**90.7**
Income taxes	**(8.1)**	(9.5)
Minority interest	**-**	-
Net income	**33.3**	**81.2**

Condensed Consolidated Pro forma Segment Information

Mobile Units	Actual	Pro Forma
Unaudited accounts in USD millions	**2Q06**	1Q06
Operating revenues	**112.9**	84.0
Reimbursables	**15.2**	6.5
Other revenues	**24.3**	24.3
Total revenues	**152.4**	114.8
Vessel and rig operating expenses	**59.5**	53.1
Reimbursable expenses	**14.3**	5.9
Depreciation and amortisation	**33.9**	32.8
General and adminstrative expenses	**8.9**	12.9
Total operating expenses	**116.6**	104.6
Operating profit	**35.8**	10.2

Tender Rigs	Actual	Pro Forma
Unaudited accounts in USD millions	**2Q06**	1Q06
Operating revenues	**41.5**	37.6
Reimbursables	**2.3**	1.5
Other revenues	**4.1**	4.1
Total revenues	**47.9**	43.2
Vessel and rig operating expenses	**18.6**	17.8
Reimbursable expenses	**2.2**	1.4
Depreciation and amortisation	**10.2**	10.3
General and adminstrative expenses	**3.0**	1.9
Total operating expenses	**34.0**	31.4
Operating profit	**13.9**	11.8

Well Services	Actual	Pro Forma
Unaudited accounts in USD millions	**2Q06**	1Q06
Operating revenues	**69.9**	65.4
Reimbursables	**5.3**	10.3
Total revenues	**75.2**	75.7
Vessel and rig operating expenses	**55.2**	54.8
Reimbursable expenses	**5.1**	10.0
Depreciation and amortisation	**1.8**	1.7
General and adminstrative expenses	**3.7**	3.8
Total operating expenses	**65.8**	70.3
Operating profit	**9.4**	5.4

Condensed Consolidated Pro forma Balance Sheets

Unaudited accounts in USD millions

	Actual 30.06.06	Pro Forma 31.12.05
Current assets		
Cash and cash equivalents	**433.8**	417.5
Receivables	**243.4**	153.8
Other investments	**-**	302.2
Total current assets	**677.2**	**873.5**
Non-current assets		
Investment in associated companies	**445.6**	340.0
Other non-current assets	**43.1**	53.3
Newbuildings	**926.7**	613.7
Drilling units	**2,316.1**	2201.8
Goodwill	**1,179.1**	1179.1
Total non-current assets	**4,910.6**	**4387.9**
Total assets	**5,587.8**	**5261.4**
Current liabilities		
Short-term interest bearing debt	**474.4**	617.2
Other current liabilities	**314.3**	290.2
Total current liabilities	**788.7**	**907.4**
Non-current liabilities		
Deferred taxes	**221.6**	212.6
Long-term interest bearing debt	**2,001.6**	1731.4
Other non-current liabilities	**184.3**	222.1
Total non-current liabilities	**2,407.5**	**2166.1**
Minority interest	**46.6**	**0.6**
Shareholders' equity		
Paid-in capital	**2,178.4**	2178.4
Retained earnings	**166.6**	8.9
Total shareholders' equity	**2,345.0**	**2187.3**
Total shareholders' equity and liabilities	**5,587.8**	**5261.4**