Seadrill Limited (SDRL) - Fourth quarter and preliminary 2008 results

Highlights

- Seadrill generates EBITDA*) of US$226 million for the fourth quarter 2008
- Seadrill reports net loss of US$739 million and loss per share of US$1.86 for the fourth quarter 2008
- Seadrill takes delivery of three newbuilds (one drillship and two semi-submersible units)
- Seadrill signs three and five year contracts for the semi-tenders West Pelaut and West Vencedor, respectively
- Seadrill takes US$615 million in write downs related to the ownership holdings in Pride, Scorpion and SapuraCrest
- Seadrill books mark-to-market losses on interest rate swaps of approximatelyUS$160 million
- Seadrill has taken delivery of seven out of eight deepwater units scheduled for delivery in 2008
- Seadrill has since October received more than US$2 billion from various financing facilities and thereby secured a fully funded Company when entering into 2009.

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

Condensed consolidated income statements

Preliminary results 2008

Consolidated revenues for 2008 amounted to US$2,186 million as compared to US$1,676 million in 2007. The increase in revenues reflects that several newbuilds including two semi-submersible drilling rigs, one drillship, two jack-ups and one tender rig were delivered and started operations through the year. Further, a number of units commenced new contracts at higher dayrates than previously. In addition, Well Services increased their overall activities through existing contracts and customer base as well as acquisitions completed 2008.

Fourth quarter results

Consolidated revenues for the fourth quarter of 2008 amounted to US$579 million as compared to US$566 million for the third quarter. Operating profit for the fourth quarter was US$153 million, a decrease of approximately US$20 million from previous quarter. The fourth quarter operating profit for Mobile Units was US$98 million as compared to US$126 million in the preceding quarter. The reduction was mainly a consequence of three jack-ups being idle in the latter part of the quarter. The commencement of operations for the ultra-deepwater newbuilds West Hercules and West Polaris partly offset this reduction. The operating profit from the Tender Rigs amounted to US$41 million, which was an increase of US$7 million compared to the preceding quarter. This improvement was due to the tender rig T4 having a full quarter in operation after completing a mandatory yard-stay early third quarter as well as escalations of dayrates for some units. Operating profit from Well Services totaled US$14 million, which was unchanged from the preceding quarter in US dollar terms. However, earnings measured in local currencies increased in the quarter.

Net financial items for the quarter resulted in a loss of US$847 million. This includes an impairment charge related to financial assets amounting to US$615 million and refers to the shares and forwards in Pride International Inc., Scorpion Offshore Limited and SapuraCrest Bhd. As such, these shares and forward contracts have been written down to the market value as of December 31, 2008. As of September 30, 2008, the Company had written down US$80 million against equity (other comprehensive income) related to the holdings in Pride International Inc.

Interest expense increased from US$26 million in third quarter to US$42 million in fourth quarter. This reflects higher interest bearing debt as well as less interest expenses being capitalized as several newbuilds have commenced operations. The share of results from associated companies amounted to a loss of US$12 million. The adverse contribution is caused by an impairment charge in the Scorpion Offshore Limited accounts. Other financial items resulted in a loss of US$189 million. This is primarily related to mark-to-market valuation of interest swap agreements, which amounted to a loss of approximately US$160 million. In addition, the Company recorded a US$35 million loss associated to total return swap agreements in its own shares

Income taxes amounted to US$19 million, which was a decrease of US$3 million from the preceding quarter.

Net loss for the quarter amounted to US$739 million corresponding to loss per share of US$ 1.86.

Balance sheet
Total assets increased from US$9,293 million at year-end 2007 to US$12,305 million as of December 31, 2008.

Total current assets decreased from US$1,697 million to US$1,664 million in the same period. The decrease primarily reflects lower cash and cash equivalents partly offset by an increase in other current assets. Marketable securities consist of shares and forward contracts in Pride International Inc. and were reduced following the impairment mentioned above. Total non-current assets increased from US$7,596 million to US$10,641 million. The increase was a consequence of further installments paid under construction contracts for new drilling units as well as drilling units delivered.

Total current liabilities increased from US$1,155 million at year-end 2007 to US$2,058 million as of December 31, 2008. The increase mainly reflected future obligations to settle share forward transactions. Short-term interest bearing debt increased by US$262 million from previous year. Long-term interest bearing debt increased from US$4,116 million to US$6,691 million. The increase is mainly related to financing of the delivered units including the sale and leaseback arrangements with Ship Finance Limited. Net interest bearing debt amounted to US$6,434 million an increase of US$2,847 million from year-end 2007.

The minority interests increased during the year from US$105 million to US$538 million. New drilling units financed through sale and leaseback arrangements with Ship Finance Limited accounted for the majority of this increase accompanied by higher minority interest related to Seawell Limited following the reduction in ownership interest from 80 percent to 74 percent in Seawell.

The total shareholders' equity decreased from US$3,623 million to US$2,684 million mainly due to net loss for the year and paid dividend.

