Seadrill Limited (SDRL) - Fourth Quarter and Preliminary Results 2006

Highlights

- Seadrill reports net income of US$214.0 million and earnings per share of US$0.61 for the preliminary results of 2006
- Seadrill reports net income of US$55.1 million and earnings per share of US$0.14 for the fourth quarter of 2006
- Seadrill secures term assignments for the two deepwater units currently under construction
- Seadrill secures new assignments for two jack-ups currently under construction
- Seadrill secures term assignment for newbuild tender rig

Condensed consolidated income statements

Preliminary results 2006

Consolidated revenues for 2006 amounted to US$1,154.6 million as compared to US$834.4 million in the pro forma 2005 accounts. The increase in revenues mainly reflects higher dayrates for the units West Alpha and West Epsilon as well as the contribution from the newbuild West Ceres delivered in May 2006. The operating profit for the full year was US$226.1 million as compared to US$116.9 million in the pro forma 2005 accounts. Net financial items was US$40.8 million in 2006. For 2006, net income amounted to US$214.0 million as compared to a net loss of US$0.8 million in the pro forma 2005 accounts.

Fourth quarter results

Consolidated revenues for the fourth quarter of 2006 amounted to US$387.1 million as compared to US$300.3 million for the third quarter 2006. The increase in revenues mainly reflects higher average dayrate from the mobile units. Operating profit for the fourth quarter was US$78.9 million as compared to US$64.3 million in the third quarter. For the mobile units, the operating profit increased from US$45.1 million in the third quarter to US$47.6 million in the fourth quarter. The increase was mainly related to higher dayrate for West Epsilon. For the tender rigs, the operating profit improved from US$12.5 million in the third quarter to US$20.8 million in the fourth quarter due to increased average dayrate for the tender rigs. Operating profit from well services increased from US$6.7 million in the third quarter to US$10.5 million in the fourth quarter. The increase in operating profit was due to increased activity. Net financial items for the quarter resulted in net financial expenses of US$21.4 million as compared to income of US$0.4 million in the third quarter. Interest expenses amounted to US$26.0 million in the fourth quarter. Income before income taxes was US$57.5 million. Income taxes are calculated to US$0.3 million. Net income for the quarter amounted to US$55.1 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.

Balance sheet

Total current assets decreased from US$986 million in the pro forma balance sheet as of year-end 2005 to US$780 million as of year-end 2006. The decrease represents lower cash and cash equivalents. In the same period, total non-current assets increased from US$4.6 billon to US$5.9 billion. The increase was related to the delivery of the new units West Ceres and West Berani as well as several installment payments in connection with the ongoing construction program.

Total current liabilities decreased from US$931 million in the pro forma balance sheet to US$723 million. The decrease reflects lower short-term interest bearing debt at year-end 2006. Total non-current liabilities increased from US$2.2 billion to US$3.0 billion. The increase was related to new debt and increased drawdown under the existing credit facility due to installments on newbuild projects.

The increase in the minority interests from US$83 million to US$208 million in the balance sheet reflected the proceeds from issuance of equity in Eastern Drilling ASA.

The increase in total shareholders equity was mainly a result of new equity raised through 2006 and the net income for 2006.

Net interest bearing debt amounted to US$2.6 billion at year-end 2006, an increase of approximately US$540 million during the fourth quarter.

Cash flow

At year-end 2006, cash and cash equivalents amounted to US$210.4 million, a decrease of US$160.8 million compared to year-end 2005. In 2006, net cash from operating activities amounted to US$283.9 million. Net investments of US$4,739.5 million were mainly related to the acquisition of the assets in Mosvold Drilling Ltd. and Smedvig asa. In the fourth quarter, the increase in net investments of approximately US$709.1 million was mainly due to installments paid on newbuild projects. Net cash from financing activities for 2006 was US$4,613.3 million reflecting the proceeds from issuance of new equity, a new US$1,200.0 million loan facility as well as the existing debt in Mosvold Drilling Ltd. and Smedvig asa. In the fourth quarter, net cash from financing activities increased by US$303.6 million. The increase is in the main related to proceeds from long-term debt.

