Seadrill Limited (SDRL) - First quarter 2009 results

Highlights
- Seadrill generates record EBITDA*) of US$347 million for the first quarter 2009
- Seadrill reports net income of US$243 million and earnings per share of US$0.55 for the first quarter 2009
- Seadrill completes the eight rig 2008 deepwater newbuild program with delivery of West Aquarius and West Eminence
- Seadrill commences operations in Brazil, Indonesia, Norway and Nigeria with new deepwater units
- Seadrill acquires 81 percent of the Petromena NOK2,000 million bond loan

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

Condensed consolidated income statements

First quarter results
Consolidated revenues for the first quarter of 2009 amounted to US$696 million as compared to US$579 million for the fourth quarter 2008. Operating profit for the first quarter was US$259 million, an increase of US$105 million. The first quarter operating profit for Mobile Units was US$195 million as compared to US$98 million in the preceding quarter. The increase was mainly due to four newbuilds commencing operations, a full quarter in operation for the two newbuilds that started operations in the previous quarter and one drillship starting on a new contract at higher dayrates. The increase was partly offset by the idle time on three stacked jack-ups. The operating profit from the Tender Rigs amounted to US$51 million, which was an increase of US$10 million compared to the preceding quarter. This improvement was due to two units starting on contracts with higher dayrates in first quarter compared to previous quarter. Operating profit from Well Services totaled US$13 million, which was a reduction of US$1 million compared to fourth quarter, however significantly higher than first quarter 2008.

Net financial items for the quarter resulted in a gain of US$15 million. Interest expense increased from US$42 million in fourth quarter to US$45 million in first quarter. This reflects less interest costs being capitalized as several newbuilds have commenced operations. The share of results from associated companies amounted to a profit of US$20 million. Other financial items resulted in a gain of US$26 million. This is primarily related to mark-to-market valuation of interest swap agreements and forward currency contracts, which amounted to a gain of approximately US$23 million. In addition, the Company recorded a gain of US$6 million associated to total return swap agreements in its own shares.

Income taxes for the quarter amounted to US$31 million, representing an increase of US$12 million from the preceding quarter, a reflection of increased activity level.

Net income for the quarter was US$243 million corresponding to net earnings per share of US$0.55.

Balance sheet
Total assets increased from US$12,305 million at year-end 2008 to US$13,178 million as of March 31, 2009.

Total current assets increased from US$1,664 million to US$1,884 million during the first quarter, 2009. The increase is primarily related to marketable securities and accounts receivables. The increase in marketable securities was due to the acquisition of the Petromena bond (amounting to US$175 million) and somewhat higher valuation of the Pride International Inc forward contracts whereas the increase in accounts receivables was related to higher turnover due to more rigs in operation. Cash and cash equivalents amounted to US$548 million at the end of first quarter, a reduction of US$109 million compared to the end of fourth quarter, 2008. US$223 was restricted cash at the end of first quarter and included in cash and cash equivalents.

Total non-current assets increased from US$10,641 million to US$11,294 million. The increase was due to further installments paid under construction contracts for new drilling units as well as drilling units delivered.

Total current liabilities increased from US$2,058 million at year-end 2008 to US$2,129 million as of March 31, 2009. Short-term interest bearing debt decreased by US$13 million during the quarter.

Long-term interest bearing debt increased from US$6,691 million to US$7,132 million. The increase in long-term debt is mainly related to financing of the delivered units.

The total shareholders' equity increased from US$3,222 million to US$3,514 million mainly as a result of net income earned in the first quarter. Following a US GAAP change, non controlling interest, previously called minority interest, is presented as part of the shareholders' equity. The change has increased the equity by approximately US$600 million. In the income statement, the non controlling interest is shown below Net Income. Previous period numbers have been adjusted to reflect the new accounting policy.

Cash flow
As of March 31, 2009, cash and cash equivalents amounted to US$548 million, a decrease of US$109 million as compared to year-end 2008. For the first quarter, net cash from operating activities was US$368 million. In the same period, investments in fixed assets totaled US$703 million. Net cash used in investing activities amounted to US$876 million while net cash from financing activities was US$399 million.

Interest bearing debt
Seadrill had as of March 31, 2009 a net interest bearing debt of US$6,972 million compared to US$6,434 at year-end 2008. For a detailed overview of the various loans, credit facilities and bonds including repayment and maturity schedules, reference is made to Appendix 1.