Cash flow
As of December 31, 2008, cash and cash equivalents amounted to US$657 million, a decrease of US$356 million as compared to year-end 2007. For the year, net cash from operating activities was US$284 million. In the same period, investments in fixed assets totaled US$2,812 million. Net cash from investing activities amounted to US$3,454 million while net cash from financing activities was US$2,814 million.

Interest bearing debt
Seadrill had as of year-end 2008 a total interest bearing debt of US$7,437 million and US$582 million in undrawn financing under existing facilities. For a detailed overview of the various loans, credit facilities and bonds including repayment and maturity schedules, reference is made to Appendix 1.

In the latter part of 2008, the Company has taken the opportunity to enter into several interest swap agreements in order to lock in favorable long-term interest rates. As of year-end 2008, approximately 55 percent of the total outstanding interest bearing debt had fixed interest rate. The majority of these agreements is subject to mark-to-market valuation and due to lower US interest rates at year-end 2008 a charge of approximately US$160 million was made to the income statement in the fourth quarter results.

Subsequent to year-end, the company has entered into further interest swap agreements for additional debt of US$600 million.

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 percent payable semi-annually and a conversion price of US$32.33 per share.

Outstanding shares
As of year-end 2008, issued shares in Seadrill Limited totaled 399,133,216. The Company currently holds 717,800 own treasury shares, which were at the same level as at end of the third quarter. The Company had 6,092,800 options outstanding under the management share incentive program out of which 1,736,433 are vested and exercisable. The current stock price is below the lowest strike price for the majority of the options.

For the fourth quarter 2008, the weighted average number of shares outstanding was 398,415,416 as compared to 398,127,978, 398,185,808 and 398,301,208, in the first, second and third quarter 2008, respectively. The average number of outstanding shares for the year was 398,247,603.

Total Return Swaps
In November, Seadrill agreed an early termination of the total return swap agreements with Carnegie Investment Bank AB Norway Branch. The agreements had 4,500,000 Seadrill Limited shares as underlying security with an average reference price of NOK154.3 per share. Simultaneously, Seadrill entered into a total return swap agreement with DnB NOR Markets with an equal number of Seadrill Limited shares as underlying security and an agreed initial reference price of NOK56.7 per share with expiry on February 12, 2009. On February 12, 2009, the total return swap agreement with DnB NOR Markets was extended with a new reference price of NOK61.3 per share with expiry on August 17, 2009. At close of business February 25, 2008, the Seadrill share price was NOK52.2.

In the fourth quarter results, the Company has expensed US$35 million related to the total return swap agreements under other financial items.

Organization
In December, Seadrill took the opportunity to strengthen the corporate management team in Seadrill Management AS when Per Wullf was appointed Executive Vice President and Chief Operating Officer. Mr. Wullf has 28 years of experience in the drilling industry and has held senior technical, commercial, and operational positions in Maersk Drilling in Denmark and internationally, most recently as Managing Director of Maersk Drilling in Norway.

Operations
Mobile units
Seadrill had 14 mobile rigs in operation throughout or part of the fourth 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 worked for Devon Energy. In Brazil the new deepwater drillship, West Polaris commenced operations for Exxon in October. In China, the newbuild deepwater semi-submersible rig West Hercules started operations for Husky early November. In Africa, the jack-up West Ceres completed operations for Tullow early December and is currently warm stacked in Ghana. In Southeast Asia, the jack-ups West Janus and West Prospero worked in Malaysia for Petronas and Talisman respectively whereas the jack-up West Larissa drilled for VietsoPetro (VSP) in Vietnam. West Prospero completed its operations late November and after a leg extension to 400ft the unit is currently warm-stacked in Singapore. The jack-up West Ariel completed its operation from PTT early November and was subsequently moved to Vietnam. Commencement on the contract for VSP was originally planned late November, but due to rough weather conditions in the region caused by the monsoon season, the rig did not start operation before mid January. 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. West Triton completed its contract in Australia early February and is currently being moved to Singapore where the unit will be warm stacked.

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 and the semi-tender West Setia was on contract with Murphy. The semi-tender West Berani completed the contract with Newfield and its assignment to Nippon end of December and started on a new contract with ConocoPhillips in Indonesia. In Brunei, the semi-tender West Pelaut continued operations for Shell. In West Africa, the tender barge T8 and the semi-tender West Menang worked 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 fourth quarter and increasing from the preceding quarter.

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

SapuraCrest Bhd
Seadrill owns 288,364,800 shares in the Malaysian oil service provider SapuraCrest Bhd that corresponds to an ownership interest of 24.6 percent. SapuraCrest owns among other things 51 percent of Varia Perdana Bhd. Based on the closing price on February 25, 2008 on the Malaysian Stock Exchange, Seadrill's holding in SapuraCrest has a gross value of some US$59 million. The SapuraCrest investment has been written down to reflect the market price as of December 31, 2008 of US$0.2 per share.