Eastern Drilling ASA

Eastern Drilling ASA (Eastern) is an Oslo Stock Exchange (OSE) listed company that has two deepwater drilling units under construction at the Samsung yard in South Korea. In the third quarter, Seadrill increased its ownership interest in the company from 39.7 percent to 60.4 percent and subsequently made a cash offer for all the remaining shares in Eastern at a price of NOK92 per share. The OSE approved the terms of the mandatory offer pursuant to the provisions of the Norwegian Securities Trading Act. Following subsequent complaints from a number of minority shareholders in Eastern, OSE withdrew their approval. The complaints put forward were based on the argument that the Eastern shares acquired by the Oslo based investment bank Carnegie ASA in early April 2006 in order to hedge the risk under a total return swap agreement entered into with Seadrill related to the share price development in Eastern, should have been consolidated with Seadrill’s ownership. The OSE accepted the argument from the minority shareholders and gave Seadrill the option either to reduce its ownership position in Eastern to below 40 percent or alternatively make a revised offer at a higher price. The decision of the OSE was appealed to the Stock Exchange’s Appeals

Committee (SEAC). In December, the SEAC decided to consolidate the combined shareholdings of Seadrill and Carnegie in Eastern as at April 6, 2006 and impose a duty on Seadrill to make a new mandatory bid for all of the outstanding shares in Eastern a decision that has been reiterated and maintained following an appeals process where SEAC elected to disregard OSE's repeated view that the sell-down alternative should be available to Seadrill. The price in the mandatory offer is to be decided by the OSE. Accordingly, OSE has indicated that daily fines of approximately NOK 2 million will be imposed on Seadrill unless or until a mandatory offer is presented. Seadrill strongly disagree with the decision by the SEAC and has decided to bring the matter before the ordinary courts, with a request to nullify the imposed mandatory offer obligation and has instructed its legal advisors to file a lawsuit accordingly.

Aker Drilling ASA
Aker Drilling is an Oslo Stock Exchange listed company that has two deepwater drilling units under construction. In the fourth quarter, Seadrill increased its ownership interest in Aker Drilling and controls 16,030,300 shares corresponding to 17.2 percent of the company.

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 while the ultra-deepwater drillship West Navigator drilled for Shell on the Ormen Lange field offshore Norway.

The ultra-large jack-up West Epsilon completed the operations for BP on the Valhall field in the Norwegian sector of the North Sea in mid-October. The unit subsequently commenced a new three-year contract in Norway with Statoil. The new build jack-up West Ceres continued the drilling operations offshore Nigeria for Total. The jack-up West Larissa continued its operations for Premier Oil Indonesia in Indonesia. The jack-up West Janus was on a contract with Shell for work offshore Sakhalin Island in the first part of the quarter. The unit was then towed via Singapore to Bangladesh for start-up on its current assignment for Cairn. The jack-up West Titania completed its operations in Nigeria in mid December. The unit is currently undergoing a mandatory classification survey.

The FPSO Crystal Ocean continued its employment for Anzon Australia in the fourth quarter. In February 2007, the vessel was sold to Sea Production Ltd. for a total consideration of US$90 million. The FPSO Crystal Sea remained laid-up in India during the quarter. In February 2007, the vessel was sold to BW Offshore Limited for a total consideration of US$80 million (US$60 million in cash and US$20 million in BW Offshore Limited shares).

In addition to operation of Company-owned units, Seadrill are responsible for providing drilling crews and marketing of commercial activities for the Japanese scientific deepwater drillship Chikyu. Chikyu, which is intended for scientific surveys of the seismological zone, will in the period November 2006 to September 2007 be employed in drilling of commercial oil and gas wells. The drillship has had a successful start-up of its drilling operations and has already completed one deepwater well offshore Kenya for Woodside.