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 March 31, approximately 61 percent of the total outstanding interest bearing debt had fixed interest rate. The majority of these agreements are subject to mark-to-market valuation in the accounts. In the first quarter, approximately US$14 million was taken to income in the accounts.

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 March 31, issued shares in Seadrill Limited totaled 399,133,216; unchanged from year-end. The Company currently holds 717,800 own treasury shares, which were at the same level as at end of the fourth quarter. The Company had approximately 6 million options outstanding under the management share incentive program out of which approximately 2 million are vested and exercisable.

For the first quarter 2009, the weighted average number of shares outstanding was 398,415,416 unchanged from the fourth quarter 2008.

The Board has, in order to align the long-term interest of shareholders and certain key employees, decided to offer to adjust the outstanding option program in order to make the retention more effective. The holders of 2.7 million options will be offered a cancellation against receiving a total of up to 3.5 million new options in 2009. This offer will constitute the annual option program for 2009. The strike price for these options will be equal to the average Seadrill share price for the three days after this first quarter result announcement. The options will have five-year maturity with a three-year vesting period with first options being exercisable in June 2010. The total option program will subsequently be equal to approximately 1.8 percent of the total number of shares issued in Seadrill.

Total Return Swaps (TRS)
Seadrill has a TRS agreement with 4,500,000 Seadrill Limited shares as underlying security. The average reference price is NOK61.3 per share with expiry on August 17, 2009. The agreement replaced a total return swap agreement with agreed initial reference price of NOK56.7 per share that expired on February 12, 2009.

In the first quarter results, the Company has taken to income US$6 million related to the total return swap agreements under other financial items based on a share price of NOK65.4. At close of business on May 25, 2009, the Seadrill share price was NOK84.9.

Operations
Mobile units
Seadrill had 16 mobile rigs in operation in the first quarter following start-up of four newbuild deepwater units. In addition, two jack-ups were warm-stacked during the entire quarter. In Norway, the semi-submersible rigs West Alpha and West Venture and the ultra-large jack-up West Epsilon continued drilling operations for StatoilHydro, while the deepwater drillship West Navigator worked for Shell on the Ormen Lange field. In early January, the newbuild semi West Phoenix started operations for Total on the Victoria field. In the Gulf of Mexico, the newbuild deepwater semi-submersible rig West Sirius worked for Devon Energy. In Brazil the deepwater drillship, West Polaris continued operations for Exxon while the newbuild deepwater semi-submersible West Taurus commenced operations for Petrobras in February. In China, the deepwater semi-submersible rig West Hercules continued drilling operations for Husky. In February, the newbuild semi-submersible West Aquarius started operations for Exxon in Indonesia. In West Africa, the newbuild drillship West Capella commenced its five-year charter with Total in March. The jack-up West Ceres continued to be warm-stacked in Ghana. In Southeast Asia, the jack-up West Janus worked in Malaysia for Petronas whereas the jack-ups West Larissa and West Ariel drilled for VietsoPetro (VSP) in Vietnam. The quality benign environment jack-ups West Prospero (following a leg extension to 400ft) and West Triton (after returning from Australia end of February) were warm-stacked in Singapore. In Australia, the jack-up West Atlas continued the operations for Coogee.

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 continued its work for 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 in the first quarter was sound but somewhat lower than in the preceding quarter. However, the EBITDA for the first quarter was significantly higher than first quarter 2008, and the Company expects continued EBITDA growth in 2009.

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 and T10 worked for CarigaliHess whereas the remaining tender barges T6, Teknik Berkat and T9 worked for Petronas Carigali.

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 May 25, 2009 on the Malaysian Stock Exchange, Seadrill's holding in SapuraCrest has a gross value of some US$115 million compared to a book value of US$67 million reflecting the write-down at year-end 2008.

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 12,446,403 shares. The average strike price per share for the forward contracts is US$2.50. The direct ownership reflects the participation in the private placement in March. Based on closing share price on May 25, 2009, Seadrill's exposure has a gross value of some US$86 million compared to a book value of US$81 million reflecting the write-down at year-end 2008.

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 May 25, 2009, Seadrill's exposure has a gross value of some US$361 million as compared to US$264 million at year-end (reflecting a write-down) and US$297 million at end of March.

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

New contracts and dayrates

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.