Scorpion Offshore Limited.
Scorpion is a Bermuda registered company listed on the Oslo Stock Exchange that owns and operates five jack-ups and has two jack-ups under construction. Seadrill directly and indirectly controls 39.6 percent of the outstanding shares through forward contracts for 22,192,500 shares and direct ownership of 1,635,592 shares. The average strike price per share for the forward contracts was at year-end US$2.42. Based on closing share price on February 25, 2008, Seadrill's exposure has a gross value of some US$59 million. The Scorpion investment has been written down to reflect the market price as of December 31, 2008 of US$2.2 per share.

Other strategic investments
Pride International Inc.
Seadrill directly and indirectly controls 9.5 percent in the offshore drilling company Pride International Inc. listed on the New York Stock Exchange through forward contracts for 16,300,000 shares and direct ownership in 200,000 shares. The current average strike price per share on the forward contracts is US$35.26. Based on closing share price on February 25, 2008, Seadrill's exposure has a gross value of some US$284 million. The Pride Investment has been written down to reflect the market price as of December 31, 2008 of US$15.98 per share.

New contracts and dayrates
Seadrill has since last reporting entered into two tender rig contracts and received an extension note from StatoilHydro for the semi-submersible rig West Venture.

In December, Seadrill was awarded a three-year contract extension by Brunei Shell Petroleum for the tender rig West Pelaut. Commencement on the new contract is in April 2009 in direct continuation of the existing contract. The agreed dayrate for the extension is US$140,000.

Further in December, Seadrill also was awarded a new five-year contract by Cabinda Gulf Oil Company Ltd (Chevron) for development drilling offshore Angola with the semi-tender rig West Vencedor. The rig is currently under construction and will commence the new contract in the first quarter 2010, subsequent to delivery from the yard. The agreed dayrate is in the order of US$200,000.

In February, StatoilHydro extended the contract for the semi-submersible rig West Venture by one year. The contract with StatoilHydro for operation in the North Sea extends throughout July 2010 at a dayrate of US$248,000. StatoilHydro has a right to extend the contract for one more year.

For more detailed information regarding dayrates and contract durations including minor changes to dayrate levels and duration profiles, see the fleet status report or news releases on the Company's web site www.seadrill.com.

Newbuild program
Seadrill has since October taken delivery of four ultra-deepwater units.

In October, the semi-submersible rig West Hercules was delivered from the DSME shipyard in Korea and commenced operations for Husky in China early November. The same week, the semi-submersible rig West Taurus was delivered from Jurong Shipyard in Singapore. West Taurus commenced its drilling assignment in Brazil with Petrobras earlier this month.

Ultimo December, the ultra-deepwater drillship West Capella was delivered from Samsung Heavy Industries in South Korea. The drillship is currently en route to Nigeria in West Africa to commence operations under a five-year contract with Total. Start-up of drilling operation is expected late March.

In mid January, Seadrill took delivery of the ultra-deepwater semi-submersible drilling rig West Aquarius from the DSME shipyard. The unit was subsequently moved to Indonesia where it earlier this month commenced drilling operations under a four-year contract with ExxonMobil for worldwide exploration activities.

Following these deliveries, the remaining newbuild program includes 11 units of which one ultra-deepwater drillship, three ultra-deepwater semi-submersible rigs, three tender rigs and four jack-ups. The delivery schedule is one unit in March 2009, eight newbuilds in 2010 and two in 2011.

In January, Seadrill has agreed with the PPL Shipyard and Keppel FELS to make certain amendments to the construction agreements for four new jack-ups entered into in June last year. Seadrill initially ordered two jack-ups at the PPL Shipyard and two jack-ups at Keppel FELS for delivery scheduled in 2010. In the amendments to the existing contracts, the yards have agreed to postpone all remaining milestone payments for the second units to be built at both yards until delivery and revise the milestone payment schedule for the first two units. Seadrill has agreed to issue corporate guarantees for the remaining installments on the first two units, however, no corporate guarantees have been provided for payments of the second units at the yards. As such, the construction of all four newbuilds will continue under the project supervision of the current project teams sponsored by Seadrill. The postponements have shifted US$96 million from 2008 and US$197 from 2009 into 2010.

Seadrill has in addition had amicable discussions with the yards regarding the milestone payment schedules for the deepwater units with delivery in 2010 and 2011. The outcome of these discussions have resulted in US$108 million and US$193 million of installments, originally due in 2008 and 2009 respectively, being moved to 2010 and 2011.

For an overview of the yard installment schedule on the remaining newbuilds, see Appendix 2.

Market development
The significant drop in oil and gas prices from the record levels experienced early 2008 together with the ongoing credit crunch are impacting the activity levels in most rig segments as several of the drilling programs that are in the planning phase are likely to be less

profitable under the current market conditions. This setback has caused a drop in activity level for jack-ups and also reduced activities for conventional floating drilling units. The ultra deepwater market has so far not been affected due to the limited supply of such rigs in the near term. The more favorable outlook for ultra-deepwater rigs is also supported by most oil companies' strong belief in higher oil and gas prices in the longer term as well as a need to improve reserve replacement ratios based on sound long-term demand for energy.