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. T7 resumed operations in November after

completing a mandatory five-year classification survey. In Malaysia, the semi-tender West Alliance continued drilling operations for Shell while the semi-tenders West Pelaut and West Setia worked for Shell in Brunei. In December, West Setia commenced drilling of deepwater operations from a spar-platform for Murphy in Malaysia. This is the first time a tender rig has been used in connection with a spar-platform. In West Africa, the barge T8 and the semi-tender West Menang continued operations for Total in Congo. In December, the Company took delivery of a new tender rig named West Berani. The construction was completed on time and budget. The tender rig started operations for Newfield in Malaysia mid January 2007.

In December, the Company was awarded a letter of intent by ConocoPhillips for development drilling offshore Indonesia. The contract has duration of three years with commencement scheduled for fourth quarter 2008/first quarter 2009. The estimated contract value is approximately US$178 million corresponding to an average dayrate of US$163,000. Seadrill has the option to use either West Berani or West Setia for this assignment.

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. Further, 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 UK Continental Shelf, Seadrill performed drilling and maintenance activities for Shell on several platforms including among others Brent Delta, Nelson and Cormorant Alpha. In addition to platform drilling and maintenance, the Company also performs engineering and modification activities. The level of activity for engineering services was high with particular focus on the Statfjord Late Life project and the Shell UK platforms. For the wireline operations in Norway and Denmark, the activity level remained sound.

Operations associated companies
Varia Perdana Bhd.
Varia Perdana Bhd. 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.

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 jack-up rig under construction, and nine onshore drilling rigs. As of December 30, the market value of the Company’s holding in Apexindo was US$170 million as compared to the initial investment of US$53 million.

Newbuild program (including contract awards)
At present, the newbuild program in Seadrill includes four jack-ups, four semi-submersible rigs, one tender rig and two ultra deepwater drillships. The Company has also two deepwater semi-submersible rigs under construction through the consolidated 60.4 percent owned Eastern Drilling ASA and one tender rig under construction through the 49 percent owned Varia Perdana.

Seadrill has since October 1, 2006 secured employment for the following four newbuild projects: West Hercules, West Polaris, West Prospero and West Triton.

The deepwater semi-submersible drilling rig West Hercules has been awarded a contract by Husky Oil China Ltd. for operations on the Chinese continental slope. The contract has a firm duration of three years with a dayrate of US$525,000. Commencement on contract is scheduled in the second quarter 2008 following delivery from yard.

The ultra-deepwater drillship West Polaris has been awarded a contract with Exxon and Ophir Limited. The contract has a firm duration of three years and the agreed dayrate is US$520,000. Commencement is scheduled subsequent to delivery at the end of the second quarter 2008.

The jack-up drilling rig West Prospero has been awarded a letter of intent by ExxonMobil Exploration and Production Malaysia Inc. for operations in Malaysia. The intended contract duration is 400 days at dayrate US$205,000. Start-up of operations is planned in the third quarter 2007 following delivery from yard.

The jack-up drilling rig West Triton was awarded a letter of intent by a consortium of five operators for an assignment in Australia. The intended contract duration is 310 days including mobilization and demobilization periods at an average dayrate of US$274,000. Start-up of operations is scheduled in the first quarter 2008 following delivery from yard.

Rig	Yard	Delivery date	Contract price*	Installments paid as of 4Q 2006
Jack-ups				
West Atlas	Keppel	3Q 2007	US$129 mill.	US$103 mill.
West Triton	PPL	1Q 2008	US$129 mill.	US$39 mill.
West Prospero	Keppel	3Q 2007	US$128 mill.	US$76 mill.
West Ariel	Keppel	2Q 2008	US$132 mill.	US$26 mill.
Tender rig				
T11	MSE	2Q 2008	US$90 mill.	US$16 mill.
Semi-submersibles				
West E-drill	Samsung	1Q 2008	US$502 mill.	US$332 mill.
West Eminence	Samsung	3Q 2008	US$520 mill.	US$191 mill.
West Sirius	Jurong	2Q 2008	US$443 mill.	US$137 mill.
West Taurus	Jurong	4Q 2008	US$451 mill.	US$124 mill.
West Hercules	Daewoo	2Q 2008	US$512 mill.	US$169 mill.
West Aquarius	Daewoo	3Q 2008	US$526 mill.	US$89 mill.
Drillships				
West Polaris	Samsung	2Q 2008	US$478 mill.	US$217 mill.
West Capella	Samsung	4Q 2008	US$478 mill.	US$136 mill.