In March, Seadrill agreed to extend the contract for the jack-up West Larissa with Vietsopetro throughout 2009. The agreed dayrate for the period is US$126,000.

In May, Seadrill received an early termination letter from Total regarding the contract for the semi-tender West Menang, which extends throughout 2010. As compensation for the early termination, Seadrill will receive a termination fee that provides the Company an EBITDA contribution as if the unit would have been in operation throughout the contract period.

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.

Market development

The prevailing oil and gas prices combined with the slowdown in world economy are still affecting the activity levels in most rig segments. The current energy prices and uncertainty make drilling programs in the planning phase less profitable and more risky with postponement of drilling programs as a result. The sharpest drop in activity has been for benign environment jack-ups where a significant number of units are stacked in the Gulf of Mexico, Africa and Southeast Asia area. For ultra deepwater units, the market has largely been unaffected due to the limited supply of such rigs in the near term.

Deepwater Floaters (>5,000 ft water)

The number of tenders for ultra-deepwater rig capacity has decreased in response to the growing uncertainty regarding the development of the global economy and prevailing oil and gas prices. Consequently, there have been few fixtures since Seadrill's last reporting in February. The fixtures done have confirmed a rate level of around US$550,000 per day Although most oil companies anticipate higher energy prices in the longer term, the majority seems to maintain a wait-and-see behavior. Furthermore, most of the smaller and medium sized independent oil companies are more cautious or forced to reduce spending as a function of reduced cash flow and limited financing availability. 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. The market is to a large extent supported by the strongly linked exploration and development activities in deepwater in Brazil, as well as US Gulf, Mexico and West Africa.

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 demand is also much more fragmented and debt-leverage and break-even oil price for the marginal projects are higher on average. As a result, the market for jack-ups continues to be weak following the drop in oil and gas prices, credit crunch and increased economic uncertainty and postponement of drilling campaigns. There are positive signs in form of increased tender activity, however, these are overshadowed by the number of rigs coming off contracts and new units being delivered from yards resulting in the number of stacked units increasing significantly. Although the near term outlook is uncertain and difficult to analyze, Seadrill expects operators to gradually replace older and incumbent drilling units with new, modern efficient rigs 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
The fact that tender rigs primarily are doing development drilling based on long-term contracts has historically made this market segment more resilient to the volatility in activity levels seen in the shallow water market than what has been the experience for jack-ups. Nevertheless, the sharp drop in the activity level in shallow water witnessed over the last six months has adversely affected the tender rig market also. The short-term effects are that dayrates are receding from recent peaks because activity is being postponed in response to lower oil and gas prices. In spite of this development, Seadrill remains of the opinion that the long-term outlook for tender rigs remains sound. As such, it is expected that the market will continue to offer opportunities to build additional order backlog and earnings visibility.

Corporate strategy
Seadrill has over the last years built the leading offshore drilling company focusing on modern quality assets. The Company has become the second largest player in the ultra deepwater market with operations in all the important offshore oil and gas regions. A strong and dynamic organization of more than 7,000 people has been put in place to support and operate the rig fleet with main operational support centers in Norway, USA and Singapore. Seadrill has also based on the combination of assets and people been able to build one of the best order backlogs in the industry based on quality names like Chevron, Exxon, Petrobras, Shell and Total to name a few.

In the wake of the deteriorating economical market conditions in October last year, the equity market has been concerned about various risks, as they perceived it, related to the Company. These concerns would include remaining newbuild construction risk, operational start-up risk for deepwater newbuilds, market and order backlog risks and balance sheet risks. Over the last few months, the Board and management have in a thorough and determined manner addressed these issues and thereby gradually removed uncertainties.

Construction risk
Following the delivery of the eighth deepwater newbuild in 12 months, the remaining newbuild construction risk related to the Company is considered limited as the final three deepwater units (scheduled delivery in 2010 and 2011) are all copies of newbuilds that were delivered on time and cost.