Deepwater Floaters (>5,000 ft water)
The numbers of tenders for ultra-deepwater rig capacity have decreased in response to the growing uncertainty regarding the development of the global economy and near term oil and gas prices. Consequently, there have been few fixtures since our last reporting in November. Although most oil companies are bullish on higher energy prices in the longer term picture, many of them seems to have opted for a wait-and-see strategy. The majority of the smaller and medium sized independent oil companies are holding back on spending whereas the national oil companies and some of the super majors with strong balance sheets continue to be more aggressive in securing ultra-deepwater capacity for long-term development programs.

Looking at the demand/supply balance for deepwater units, there are limited available supply in 2009 and 2010 for both drillships and semi-submersible drilling rigs. As such, the market for individual ultra-deepwater units is considered attractive also in the current environment. So far, 13 deepwater newbuilds have been delivered. There is still a large number of units under construction, which currently counts 84 (42 drillships and 42 semi-submersibles) of which 57 have existing contracts. The ongoing financial turmoil is however expected to create a more challenging environment for financing and completion of such projects. This could result in some projects being either cancelled or postponed. Such postponements or cancellations are expected to only tighten the demand supply situation further and preserve a strong market outlook. However, there is some concern linked to the fact that more than 10 units scheduled for delivery in 2011 and 2012 have been ordered on a speculative basis by smaller players with limited operational experience. The Company has no open deepwater capacity available before second half 2010. Seadrill has already an ongoing dialog with several customers about the units expected to be available in 2010 and 2011.

Premium Jack-ups (>300 ft water)
The market for jack-ups has a more short-term nature as the majority of assignments have duration from three to 12 months and wells often are tiebacks to existing infrastructure. The market is also much more fragmented on the customer side, and debt-leverage and break-even oil price for the marginal projects are higher on average. As a result, the market for jack-ups has felt the drop in oil and gas prices together with the credit crunch in the short-term picture harder than the other rig segments. The number of units that are stacked has increased significantly over the last months and drilling programs are being rescheduled or postponed. In addition to the existing fleet, there are also a significant order book for new jack-ups that currently stands at 72 units (compared to 83 in November adjusted for 11 deliveries, two new orders and two cancellations) of which 33 are scheduled for delivery this year. This adds further uncertainty to the short-term market development for this segment. In the medium term, operators are expected to replace older and incumbent drilling units with newer ones due to wells being increasingly more technically challenging and consequently more demanding with respect to rig equipment. This replacement could however take more time than previously anticipated given the prevailing economic environment.

Tender rigs
In December, the tender rig market saw two term fixtures at premium dayrates. The fact that tender rigs primarily are doing development drilling is making this market segment more resilient to the overall cutbacks in activities seen for jack-ups especially. Historically, the contract duration for tender rigs has been longer term and with contracts entered into well in

advance of commencement. Seadrill remains of the opinion that the long-term outlook for tender rigs remains sound and expects that the market will continue to offer opportunities to build additional order backlog and earnings visibility. Nevertheless, the current market environment for oil and gas products is influencing our customers' activity level and has introduced some near-term uncertainty.

Corporate strategy

Assets base

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.

Seadrill has since the incorporation in May 2005 grown its fleet to 43 units out of which 26 units are newbuild. In 2006 and 2007, Seadrill put five new shallow water rigs into work, three jack-ups and two tender rigs. In addition to this and running the ongoing operations with 17 rigs, focus was on construction supervision, marketing of new rigs, financing the growth and building an organization with international reach. In 2008 and 2009, Seadrill has taken delivery from Asian yards of seven ultra-deepwater units in addition to two jack-ups and one tender rig. The eighth ultra-deepwater unit will be delivered within a few weeks. This is shifting the profile and focus of the Company from construction activities to operational excellence. Seadrill has following the last deliveries the most advanced floater fleet in the industry with presence in all the important oil and gas regions including Gulf of Mexico, Brazil, West Africa, North Sea and Southeast Asia.

In connection with the start-up of the new units, the Company has clear targets regarding the initial economic utilization rate. The target for the deepwater newbuilds is 90 percent during the first year of operation, starting with a lower utilization rate and gradually improving. In the first months of operation, the rigs are likely to experience start-up problems linked to fine-tuning of the drilling package and the subsea equipment. On average, the utilization was in the low 80's for the three new deepwater rigs that were in operations in the fourth quarter. The main contributing factor to such low utilization was the drillship West Polaris, which after a fast track mobilization to accommodate the needs of the client, experienced BOP equipment challenges during the initial phase of the drilling. However, the Company has during the first quarter this year, seen the performance improving and going forward expecting the utilization rate to increase towards the target. After the first year of operation, the rigs should have a utilization rate in line with Seadrill's existing floaters, which in the fourth quarter achieved 97 percent.