* Including variation orders and recent riser allocations, but excluding spares, accrued interest expenses, construction supervision and operation preparation and mobilization

As of December 31, 2006, US$1,655 million had been paid on the newbuildings as compared to approximately US$1,276 million at the end of the third quarter 2006. The remaining installments to be paid on newbuildings amount to approximately US$2,863 billion. US$947 million is payable in 2007 and US$1,916 million is payable in 2008. In addition, incurred costs related to capital spares, contract supervision and operation preparation for the newbuilding program totaled approximately US$164 million at the end of the fourth quarter 2006.

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 contract lengths, see the fleet status report on the Company web-site www.seadrill.com.

Market development
The offshore rig market continues to show strength across all categories and classes of mobile offshore drilling units. The volatility in oil prices experienced over the last months has so far not affected the oil companies' demand for offshore drilling units. In addition, although there have been several more newbuild ordered dayrates have continued to increase.

Deepwater Floaters (>5000 ft water)
The number of deepwater newbuilds has increase from 43 units to 45 units. The historic high number of deepwater newbuilds has not adversely affected dayrates. The offshore drillers continue to take advantage of the strong momentum for rig demand by increasing dayrates further as well as tightening the overall contract terms. There is for all practical purposes, no deepwater rig capacity available in 2007 and very limited free deepwater capacity available in 2008 and 2009. Due to the strong market sentiment, dayrates for quality deepwater units have exceeded the US$500,000 dayrate mark.

Premium Jack-ups (>300 ft water)
Dayrate fixtures in the market for premium jack-ups prevail above US$200,000. Some market participants have created uncertainty regarding the market's ability to absorb the significant influx of newbuildings without downward pressure on dayrates. The market has so far maintained its momentum and the Company is confident that growing demand from Australia, India, the Middle East and West Africa will absorb the supply of premium jack-up newbuilds. When it comes to the market for harsh environment heavy-duty jack-ups like the West Epsilon, the North Sea market remains strong.

Jack-ups (<= 300 ft water)
The market development for smaller jack-ups continues to track the market development for premium jack-ups at a discount only reflecting rig specifications and geographic markets. The Company considers itself well positioned to benefit from the strong market sentiment for its older jack-ups and expects its available jack-up West Titania to be back in operation in the second quarter this year.

Tender rigs
The market sentiment for tender rigs is sound and the increased dayrate level for jack-ups has had a positive effect on market dayrates for tender rigs as reflected in the Company's recent three-year fixture in Indonesia. In addition, oil companies continue to enter into term contracts well in advance of commencement, which provides good opportunities to build the order backlog and facilitate further organic growth. The Company expects the favorable market environment to prevail.

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 and the number of units has increased from seven to 34 including 14 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 geographic presence in Southeast Asia, West Africa and the North Sea. The geographic diversity will be expanded to Australia and the US Gulf of Mexico in 2008 as a result of contracts already entered into for some of the units under construction.

The Board is pleased with the contract coverage development for the units under construction. At present, the Company has secured employment for nine of the 14 newbuilds. The assignments have been entered into at continuously improved dayrates and better contractual conditions. The Board remains confident in its view of a strong market and is as such comfortable that employment will be secured for the remaining newbuilds at attractive terms and conditions. Based on existing inquiries, tenders and customer discussions, the Board believes that further term contracts will be signed for the available units during the first six months of this year.

Although the Board is focused on consolidation, the most important objective is to deliver the best possible equity return to shareholders on a medium to long term basis. The solid order backlog presently being built gives Seadrill a unique possibility to leverage its existing assets without adding significant risk. Through a replacement of equity with debt, the return on the remaining equity should increase significantly. At the present Seadrill share price, the Board finds such a strategy to be more rewarding for the shareholders than corporate acquisitions.