Operational risk
In connection with the start-up of the new units, the Company has set and expressed 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 newbuilds that had commenced operations in the fourth quarter. In the first quarter, the utilization continued to be in the low 80's following commencement of four more units and undershooting the internal expectations by 5 percentage points. The main reasons for utilization rate below expectations were BOP equipment challenges on a couple of the units, as well as software, hoisting and pipe-handling equipment issues in general. In spite of these challenges, the performance has improved gradually during the quarter and the learning from the first four deepwater newbuilds units have been transferred to their four sister vessels. Several improvement measures have been implemented such as systemic transfer of learning between rigs, improved spare part coverage, strengthened vendor support, etc. Based on this, there is a high level of confidence that utilization rates will increase towards the target rate. In fact, the utilization rate for the seven new deepwater vessels in the second quarter to date has been 87% and include a 21 days off hire period on West Sirius linked to replacement of a top-drive as well as a 19 days off hire period for certain repair works on

West Polaris. Both West Capella and West Aquarius as well as West Taurus have performed better than their first sister rigs, which confirms that there are substantial learning benefits from building similar rigs.

Market and order backlog risk
Seadrill has built an order backlog of some US$12.3 billion out of which US$10 billion is related to the semi-submersible units and drillships. In addition to strong dayrates and high visibility, the Company's order backlog also offers a strong combination of customers with quality credit ratings and contracts with overall terms and conditions that should provide resilience given the current market environment. The early termination notice received from Total regarding the West Menang tender rig contract where Seadrill receives compensation for the remaining contract period, confirms that our contracts are economically resistant to adverse market developments.

The average contract length of the Company's deepwater capacity is 42 months. The first available deepwater unit is the newbuild drillship West Gemini, which will be available in the second half of 2010. The Company is in general discussions with regard to employment on this rig as well as the semi-submersible West Capricorn that is being delivered in 2011. The available deepwater supply in 2009 and 2010 for both drillships and semi-submersible drilling rigs is limited. As such, the market opportunities for individual ultra-deepwater units are considered attractive. There are still a significant number of units under construction that have not been contracted but the majority of these are not available before late 2010 or well into 2011, and some of the owners of these units have also limited or no operating experience. It is further expected that the ongoing credit crunch could create a more challenging environment for financing and completion of such projects resulting in some projects being either cancelled or postponed, and thereby tightening the demand supply situation longer term.

For the shallow water capacity, the average contract length is 33 months for the tender rigs and 10 months for the jack-ups (excluding the four newbuilds). The Company has one tender rig that will complete its existing contracts at the end of June. Discussions are taking place regarding new employment for this unit, however, it may be challenging to enter into a new contract in direct continuation of the current employment. In addition, Seadrill have three modern jack-ups warm-stacked and 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. Nevertheless, near term market outlook for jack-ups remains uncertain, and might be suffering until oil and gas prices shows an increasing long-term trend or oil companies, from a risk and efficiency point of view, prefer modern equipment.

Balance sheet risk
In response to the credit crunch, Seadrill took various actions to increase its financial flexibility. As part of the refinancing of the company, Seadrill initiated a dialog with the yards. The outcome of these discussions was reduced jack-up newbuild commitments and postponed milestone payment for the deepwater units of some US$300 million. This combined with the US$1.7 billion sale and leaseback arrangement entered into in September last year secured financing of the company's construction activities.

Seadrill has a US$1 billion bridge facility as part of the overall funding portfolio. This facility matures in May next year but is secured in three deepwater units fixed on long-term contracts with very strong counterparties. The Company is in the process of replacing the bridge loan with a larger long-term facility. The discussions with participating banks are well advanced and an announcement should be expected shortly. The fact that Seadrill will have three deepwater units, five (or alternatively three) jack-ups, and three tender rigs free of any liens and available as collateral for additional financing facilities is providing significant financial flexibility going forward.

The Board is very pleased with the development and progress that have taken place in order to mitigate the risk factors.

Dividend
When the two deepwater newbuilds, West Orion and West Gemini, have been delivered in 2010, Seadrill will be in an even stronger financial position. The Company's cash flow from operation will at that time significantly exceed the total of capital expenditures, interest and debt repayment, and will hence provide the basis for a stable long term dividend cash flow to shareholders.

The capacity to pay dividends prior to this will depend on the Company's ability to generate additional liquidity from financing assets that are unencumbered or have a low leverage. The Board continues to investigate this with a target to resume dividend payments as soon as possible. This will, however, depend on short-term improvements in the financing markets. Recent feedback from banks as well as from investment banks indicates that the financiers' appetite for Seadrill secured as well as unsecured papers has increased as a function of the Company's transformation into a solid cash generating Company.