Order Backlog and market outlook

Seadrill has built an order backlog of some US$12.7 billion out of which US$10.3 billion is related to the semi-submersible units and drillships. In addition to strong visibility and dayrates levels, the Company's order backlog also has a mix of customers with strong credit ratings and is based on contracts with overall terms and conditions that should provide resilience in today's market. At present, the average contract length of the Company's deepwater capacity is 45 months. The first available deepwater unit is the newbuild drillship West Gemini which will be available in the second half of 2010. For the shallow water capacity, the average contract length for the units in operation is 47 months for the tender rigs and 11 months for the jack-ups. There is one tender rig that will complete its existing contracts in May. There are ongoing discussions with customers regarding new employment for this unit, however, it may be challenging to enter into a new contract in direct continuation of the current. Seadrill currently have three modern jack-ups warm-stacked that are available for contract with immediate start-up, one 300ft jack-up in Ghana and two 400ft jack-ups in the Singapore area. The Company is working with several leads in order to have the units back in operation in the not too distant future. Nevertheless, near term market outlook for jack-ups remains uncertain, and the shareholders should expect that these units will suffer from a low utilization in the coming quarters. The Company will, however, take measures to reduce the cost in this situation.

For the deepwater floaters and tender rigs, the Company continue to believe in a sound demand for such units in spite of the recent lack of fixtures and slowdown in tendering activities. The stronger US dollar in combination with the drop in steel price and order books at yards as well as 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 in the longer term.

Financing
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 and increase the return on the remaining equity significantly.

Seadrill completed in the third quarter last year the major remaining part of its needed financing by closing a two deepwater rig lease financing of US$1.7 billion. A US$1 billion bridge facility is part of the Company's overall funding portfolio. This bridge will mature in May 2010 and is secured with three deepwater units fixed on long-term contracts. The Company is in the process of refinancing the bridge loan with long-term facilities and substantial progress is being made. Should, however, an unforeseen delay occur to accomplish such refinancing within final maturity of the bridge, the Company is confident that based on the strong cash generating capacity going forward and the very good dialogue with the key relationship banks which are funding the bridge, it will get support to extend the bridge facility until a refinancing is concluded.

The Company will in 2010 have two deepwater units, one jack up and two tender rigs free of any liens and available as collateral for additional financing facilities.

Seadrill is well within the financial covenants related to its funding arrangements also after the write-down of the strategic investments.

Dividend
When the two deepwater newbuilds, West Orion and West Gemini, have been delivered in 2010, Seadrill will be in a very strong financial position. The Company's cash flow from operation of already secured contracts will at that time significantly outpace capital expenditures, interest and debt repayment. This will provide the basis for a strong dividend going forward.

The capacity to pay a dividend prior to this will depend on the Company's ability to generate additional liquidity from financing assets which are unincumbered or have a low leverage. The Board will work with a target of restating the dividend in 2009, but this will largely be dependent on improvement in the financing markets and acceptance from the existing banks. The increased number of attractive business opportunities particularly in the corporate market might also lead to a slightly reduced focus on short-term dividend, however, in the medium to long term a high dividend is a key part of Seadrill's business strategy.

Strategic investments
An important part in Seadrill corporate history has been to grow the Company through taking strategic positions in other drilling companies where good value proposition has been identified. As part of this strategy Seadrill has acquired companies like Smedvig asa,

Mosvold Offshore Limited, Odfjell Invest Limited and Eastern Drilling ASA. In addition, Seadrill has realized profits from buying and later disposing shareholdings in Ocean Rig ASA, PT Apexindo and Aker Drilling ASA.

Seadrill currently hold similar investments in Pride International Inc, Scorpion Offshore Limited and SapuraCrest Bhd that are considered strategic investments. The share prices for these companies have since the ownership positions were acquired dropped significantly. Seadrill has therefore in accordance with prevailing US generally accepted accounting principles decided to adjust the book values of these financial assets at year-end 2008 and charge US$615 million to the fourth quarter 2008 income statement. However, the accounting treatment bears no change to the strategic nature of these holdings. Seadrill continues to see the investments in these companies as attractive long-term strategic investments. All three companies have a strong cash flow and a good composition of assets which matches the asset profile of Seadrill. All companies are in addition trading at a significant discount to the underlying value of their assets.

Outlook

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

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 is a serious challenge and 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 reserve replacement rates to a large extent are made in deep and ultra-deep 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 and gas prices 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 offshore drillers. Seadrill is with an order backlog of US$12.7 billion and an average contract length of 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 papers in general trade at a huge discount to underlying asset pricing. This limits Seadrill's 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 stronger US dollar and the deteriorating global economy ease the cost pressure in the industry and contribute positively to an improved margin on the existing contracts.