The Board and management acknowledge that even though the Company consists of high quality assets already in operations in addition to the newbuilding program, the creation of shareholder value in Seadrill heavily depends on a successful completion of the deepwater newbuilding program. In that respect, the Board and management continue to monitor the progress and development of the newbuild program closely. In general, the newbuild projects are progressing according to plan and only minor adjustments to meet customer specific or region specific requirements have been made to the outfitting on some of the units. All projects are now through the engineering phase and the first units to be delivered are well into the construction phase. It is however still early in the construction schedule and there are still risk attached to the completion of projects going forward. In order to mitigate the risk the supervision teams, in addition to the close dialogue with the yards, are now increasingly screening the delivery schedules from vendors of critical components and the program for the commissioning phase. The Board would like to emphasize that the construction contracts are with the most experienced yards in the offshore industry. Further, the ordered units are based on proven designs and equipped with well-known technology. The construction contracts are fixed-price turnkey and have in the main 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 timely delivery of the newbuilds.

The Board has noticed that the tight market for experienced offshore workers continues to attract attention by most market participants. Seadrill acquired through the takeover of Smedvig access to a large pool of experienced and competent offshore workers. At present, the workforce totals approximately 5,000 people, a sound starting point for development and training of new employees. Over the next two years, the Company will hire further 2,000 people in order to operate the new units. Based on the scale of the existing operations, the Board believes that the Company has adequate time to hire and train the required number of people. The Company will have the most modern and advanced rig fleet in the industry, which should be an attractive proposition for new employees.

The Board aims to optimize the return to shareholders and in that connection continues to explore various alternatives to optimize the leveraging of the assets. Such financial alternatives include among others structures such as Master Limited Partnership and sale and leasebacks. The Board is pleased to report that in January 2007, Seadrill and Ship Finance International Limited agreed its second sale and leaseback arrangement for a jack-up. Under the arrangement, Seadrill sold the jack-up rig West Prospero (Seadrill 4) for a consideration of US$210 million and simultaneously leased the unit for a term of 15 years.

The Board is pleased to see that the operational result from Seadrill's business during 2006 has improved quarter on quarter. This is expected to continue over the next years as a function of more units in operation as well as higher average dayrates for existing units. In addition, the order backlog continues to grow and currently stands at US$4.5 billion. The Board is of the opinion that the combination of the operational cash flow from the existing units and the newbuilding orders placed at favorable terms and delivery positions create a solid basis for the 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.

February 28, 2007
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	3Q06	**4Q06**	4Q05	**2006**	2005
Revenues					
Operating revenues	247.2	**309.9**	18.3	**942.3**	26.6
Reimbursables	21.6	**48.8**	1.2	**109.0**	1.7
Other revenues	31.5	**28.4**	-	**103.3**	-
Total revenues	300.3	**387.1**	19.5	**1,154.6**	28.3
Operating expenses					
Vessel and rig operating expenses	149.6	**197.1**	15.9	**587.8**	23.3
Reimbursable expenses	20.3	**46.7**	1.2	**103.4**	1.7
Depreciation and amortisation	47.0	**42.4**	5.4	**167.6**	12.9
General and adminstrative expenses	19.1	**22.0**	2.7	**69.7**	5.8
Total operating expenses	236.0	**308.2**	25.2	**928.5**	43.7
Operating profit (loss)	**64.3**	**78.9**	**(5.7)**	**226.1**	**(15.4)**
Interest income	2.8	**5.0**	0.6	**14.0**	1.7
Interest expense	(17.2)	**(26.0)**	(0.4)	**(79.8)**	(0.9)
Share of results from associated companies	11.7	**2.7**	3.1	**26.6**	2.7
Other financial items	3.1	**(3.1)**	5.0	**80.0**	6.0
Net financial items	0.4	**(21.4)**	8.3	**40.8**	9.5
Income (loss) before income taxes and minority interest	**64.7**	**57.5**	**2.6**	**266.9**	**(5.9)**
Income taxes	(6.7)	**(0.3)**	(1.4)	**(22.4)**	(1.6)
Minority interest	(1.9)	**(2.1)**	(0.1)	**(30.5)**	(0.1)
Net income (loss)	**56.1**	**55.1**	**1.1**	**214.0**	**(7.6)**
Earnings (loss) per share *(in USD)*	0.15	**0.14**	0.01	**0.61**	(0.04)
Diluted earnings (loss) per share *(in USD)*	0.15	**0.14**	0.01	**0.60**	(0.04)