Strategic investments
An important part in Seadrill's corporate history has been to grow the Company through taking strategic positions in other drilling companies where good value proposition has been identified. Seadrill currently holds similar investments in Pride International Inc, Scorpion Offshore Limited and SapuraCrest Bhd that are considered strategic investments. These companies have a good composition of assets which matches the asset profile of Seadrill and are trading at a significant discount to the underlying value of their assets.

Along these lines, Seadrill also invested US$175 million in the Petromena NOK2,000 million bond loan (ISIN NO 001031608.6) at 70 percent of face value on the bond. As such, Seadrill holds 81 percent of the total outstanding loan amount. The loan has a running yield of 14.6 percent based on the price Seadrill paid. Yield to maturity is significantly higher. The bond loan has second priority security after the yard in two new deepwater rigs with scheduled deliveries from the Jurong shipyard this year. As a consequence of Petromena's failure to pay the final installment on the first unit, and also non-payment of interest on the NOK 2,000 million loan May 24, the loan is in default. The yard has initiated a sale process for the first unit with a deadline for offers that expired May 20. It is expected that the potential disposal will support a repayment of the majority of the outstanding loan amount of the NOK2,000 million bond loan. The Board considers Seadrill's bond holding as an attractive low risk investment in assets where Seadrill has strong industrial expertise and knowledge. However, the investment in this bond is financially motivated and Seadrill will as bondholder be constructive if the shareholders in Petromena is willing to inject new equity into the company and thereby rectify the default.

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 platform has been built 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 continues to be optimistic on the long-term market outlook for offshore drilling units in particular for the ultra deepwater segment. The remaining reserve-life for oil and gas assets has 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 dramatic drop in oil and gas prices from the peak, prices are still at acceptable 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 are 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$12.3 billion and an average contract length of the deepwater fleet of some four years, well positioned to meet and benefit from this situation.

The focus in the next quarters will be to achieve maximum utilization under the existing drilling contracts, and on making sure that the fleet operating costs reflect Seadrill's position as a leading drilling contractor. The reduced pressure on operating cost can be observed in the first quarter results, and it is the Company's ambition to work hard for further improvement on this front.

The Board wants to thank all of Seadrills employees for their contribution to the Company's development. The workload on people on the newbuilding, operational, financing and administrative side has been extreme during the last years. It is with great pleasure that the Board observes that the quality of the work done now converts into a high standard operation with strong positive feedback from our customers as well as comments from competitors.

Seadrill has entered a new era where the operational cash flow is expected to significantly exceed the Company's capital expenditure program. Seven deepwater units have already commenced operations over the last nine months and a further unit will start operation in June. In addition, several of the existing units will commence new contracts at higher dayrates than in previous quarters. The result for the second quarter 2009 is likely to confirm Seadrill's strong growth in operating earnings. The result will be adversely impacted by the jack-up fleet that continues to suffer from idle rigs as well as the 21 days off-hire period for the deepwater semi-submersible rig West Sirius due to planned change-out of the top-drive that initially was planned for March.

The Board is very confident in the outlook for the Company's operation and expects a strong development 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.

May 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	4Q08	**1Q09**	1Q08	2008
Revenues				
Operating revenues	517.7	**641.5**	380.8	1 867.8
Reimbursables	49.1	**43.6**	31.7	163.5
Other revenues	11.7	**11.1**	25.8	154.6
Total revenues	578.5	**696.2**	438.3	2 185.9
Operating expenses				
Vessel and rig operating expenses	273.3	**273.6**	216.9	1 021.6
Reimbursable expenses	47.9	**42.0**	30.5	156.6
Depreciation and amortisation	72.6	**88.6**	49.2	233.2
General and adminstrative expenses	31.3	**33.5**	31.6	125.8
Total operating expenses	425.1	**437.7**	328.2	1 537.2
Operating profit	**153.4**	**258.5**	**110.1**	**648.7**
Interest income	10.6	**14.3**	8.9	30.9
Interest expense	(42.0)	**(44.7)**	(28.0)	(130.0)
Share of results from associated companies	(11.6)	**20.2**	6.5	15.6
Other financial items	(188.5)	**25.5**	174.6	(49.8)
Impairement loss - financial assets	(615.0)	**0.0**	-	(615.0)
Net financial items	(846.5)	**15.3**	162.0	(748.3)
Income (loss) before income taxes and minority interest	**(693.1)**	**273.8**	**272.1**	**(99.6)**
Income taxes	(19.2)	**(30.6)**	(4.5)	(48.3)
Gain on issuance of shares by subsidiary	25.2	**0.0**	0.0	25.2
Net income (loss)	**(687.1)**	**243.2**	**267.6**	**(122.7)**
Net income (loss) attributable to the parent	**(706.5)**	**217.9**	**263.0**	**(164.4)**
Net income attributable to the noncontrolling interest	**19.4**	**25.3**	**4.6**	**41.7**
Earnings (loss) per share *(in USD)*	(1.77)	**0.55**	0.66	(0.41)
Diluted earnings (loss) per share *(in USD)*	(1.77)	**0.53**	0.63	(0.41)