Seadrill is entering a new era where the operational cash flow is expected to significantly exceed the Company's capital expenditure program. Three deepwater units have already commenced operations this year and one drillship will commence operation next month. Furthermore, several of the existing units will commence new contracts at higher dayrates than in previous quarters. The result for the first quarter 2009 is likely to confirm Seadrill's strong growth in operating earnings. However, the jack-up fleet will continue to suffer from significant downtime, which may continue for several quarters due to idle and stacked rigs. Furthermore, the first quarter 2009 results will be impacted by downtime for the deepwater semi-submersible rig West Sirius of in total 40 days as a consequence of BOP repairs and a planned change-out of the top-drive.

The Board wants to honor the administration and staff for completing the most challenging newbuilding program ever carried out in the offshore field in a very professional way. The Board expects that the operation of the rigs will show similar high standards in safety, cost efficiency and regularity. The Board is particularly pleased to see the solid operational performance of the Company's current North Sea assets as well as continued high performance in the tender rig division.

The Board is very confident in its outlook for the Company's operation and expects a strong increase in earnings over the next quarters.

Forward Looking Statements

This report 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 newbuilds or existing assets 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.

February 26, 2009
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

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

Condensed Consolidated Income Statements

Unaudited accounts in USD millions	3Q08	**4Q08**	4Q07	**2008**	2007
Revenues					
Operating revenues	517,2	**517,7**	381,0	**1 867,8**	1 318,5
Reimbursables	30,2	**49,1**	43,3	**163,5**	146,6
Other revenues	18,8	**11,7**	21,8	**154,6**	211,2
Total revenues	566,2	**578,5**	446,1	**2 185,9**	1 676,3
Operating expenses					
Vessel and rig operating expenses	270,7	**273,3**	218,0	**1 021,6**	755,5
Reimbursable expenses	28,9	**47,9**	40,8	**156,6**	139,4
Depreciation and amortisation	60,4	**72,6**	48,7	**233,2**	182,9
General and adminstrative expenses	32,6	**31,3**	28,4	**125,8**	109,8
Total operating expenses	392,6	**425,1**	335,9	**1 537,2**	1 187,6
Operating profit	**173,6**	**153,4**	**110,2**	**648,7**	**488,8**
Interest income	4,8	**10,6**	13,4	**30,9**	23,6
Interest expense	(25,9)	**(42,0)**	(38,0)	**(130,0)**	(112,7)
Share of results from associated companies	11,5	**(11,6)**	5,2	**15,6**	23,2
Other financial items	(61,2)	**(188,5)**	15,2	**(49,8)**	(36,2)
Impairement loss - financial assets		**(615,0)**		**(615,0)**	
Net financial items	(70,8)	**(846,5)**	(4,2)	**(748,3)**	(102,1)
Income (loss) before income taxes and minority interest	**102,8**	**(693,1)**	**106,0**	**(99,6)**	**386,7**
Income taxes	(21,7)	**(19,2)**	108,2	**(48,3)**	78,3
Minority interest	(11,8)	**(19,4)**	(5,2)	**(41,7)**	(13,0)
Gain on issuance of shares by subsidiary	0,0	**(7,5)**	50,0	**(7,5)**	50,0
Net income (loss)	**69,3**	**(739,2)**	**259,0**	**(197,1)**	**502,0**
Earnings (loss) per share *(in USD)*	0,18	**(1,86)**	0,66	**(0,49)**	1,28
Diluted earnings (loss) per share *(in USD)*	0,18	**(1,86)**	0,58	**(0,49)**	1,20

Condensed Consolidated Segment Information

Mobile Units Division

Unaudited accounts in USD millions	3Q08	**4Q08**	4Q07	**2008**	2007
Operating revenues	289,8	**294,3**	213,6	**1 043,0**	729,9
Reimbursables	3,0	**6,8**	8,8	**32,0**	32,8
Other revenues	17,7	**10,5**	18,7	**149,2**	198,9
Total revenues	310,5	**311,6**	241,1	**1 224,2**	961,6
Vessel and rig operating expenses	116,9	**126,8**	110,3	**462,8**	376,4
Reimbursable expenses	2,5	**6,0**	7,4	**28,6**	28,2
Depreciation and amortisation	43,1	**56,2**	36,6	**173,0**	135,1
General and adminstrative expenses	22,5	**24,2**	15,3	**92,1**	73,3
Total operating expenses	185,0	**213,2**	169,6	**756,5**	613,0
Operating profit	125,5	**98,4**	71,5	**467,7**	348,6

Tender Rigs Division

Unaudited accounts in USD millions	3Q08	**4Q08**	4Q07	**2008**	2007
Operating revenues	82,9	**94,0**	66,9	**311,5**	236,3
Reimbursables	7,3	**5,6**	3,4	**24,5**	17,2
Other revenues	1,1	**1,2**	3,1	**5,4**	12,2
Total revenues	91,3	**100,8**	73,4	**341,4**	265,7
Vessel and rig operating expenses	34,4	**40,3**	31,9	**133,6**	100,8
Reimbursable expenses	7,0	**5,3**	3,2	**23,5**	16,3
Depreciation and amortisation	11,1	**10,7**	9,5	**41,7**	38,6
General and adminstrative expenses	5,1	**3,3**	2,2	**16,5**	13,0
Total operating expenses	57,6	**59,6**	46,8	**215,3**	168,7
Operating profit	33,7	**41,2**	26,6	**126,1**	97,0