Condensed Consolidated Segment Information

Mobile Units Division *Unaudited accounts in USD millions*	3Q06	**4Q06**	4Q05	**2006**	2005
Operating revenues	134.0	**178.3**	18.3	**500.0**	26.6
Reimbursables	12.7	**15.5**	1.2	**49.3**	1.7
Other revenues	27.4	**24.3**	-	**88.8**	-
Total revenues	174.1	**218.1**	19.5	**638.1**	28.3
Vessel and rig operating expenses	70.0	**106.1**	15.9	**281.7**	23.3
Reimbursable expenses	11.7	**14.0**	1.2	**45.3**	1.7
Depreciation and amortisation	36.2	**33.6**	5.4	**127.2**	12.9
General and adminstrative expenses	11.1	**16.8**	2.7	**45.3**	5.8
Total operating expenses	129.0	**170.5**	25.2	**499.5**	43.7
Operating profit (loss)	45.1	**47.6**	(5.7)	**138.6**	(15.4)

Tender Rigs Division *Unaudited accounts in USD millions*	3Q06	**4Q06**	4Q05	**2006**	2005
Operating revenues	37.3	**44.9**	-	**154.9**	-
Reimbursables	1.8	**4.4**	-	**9.6**	-
Other revenues	4.1	**4.1**	-	**14.5**	-
Total revenues	43.2	**53.4**	-	**179.0**	-
Vessel and rig operating expenses	16.5	**19.3**	-	**69.4**	-
Reimbursable expenses	1.7	**4.2**	-	**9.2**	-
Depreciation and amortisation	9.1	**7.1**	-	**33.7**	-
General and adminstrative expenses	3.4	**2.0**	-	**10.0**	-
Total operating expenses	30.7	**32.6**	-	**122.3**	-
Operating profit	12.5	**20.8**	-	**56.7**	-

Well Services Division *Unaudited accounts in USD millions*	3Q06	**4Q06**	4Q05	**2006**	2005
Operating revenues	75.8	**86.7**	-	**287.4**	-
Reimbursables	7.2	**28.9**	-	**50.0**	-
Total revenues	83.0	**115.6**	-	**337.4**	-
Operating expenses	63.1	**71.7**	-	**236.7**	-
Reimbursable expenses	7.0	**28.4**	-	**48.8**	
Depreciation and amortisation	1.8	**1.8**	-	**6.6**	-
General and adminstrative expenses	4.4	**3.2**	-	**14.5**	-
Total operating expenses	76.3	**105.1**	-	**306.6**	-
Operating profit	6.7	**10.5**	-	**30.8**	-