Condensed Consolidated Segment Information

Mobile Units Division

Unaudited accounts in USD millions	4Q08	**1Q09**	1Q08	**2008**
Operating revenues	294.3	**422.3**	216.0	**1 043.0**
Reimbursables	6.8	**5.9**	9.0	**32.0**
Other revenues	10.5	**10.7**	23.9	**149.2**
Total revenues	311.6	**438.9**	248.9	**1 224.2**
Vessel and rig operating expenses	126.8	**140.4**	105.5	**462.8**
Reimbursable expenses	6.0	**5.6**	8.6	**28.6**
Depreciation and amortisation	56.2	**73.5**	36.5	**173.0**
General and adminstrative expenses	24.2	**24.7**	24.1	**92.1**
Total operating expenses	213.2	**244.2**	174.7	**756.5**
Operating profit	98.4	**194.7**	74.2	**467.7**

Tender Rigs Division

Unaudited accounts in USD millions	4Q08	**1Q09**	1Q08	**2008**
Operating revenues	94.0	**98.1**	65.5	**311.5**
Reimbursables	5.6	**5.3**	4.2	**24.5**
Other revenues	1.2	**0.4**	1.9	**5.4**
Total revenues	100.8	**103.8**	71.6	**341.4**
Vessel and rig operating expenses	40.3	**33.7**	27.8	**133.6**
Reimbursable expenses	5.3	**5.0**	4.1	**23.5**
Depreciation and amortisation	10.7	**10.7**	9.7	**41.7**
General and adminstrative expenses	3.3	**3.2**	3.8	**16.5**
Total operating expenses	59.6	**52.6**	45.4	**215.3**
Operating profit	41.2	**51.2**	26.2	**126.1**

Well Services Division

Unaudited accounts in USD millions	4Q08	**1Q09**	1Q08	**2008**
Operating revenues	129.4	**121.1**	99.3	**513.3**
Reimbursables	36.6	**32.4**	18.5	**106.9**
Total revenues	166.0	**153.5**	117.8	**620.2**
Operating expenses	106.2	**99.5**	82.8	**425.2**
Reimbursable expenses	36.4	**31.4**	17.8	**104.4**
Depreciation and amortisation	5.7	**4.4**	3.0	**18.5**
General and adminstrative expenses	3.8	**5.6**	4.5	**17.2**
Total operating expenses	152.1	**140.9**	108.1	**565.3**
Operating profit	13.9	**12.6**	9.7	**54.9**