Well Services Division

Unaudited accounts in USD millions	3Q08	**4Q08**	4Q07	**2008**	2007
Operating revenues	144,5	**129,4**	100,7	**513,3**	352,4
Reimbursables	19,9	**36,6**	30,9	**106,9**	96,7
Total revenues	164,4	**166,0**	131,6	**620,2**	449,1
Operating expenses	119,4	**106,2**	83,0	**425,2**	285,6
Reimbursable expenses	19,5	**36,4**	30,2	**104,4**	94,9
Depreciation and amortisation	6,2	**5,7**	2,7	**18,5**	9,2
General and adminstrative expenses	5,0	**3,8**	3,5	**17,2**	16,1
Total operating expenses	150,1	**152,1**	119,4	**565,3**	405,8
Operating profit	14,3	**13,9**	12,2	**54,9**	43,3

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	**31.12.08**	**31.12.07**
Current assets		
Cash and cash equivalents	**657,1**	1 012,9
Marketable securities	**134,7**	240,4
Accounts receivables, net	**341,1**	220,5
Other current assets	**530,9**	223,1
Total current assets	**1 663,8**	1 696,9
Non-current assets		
Investment in associated companies	**240,1**	176,1
Newbuildings	**3 660,5**	3 339,8
Drilling units	**4 645,5**	2 451,9
Goodwill	**1 567,3**	1 509,6
Restricted cash	**345,9**	0,0
Other non-current assets	**181,4**	118,8
Total non-current assets	**10 640,7**	7 596,2
Total assets	**12 304,5**	**9 293,1**
Current liabilities		
Short-term interest bearing debt	**746,1**	484,1
Other current liabilities	**1 311,7**	670,6
Total current liabilities	**2 057,8**	1 154,7
Non-current liabilities		
Long-term interest bearing debt	**6 690,7**	4 116,4
Deferred taxes	**125,0**	96,1
Other non-current liabilities	**209,0**	198,1
Total non-current liabilities	**7 024,7**	4 410,6
Minority interest	**537,6**	104,6
Shareholders' equity		
Paid-in capital	**2 792,4**	2 778,5
Retained earnings	**-108,0**	844,7
Total shareholders' equity	**2 684,4**	3 623,2
Total shareholders' equity and liabilities	**12 304,5**	**9 293,1**

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Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	**2008**	**2007**
Cash flow from operating activities		
Net income	**(197,1)**	502,0
Adjustement to reconcile net income to net cash provided by operating activities:		
Fair value adjustment of financial instrument	**645,1**	
Depreciation and amortisation	**233,2**	182,9
Gains on disposals of other investments	**(252,3)**	(124,2)
Share of results from associated companies	**(15,6)**	(23,2)
Change in working capital	**(129,2)**	112,0
Net cash from operating activities	**284,1**	**649,5**
Cash flow from investing activities		
Acquisition of goodwill	**(99,3)**	(216,5)
Acquisition of fixed assets	**(2 812,4)**	(1 738,7)
Disposal of fixed assets	**103,8**	170,0
Purchase of other investments	**(310,4)**	(141,4)
Cash flow from (investment in) associated companies	**(382,6)**	83,3
Change in restricted cash	**(346,0)**	
Change in other long term receivable	**23,7**	5,4
Sale of other investments	**369,1**	99,3
Net cash from investing activities	**(3 454,1)**	**(1 738,6)**
Cash flow from financing activities		
Proceeds from debt	**4 235,6**	3 926,3
Repayment of debt	**(1 193,1)**	(2 211,9)
Proceeds from issuance of equity	**0,0**	304,0
Purchase of treasury shares	**(5,4)**	0,2
Paid dividend	**(688,1)**	
Contribution by minority interest	**465,2**	(128,2)
Net cash from financing activities	**2 814,2**	**1 890,4**
Effect of exchange rate changes on cash equiv.	**0,0**	**1,2**
Net change in cash and cash equivalents	(355,8)	802,5
Cash and cash equivalents at beginning of year	**1 012,9**	**210,4**
Cash and cash equivalents at end of period	**657,1**	**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					(61,9)		(61,9)
Net loss for the period						(197,1)	(197,1)
Share-based payments			14,9				14,9
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)			28,2	8,2
FASB adjustment					(7,0)		(7,0)
Translation adjustment					(13,1)		(13,1)
Capital contribution minority interest					13,2		13,2
Other			(1 955,5)	1 955,5	5,5	0,3	5,8
Balance at 31 December, 2008	**798,3**	**(1,7)**	**39,6**	**1 955,5**	**88,8**	**(196,1)**	**2 684,4**

