Seadrill

Seadrill Limited (SDRL) - First Quarter Results 2008

Highlights

- Seadrill reports net income of US$263 million and earnings per share of US$0.66 for the first quarter of 2008
- Seadrill takes delivery of four newbuilds (two semi-submersible rigs, one jack-up and one tender rig)
- Seadrill mainly on track for the remaining newbuild program deliveries
- Seadrill secures contracts worth US$4.1billion with Petrobras in Brazil for three deepwater semi-submersible rigs
- Seadrill orders new self-erecting tender rig T12 for US$116 million
- US$148 million gain on sale of shareholding in PT Apexindo Pratama Duta TBK
- Seadrill resolves to distribute cash dividend of US$0.60 per share
- US$850 million sale and leaseback with Ship Finance for the drillship West Polaris
- Seadrill orders new semi-submersible rig for US$640 million from Jurong Shipyard
- Mandatory offer of NOK80 per share made for all outstanding shares in Scorpion Offshore Ltd.

Condensed consolidated income statements

First quarter results

Consolidated revenues for the first quarter of 2008 amounted to US$438 million as compared to US$446 million for the fourth quarter 2007.

Operating profit for the first quarter was US$110 million in line with the fourth quarter 2007. For the Mobile Units the operating profit in the first quarter was US$74 million as compared to US$72 million in the preceding quarter. The increase was related to full operation for the new jack-up West Triton partly offset by the downtime on the drillship West Navigator. The performance of the Tender Rigs remained strong with operating profit of US$26 slightly down from US$27 million in the preceding quarter. Operating profit from Well Services totaled US$10 million in the first quarter, down from US$12 million in the preceding quarter.

Net financial items for the quarter resulted in an income of US$162 million, an increase of US$166 million compared to the fourth quarter due to the sale of the shareholding in PT Apexindo Pratama Duta TBK. Other financial items amounted to an income of approximately US$27 million as compared to an income of US$15 million in the fourth quarter. The increase was primarily related to gains from sale of other shareholdings as well as gain caused by foreign exchange fluctuations.

Income before taxes was US$272 million, an increase of US$166 million compared to the preceding quarter. Income taxes were US$5 million.

Net income for the quarter amounted to US$263 million corresponding to earnings per share of US$0.66.

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.

The Company has adjusted certain comparable 2007 numbers from the preliminary report in February 2008.

Balance sheet
Total assets increased from US$9,293 million in the balance sheet as of year-end 2007 to US$9,601 million as of March 31, 2008.

Total current assets decreased from US$1,697 million to US$1,151 million. The decrease reflects lower cash and cash equivalents partly offset by an increase in receivables. In the same period, total non-current assets increased from US$7,596 million to US$8,450 million. The increase is related to further installments paid under construction contracts for new drilling units, and the delivery of the new jack-up West Triton.
Total current liabilities increased from US$1,155 million to US$1,410 million. The increase reflects both higher short-term interest bearing debt as well as an increase in other current liabilities. Long-term interest bearing debt decreased from US$4,116 million to US$4,040 million. Net interest bearing debt amounted to US$4,307 million as of March 31, 2008, an increase of US$719 million from year-end. The minority interests increased during the quarter from US$105 million to US$109 million. The increase in total shareholders' equity of US$113 million to US$3,736 million is due to net income earned over the first quarter offset by paid dividend as well as other equity adjustments.

Cash flow
At March 31, 2008, cash and cash equivalents amounted to US$317 million, a decrease of US$696 million as compared to year-end 2007. During the first quarter, net cash from operating activities amounted to US$121 million. Investments in fixed assets amounted to US$599 million. The investments were mainly related to the newbuild construction program. The proceeds from the sale of the shareholdings in PT Apexindo will be US$221 million of which some 10 percent was paid in the first quarter. Net investments amounted to US$721 million. Net cash from financing activities amounted to an outflow of US$95 million.

Shares
As of March 31, 2008, issued shares in Seadrill Limited totaled 399,133,216. The Company currently holds 1,040,900 of own treasury shares compared to 608,700 at year-end. The increase in treasury shares is due to acquisitions related to the share option schemes.

The Company has as of March 31, 2008, 6,177,900 options outstanding under the management share incentive program out of which 854,233 are vested and exercisable.

For the first quarter 2008, the weighted average number of shares outstanding was 398,127,978 as compared to 398,842,701 in the fourth quarter 2007. The Company has used an average number of shares of 428,840,743 when calculating dilutive earnings per share.

Convertible bond

Seadrill has a US$1 billion convertible bond outstanding maturing in October 2012. The convertible bond has an annual coupon of 3.625% payable semi-annually. In connection with the cash dividend declared by the Board in February this year, the conversion price has been adjusted in line with the underlying loan agreement to US$34.11. The conversion price will be further adjusted to reflect the cash dividend declared by the Board today.

Investments in offshore drilling companies

Pride

On April 23, Seadrill disclosed that it owns 200,000 Pride International Inc. common shares and has entered into forwards to acquire further 16,300,000 Pride International Inc. common shares. Seadrill has filed a Hart-Scott-Rodino notification to permit settlement of the forwards and acquire the 16,300,000 common shares covered by the forwards. Seadrill has been granted such a permit. Based on yesterday’s closing share price of Pride on the New York Stock Exchange, Seadrill’s exposure, including the shares covered by the forwards, has a gross value of some US$741 million which includes approximately US$173 million in unrealized gains.

Scorpion Offshore Ltd.