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	**31.12.06**	**31.12.05**
Current assets		
Cash and cash equivalents	**210.4**	49.6
Receivables	**463.5**	24.0
Other investments	**105.9**	302.3
Total current assets	**779.8**	375.9
Non-current assets		
Investment in associated companies	**238.1**	152.8
Other non-current assets	**46.1**	2.8
Newbuildings	**2,027.4**	439.3
Drilling units	**2,293.3**	178.2
Goodwill	**1,284.2**	-
Total non-current assets	**5,889.1**	773.1
Total assets	**6,668.9**	**1,149.0**
Current liabilities		
Short-term interest bearing debt	**255.4**	137.4
Other current liabilities	**465.3**	33.2
Total current liabilities	**720.7**	170.6
Non-current liabilities		
Deferred taxes	**227.8**	-
Long-term interest bearing debt	**2,559.3**	176.8
Other non-current liabilities	**195.4**	-
Total non-current liabilities	**2,982.5**	176.8
Minority interest	**208.0**	1.4
Shareholders' equity		
Paid-in capital	**2,449.8**	725.3
Retained earnings	**307.9**	74.9
Total shareholders' equity	**2,757.7**	800.2
Total shareholders' equity and liabilities	**6,668.9**	**1,149.0**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	**2006**	**2005**
Cash flow from operating activities		
Net income	**214.0**	(7.6)
Adjustement to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	**167.6**	12.9
Gains on disposals of other investments	**(83.6)**	(0.8)
Share of results from associated companies	**(26.6)**	(2.7)
Change in working capital	**12.5**	9.4
Net cash from operating activities	**283.9**	**11.2**
Cash flow from investing activities		
Acquisition of goodwill	**(1,284.2)**	(19.1)
Acquisition of fixed assets	**(3,908.8)**	(268.8)
Disposal of fixed assets	**308.8**	48.7
Purchase of associated companies	**(162.9)**	(31.4)
Cash flow from other investments	**307.6**	14.6
Net cash from investing activities	**(4,739.5)**	**(256.0)**
Cash flow from financing activities		
Proceeds from debt	**3,497.9**	255.6
Repayment of debt	**(654.0)**	(169.1)
Proceeds from issuance of equity	**1,724.4**	207.9
Contribution by minority interest	**45.0**	-
Net cash from financing activities	**4,613.3**	**294.4**
Effect of exchange rate changes on cash equiv.	**3.1**	**-**
Net change in cash and cash equivalents	**160.8**	49.6
Cash and cash equivalents at beginning of year	**49.6**	**-**
Cash and cash equivalents at end of period	**210.4**	**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 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	308.0	1,416.4			1,724.4
Transfer of profit and loss accounts			(82.4)		(82.4)
Unrealised gain			0.0		0.0
Net income for the period				214.0	214.0
Share-based payments				9.6	9.6
Minority interest				26.5	26.5
Other				65.4	65.4
Balance at 31 December, 2006	**766.3**	**1,683.5**	**0.0**	**307.9**	**2,757.7**

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 for Seadrill, inclusive Mosvold Drilling Ltd., Smedvig asa and Eastern Drilling ASA. The pro forma statements include figures of Mosvold, Smedvig and Eastern Drilling as if the acquisitions were made with effect from January 1, 2005.

Condensed Pro forma Consolidated Income Statements

Unaudited accounts in USD millions	**Actual 4Q06**	Pro forma 4Q05	**Actual 2006**	Pro forma 2005
Revenues				
Operating revenues	**309.9**	197.7	**942.3**	658.1
Reimbursables	**48.8**	16.0	**109.0**	54.1
Other revenues	**28.4**	28.4	**103.3**	122.1
Total revenues	**387.1**	242.1	**1,154.6**	834.3
Operating expenses				
Vessel and rig operating expenses	**197.1**	135.5	**587.8**	446.0
Reimbursable expenses	**46.7**	15.1	**103.4**	51.7
Depreciation and amortisation	**42.4**	45.2	**167.6**	170.2
General and adminstrative expenses	**22.0**	16.5	**69.7**	49.5
Total operating expenses	**308.2**	212.3	**928.5**	717.4
Operating profit	**78.9**	**29.8**	**226.1**	**116.9**
Interest income	**5.0**	3.6	**14.0**	7.0
Interest expense	**(26.0)**	(29.1)	**(79.8)**	(104.7)
Share of results from associated companies	**2.7**	2.9	**26.6**	8.4
Other financial items	**(3.1)**	(2.5)	**80.0**	(9.4)
Net financial items	**(21.4)**	(25.1)	**40.8**	(98.7)
Income before income taxes and minority interest	**57.5**	**4.7**	**266.9**	**18.2**
Income taxes	**(0.3)**	(5.5)	**(22.4)**	(19.0)
Minority interest	**(2.1)**	-	**(30.5)**	-
Net income	**55.1**	**(0.8)**	**214.0**	**(0.8)**