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	31.03.09	31.12.08	31.03.08
Current assets			
Cash and cash equivalents	**547.9**	657.1	317.2
Marketable securities	**326.3**	134.7	242.6
Accounts receivables	**479.6**	341.1	591.0
Other current assets	**530.4**	530.9	-
Total current assets	**1 884.2**	**1 663.8**	**1 150.8**
Non-current assets			
Investment in associated companies	**272.6**	240.1	250.0
Newbuildings	**1 752.3**	3 660.5	3 744.8
Drilling units	**7 162.8**	4 645.5	2 588.4
Goodwill	**1 557.7**	1 547.3	1 521.7
Restricted cash	**345.1**	345.9	-
Other non-current assets	**203.2**	201.4	345.3
Total non-current assets	**11 293.7**	**10 640.7**	8 450.2
Total assets	**13 177.9**	**12 304.5**	**9 601.0**
Current liabilities			
Short-term interest bearing debt	**733.2**	746.1	584.1
Other current liabilities	**1 395.7**	1 311.7	825.8
Total current liabilities	**2 128.9**	**2 057.8**	**1 409.9**
Non-current liabilities			
Long-term interest bearing debt	**7 131.6**	6 690.7	4 039.8
Deferred taxes	**136.9**	125.0	125.8
Other non-current liabilities	**266.6**	209.0	180.7
Total non-current liabilities	**7 535.1**	**7 024.7**	**4 346.3**
Shareholders' equity			
Paid-in capital	**2 796.4**	2 791.9	2 787.9
Other equity	**103.6**	-162.7	948.1
Noncontrolling interest	**613.9**	592.8	108.8
Total shareholders' equity	**3 513.9**	**3 222.0**	**3 844.8**
Total shareholders' equity and liabilities	**13 177.9**	**12 304.5**	**9 601.0**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	3M2009	3M2008	2008
Cash flow from operating activities			
Net income	243.2	267.6	(122.7)
Adjustement to reconcile net income to net cash provided by operating activities:			
Impairment loss on marketable securities and investments in associated companies	-	-	615.0
Depreciation and amortisation	73.2	49.2	175.5
Gains on disposals	-	(163.3)	(252.8)
Share of results from associated companies	(20.2)	(6.6)	(15.6)
Change in working capital	94.3	(26.3)	(111.9)
Other, net	(22.5)	-	181.1
Net cash from operating activities	368.0	120.6	468.6
Cash flow from investing activities			
Investment in subsidiaries, net of cash acquired	-	-	(173.2)
Acquisition of fixed assets	(702.7)	(599.3)	(2 767.5)
Disposal of fixed assets	-		103.8
Purchase of marketable securities	(174.8)	(164.1)	(309.9)
Investment in associated companies	(24.3)	(140.0)	(369.2)
Short term loan to related parties	25.0	-	(115.0)
Change in margin calls and other restricted cash	0.8	15.9	(345.9)
Sale of other investments	-	182.3	369.1
Other, net	-	-	25.2
Net cash from investing activities	(876.0)	(705.2)	(3 582.6)
Cash flow from financing activities			
Proceeds from debt	586.3	186.5	5 150.0
Repayment of debt	(187.3)	(163.4)	(2 107.7)
Debt fees paid	(0.2)	-	(30.1)
Sale (Purchase) of treasury shares, net	-	(9.6)	(5.4)
Paid dividend	-	(100.6)	(688.1)
Contribution by minority interest	-	(8.1)	440.0
Net cash from financing activities	398.8	(95.2)	2 758.7
Effect of exchange rate changes on cash equiv.	0.0	0.0	(0.6)
Net change in cash and cash equivalents	(109.2)	(679.8)	(355.8)
Cash and cash equivalents at beginning of year	657.1	997.0	1 012.9
Cash and cash equivalents at end of period	547.9	317.2	657.1
Interest paid	(45.0)	(36.8)	(245.4)
Taxes paid	(16.0)	(7.8)	(52.0)

Condensed Consolidated Statement of Changes in Equity

Unaudited accounts in USD millions	Issued share capital	Additional paid in capital	Contributed surplus	Accum. compreh. income	Accum. earnings	Non controlling interest	Total shareholders' equity
Balance at 31 December, 2005	**458.3**	**267.0**	**0.0**	**82.4**	**(7.6)**	**181.6**	**981.7**
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 attributable to the parent					214.1		214.1
Share-based compensation plans		9.6					9.6
Foreign exchange differences, other				51.8			51.8
FASB adjustment				(2.7)			(2.7)
Net income attributable to noncontrolling interest						30.4	30.4
Balance at 31 December, 2006	**766.3**	**1 693.1**	**0.0**	**49.1**	**206.5**	**212.0**	**2 927.0**
Issue of ordinary shares, net	32.0	271.9					303.9
Unrealized gain on marketable securities				61.9			61.9
Net income attributable to the parent					502.0		502.0
Share-based compensation plans		15.1					15.1
Net purchase/sale of Treasury shares	(1.2)				1.4		0.2
Effect of shares issued to minority					(15.9)		(15.9)
FASB adjustment				7.1			7.1
Foreign exchange differences, other				33.9			33.9
Sale and leaseback arrangements						40.5	40.5
Share issuance in Seawell						1.2	1.2
Eastern Drilling ASA						(162.1)	(162.1)
Net income attributable to noncontrolling interest						13.0	13.0
Balance at 31 December, 2007	**797.1**	**1 980.1**	**0.0**	**152.0**	**694.0**	**104.6**	**3 727.8**
Other comprehensive income				(61.9)			(61.9)
Net loss attributable to the parent					(164.4)		(164.4)
Share-based payments		14.9					14.9
Dividend payment					(688.1)		(688.1)
Net purchase/sale of Treasury shares	(0.2)				(5.1)		(5.3)
FASB adjustment				(5.8)			(5.8)
Foreign exchange differences				(28.2)			(28.2)
Capital contribution by noncontrolling interest						446.5	446.5
Change in unrealized gain/loss on interest rate SWAP agreements in VIE				(55.2)			(55.2)
Net income attributable to noncontrolling interest						41.7	41.7
Other		(1 955.5)	1 955.5				0.0
Balance at 31 December, 2008	**796.9**	**39.5**	**1 955.5**	**0.9**	**(163.6)**	**592.8**	**3 222.0**
Net income attributable to the parent					217.9		217.9
Net income attributable to noncontrolling interest						25.3	25.3
Other comprehensive income				32.2			32.2
Share-based payments		4.5				0.1	4.6
Foreign exchange differences, other				16.2		(4.3)	11.9
Balance at 31 March, 2009	**796.9**	**44.0**	**1 955.5**	**49.3**	**54.3**	**613.9**	**3 513.9**