Appendix 1

Overview interest bearing debt and financial covenants

Interest bearing debt overview

US$ million	Long-term portion, December 31, 2008	Short-term portion, December 31, 2008	Amount outstanding, December, 2008
Credit Facilities			
US$1,500 facility	1,211	128	1,339
US$185 facility	45	27	72
US$100 facility	84	8	92
US$800 facility	587	81	668
US$585 facility	436	50	486
US$100 facility	85	12	97
US$1,000 facility	792	0	792
NOK 1,425 facility (Seawell)	186	21	207
Total Bank Loans + other	3,426	327	3,753
Ship Finance International Loans			
US$165 facility	92	15	107
US$170 facility	111	10	121
US$700 facility	618	70	688
US$1,400 facility	1,005	138	1,143
Total Ship Finance Facilities	1,826	233	2,059
Bonds and convertible bonds			
Bonds	101	144	245
Convertible bond loan	1,000	0	1,000
Total bonds	1,101	144	1,245
Subtotal	6,353	704	7,057
Other credit facilities with corresponding restricted cash deposits:			
Misc. NOK facilities	338	42	380
Total interest bearing debt	6,691	746	7,437

Interest bearing debt repayment and maturity schedule)*

Year	Credit Facilities	Ship Finance Facilities	Bonds	Total
2009	343	233	144	720
2010	1,569	248	-	1,817
2011	453	255	-	708
2012	490	270	1,101	1,861
2013	368	245	-	613
2014 onwards	530	808	-	1,338

*) The ”other credit facility” repayment schedule is not included in this table as the obligations has corresponding receivables booked under current assets with no net cash effect

Covenants - Credit facilities

Seadrill has miscellaneous covenants in its credit facilities. The main financial covenants are:

- Minimum liquidity: to maintain cash & cash equivalents of no less than US$75 million.
- Interest Coverage Ratio: to maintain an EBITDA to interest expense ratio of no less than 2:1, increasing in June 2009 to 2.5:1.
- Current ratio: to maintain Current Assets to Current Liabilities ratio of no less than 1:1. Current Assets is defined as book value less minimum liquidity, but including up to 20% of shares in listed companies owned 20% or more. Current Liabilities is defined as book value less short-term portion of interest bearing debt.
- Equity Ratio: to maintain Equity to Total Assets ratio of no less than 30%. In this respect both Equity and Total Assets are adjusted for the difference between the book value and the market value of the drilling rigs.
- Leverage: to maintain a ratio of Net Debt to EBITDA no greater than 5.5:1 for second quarter 2009, 5:1 for third quarter 2009, 4.5:1 thereafter. Net Debt is calculated as all interest bearing debt less cash & cash equivalents excluding minimum liquidity.

Covenants - Bonds

The Company’s bonds contain the following main covenants where there is an obligation to maintain an adjusted shareholders’ equity equal to or greater than US$1,500 million and an adjusted shareholders’ equity equivalent to minimum 30% of total liabilities.

Covenants - Convertible Bond

The loan agreement for the convertible bond includes an adjusted equity ratio covenant whereby the Company has an obligation to maintain equity to total assets ratio of no less than 30 percent. In the calculation of the adjusted equity ratio, both equity and total assets are adjusted for the difference between the book value and the market value of the drilling rigs. The market values are based on estimated provided by independent rig brokers.

Appendix 2

Remaining yard-installments newbuilds

Rig	Yard	Delivery date	Contract price yard*)	Installment paid as of 4Q08
Jack-ups				
West Callisto	Keppel	3Q 2010	US$213 mill.	US$52 mill.
West Juno **)	Keppel	4Q 2010	US$216 mill.	US$31 mill.
West Leda	PPL	1Q 2010	US$219 mill.	US$43 mill.
West Elara **)	PPL	4Q 2010	US$226 mill.	US$21 mill.
Tender rigs				
T12	MSE	1Q 2010	US$116 mill.	US$40 mill.
West Vencedor	Keppel	1Q 2010	US$180 mill.	US$76 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$468 mill.
West Aquarius	Daewoo	1Q 2009	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$132 mill.
Drillships				
West Gemini	Samsung	2Q 2010	US$598 mill.	US$245 mill.
Sum			US$4,248 mill.	US$1,493 mill.

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

**) Seadrill has an option to not take delivery of this rig. Installments paid to date will not be recovered from the yard.

As of December 31, 2008, US$1,493 million in installments have been paid on the remaining newbuilds as compared to US$1,479 million at the end of the third quarter. The remaining installments amount to US$2,755 million split on approximately US$880 million, US$1,560 million and US$315 million in 2009, 2010 and 2011, respectively. In 2009, the quarterly installments are approximately US$565 million, US$110 million, US$70 million and US$135 million from first to fourth quarter.

In addition, incurred costs related to capital spares, capitalized interest, contract supervision and operations preparations for the same units increased by approximately US$75 million in fourth quarter 2008.