Condensed Consolidated Pro forma Segment Information

Mobile Units Division *Unaudited accounts in USD millions*	**Actual** **4Q06**	**Pro Forma** 4Q05	**Actual** **2006**	**Pro Forma** 2005
Operating revenues	**178.3**	91.5	**500.0**	286.0
Reimbursables	**15.5**	6.2	**49.3**	14.8
Other revenues	**24.3**	24.3	**88.8**	97.2
Total revenues	**218.1**	122.0	**638.1**	398.0
Vessel and rig operating expenses	**106.1**	65.3	**281.7**	188.4
Reimbursable expenses	**14.0**	5.5	**45.3**	13.6
Depreciation and amortisation	**33.6**	33.1	**127.2**	125.7
General and adminstrative expenses	**16.8**	10.8	**45.3**	29.0
Total operating expenses	**170.5**	114.7	**499.5**	356.7
Operating profit	**47.6**	7.3	**138.6**	41.3

Tender Rigs Division *Unaudited accounts in USD millions*	**4Q06**	**Pro Forma** 4Q05	**2006**	**Pro Forma** 2005
Operating revenues	**44.9**	41.1	**154.9**	138.7
Reimbursables	**4.4**	1.5	**9.6**	7.7
Other revenues	**4.1**	4.1	**14.5**	16.4
Total revenues	**53.4**	46.7	**179.0**	162.8
Vessel and rig operating expenses	**19.3**	18.6	**69.4**	63.0
Reimbursable expenses	**4.2**	1.4	**9.2**	7.4
Depreciation and amortisation	**7.1**	10.1	**33.7**	37.5
General and adminstrative expenses	**2.0**	2.6	**10.0**	9.3
Total operating expenses	**32.6**	32.7	**122.3**	117.2
Operating profit	**20.8**	14.0	**56.7**	45.6

Well Services Division *Unaudited accounts in USD millions*	**4Q06**	**Pro Forma** 4Q05	**2006**	**Pro Forma** 2005
Operating revenues	**86.7**	65.1	**287.4**	233.4
Reimbursables	**28.9**	8.3	**50.0**	31.5
Total revenues	**115.6**	73.4	**337.4**	264.9
Vessel and rig operating expenses	**71.7**	51.6	**236.7**	194.5
Reimbursable expenses	**28.4**	8.2	**48.8**	30.8
Depreciation and amortisation	**1.8**	2.0	**6.6**	7.0
General and adminstrative expenses	**3.2**	3.1	**14.5**	11.1
Total operating expenses	**105.1**	64.9	**306.6**	243.4
Operating profit	**10.5**	8.5	**30.8**	21.5

Condensed Consolidated Pro forma Balance Sheets

Unaudited accounts in USD millions	**Actual 31.12.06**	**Pro Forma 31.12.05**
Current assets		
Cash and cash equivalents	**210.4**	529.8
Receivables	**463.5**	154.1
Other investments	**105.9**	302.2
Total current assets	**779.8**	**986.1**
Non-current assets		
Investment in associated companies	**238.1**	250.1
Other non-current assets	**46.1**	57.6
Newbuildings	**2,027.4**	832.3
Drilling units	**2,293.3**	2,143.5
Goodwill	**1,284.2**	1,284.3
Total non-current assets	**5,889.1**	**4,567.8**
Total assets	**6,668.9**	**5,553.9**
Current liabilities		
Short-term interest bearing debt	**255.4**	617.2
Other current liabilities	**465.3**	314.2
Total current liabilities	**720.7**	**931.4**
Non-current liabilities		
Deferred taxes	**227.8**	213.9
Long-term interest bearing debt	**2,559.3**	1,761.6
Other non-current liabilities	**195.4**	264.9
Total non-current liabilities	**2,982.5**	**2,240.4**
Minority interest	**208.0**	**83.4**
Shareholders' equity		
Paid-in capital	**2,449.8**	2,403.1
Retained earnings/other equity	**307.9**	-104.4
Total shareholders' equity	**2,757.7**	**2,298.7**
Total shareholders' equity and liabilities	**6,668.9**	**5,553.9**