Appendix 1

Overview interest bearing debt and financial covenants

Interest bearing debt overview US$ million	Long-term portion, March 31 2009	Short-term portion, March 31 2009	Amount outstanding, March 31 2009
Credit facilities			
US$ 1,500 facility	1 178	129	1 307
US$ 185 facility	38	27	65
US$ 100 facility	81	9	90
US$ 800 facility	667	123	790
US$ 585 facility	424	50	474
US$ 100 facility	85	9	94
US$ 1,000 facility	1 000	0	1 000
NOK 1,425 facility (Seawell)	194	21	215
Total Bank Loans + other	3 667	368	4 035
Ship Finance International Loans			
US$ 165 facility	89	13	102
US$ 170 facility	108	10	118
US$ 700 facility	601	70	671
US$ 1,400 facility	1 217	149	1 366
Total Ship Finance Facilities	2 015	242	2 257
Bonds and convertible bonds			
Bonds	104	81	185
Convertible bond loan	1 000	0	1 000
Total Bonds	1 104	81	1 185
Subtotal	6 786	691	7 477
Other credit facilities with corresponding restricted cash deposits			
Misc.NOK facilities	345	42	387
Total interest bearing debt	7 131	733	7 864

Interest bearing debt repayment and maturity schedule

Year	Credit facilities	Ship Finance Facilities	Bonds	CIRR loan
2009 (2Q, 3Q & 4Q)	273	183	85	58
2010	1 767	248	0	58
2011	610	255	0	58
2012	490	270	1 100	58
2013	368	245	0	58
2014 onwards	534	1 056	0	90

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 Ratio: 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 1Q09
Jack-ups				
West Callisto	Keppel	3Q 2010	US$213 mill.	US$73 mill.
West Juno **)	Keppel	4Q 2010	US$216 mill.	US$31 mill.
West Leda	PPL	1Q 2010	US$219 mill.	US$86 mill.
West Elara **)	PPL	4Q 2010	US$226 mill.	US$21 mill.
Tender rigs				
T12	MSE	1Q 2010	US$116 mill.	US$43 mill.
West Vencedor	Keppel	1Q 2010	US$180 mill.	US$79 mill.
West Berani III	Keppel	1Q 2011	US$210 mill.	US$75 mill.
Semi-submersible rigs				
West Orion	Jurong	2Q 2010	US$558 mill.	US$186 mill.
West Capricorn	Jurong	4Q 2011	US$640 mill.	US$197 mill.
Drillships				
West Gemini	Samsung	2Q 2010	US$598 mill.	US$245 mill.
Sum			US$3,176 mill.	US$1,036 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 March 31, 2009, US$1,036 million in installments have been paid on the remaining newbuilds as compared to US$861 million at the end of the fourth quarter. The remaining installments amount to US$2,140 million, split on approximately US$355 million, US$1,465 million and US$320 million in 2009, 2010 and 2011, respectively. In 2009, the quarterly installments are approximately US$110 million, US$120 million and US$125 million for the second, third and 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$20 million in the first quarter 2009.