In April, Seadrill acquired 8,100,000 shares in Scorpion increasing its ownership to 19,494,700 shares corresponding to 36.0 percent of the outstanding shares in the Company, up from 21.8 percent. As a consequence of the acquisition, Seadrill has presented a mandatory tender offer for the remaining outstanding shares in Scorpion Offshore at NOK80 per share that has been filed with and approved by the Oslo Stock Exchange.

Sale of assets

PT Apexindo Pratama Duta TBK

The disposal of the Company’s share holding in the Indonesian drilling company PT Apexindo was completed in February at a sale price of US$221.7 million, of which US$21.7 million was been paid in cash and the remaining US$200 million was financed by an interest bearing loan from Seadrill to the purchaser of the shares. The duration of the said loan is up to two years and the shares in PT Apexindo have been pledged as security for the loan. The realized accounting gain related to this transaction was US$148 million.

Aker Drilling ASA

The previous announced shareholding was disposed of in January with a gain of US$8 million.

Odfjell Invest Ltd.

The previous announced shareholding was disposed of late March with a gain of US$5 million.

West Titania

In May, the disposal of the jack-up rig West Titania to Seawolf was completed. The sale provided a gain of approximately US$80 million, which will be recorded in the second quarter 2008 and recognized as other income.

Operations

Mobile units

Seadrill had 11 mobile rigs in operation in whole or part of the first 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. Late January, West Navigator in connection with a planned riser-disconnect due to bad weather suffered damages to sections of the blow out preventer stack and associated equipment. Following repair work on the equipment, the drillship resumed operation for Shell in late May. Seadrill has a loss of hire insurance that compensates the Company's loss of revenues that exceeds the initial 45 days deductible period. However, Seadrill has experienced extra costs in connection with the repair work and additional maintenance. These costs, which come on top of normal running expenses is estimated to approximately US$11 million out of which US$8 million has been expensed in the first quarter, and the remaining US$3 million will be expensed in the second quarter.

Following a mandatory 15-year classification survey, the ultra-large jack-up West Epsilon resumed operations for StatoilHydro in January. In Africa, the jack-up West Ceres continued the drilling operations offshore Nigeria for Total whereas the jack-up West Titania completed its work in Tunisia for Ecumed Petroleum Tunisia Limited in March. In Southeast Asia, the jack-ups West Janus and West Prospero worked for Petronas and Exxon respectively in Malaysia whereas the jack-up West Larissa drilled for VietsoPetro in Vietnam. In March, West Janus started on a yard-stay initially scheduled in July for upgrades and replacement of the unit's cranes. The jack-up resumed operations mid April. In Australia, the jack-up West Atlas completed the operations for MEO in March and subsequently commenced operations for Coogee. Late January, the brand new jack-up West Triton commenced operations for Apache in Australia after transit from Singapore following delivery from yard.

Tender rigs
Seadrill's self-erecting tender rigs were all in operation during the quarter. In Southeast Asia, the tender rig barges T4 and T7 continued their work for Chevron in Thailand. In Malaysia, the semi-tender West Alliance worked for Shell, the semi-tender West Setia was on contract with Murphy while the semi-tender West Berani worked for Newfield. In Brunei, the semi-tender West Pelaut continued operations for Shell. In West Africa, the tender barge T8 and the semi-tender West Menang continued operations for Total in Congo.

Furthermore, in mid May Seadrill started operations in Thailand for Chevron with the new tender rig T11. The tender barge rig was delivered on time and according to initially announced construction price.

Well services (Seawell Limited)
Seawell (73.4 percent owned by Seadrill Limited) performs various well service activities in the North Sea. In Norway, Seawell performed drilling and maintenance operations for StatoilHydro on the Statfjord, Veslefrikk and Gullfaks platforms as well as carrying out drilling operations and maintenance work for BP on the Ula and Valhall platforms and for Talisman Energy on the Gyda field. In the UK, Seawell performed drilling and maintenance activities for Shell on various platforms. In addition, the Company also performs engineering and modification activities as well as wireline operations. The activity level for well services remained sound.

Since year-end, Seawell has completed two acquisitions. Noble Corporation's North Sea Platform Division was acquired at purchase price of US$35 million with an additional requirement to finance approximately US$20 million in working capital and Peak Well Solutions AS was acquired at a purchase price of NOK410 million. Furthermore, Seawell has ordered a modularized drilling rig with an estimated capital expenditure of some US$50 million.

In order to part finance the new investments 10,000,000 new shares were issued at NOK19.50 per share. The number of outstanding shares in Seawell thereby increased to 110,000,050.

For more information on Seawell see separate quarterly report.

Operations in associated companies

Varia Perdana Bhd.

Varia Perdana Bhd. owns five self-erecting tender rigs. The units were all in operation during the quarter. The tender barge T3 and T10 worked for PTT and CarigaliHess respectively in Thailand whereas in Malaysia, the tender barges T6 and Teknik Berkat worked for Carigali and CarigaliHess and T9 worked for Exxon.

New contracts and dayrates

Seadrill has announced several new contracts and contract extensions in 2008. In total contracts worth US$4.8 billion have been signed including a three rig deal with Petrobras for operations in Brazil that totals US$4.1 billion.

Early January, StatoilHydro exercised the option to extend the contract for the heavy duty jack-up drilling rig West Epsilon by one year at a dayrate of some US$317,000. The contract with StatoilHydro now extends until November 2010.

In January, the jack-up drilling rig West Janus secured a three year assignment in Southeast Asia at a dayrate of US$150,000. Start-up of operations is scheduled for the third quarter of 2008, in direct continuation of the rig’s existing contractual commitments.

Start-up of operations offshore Brazil is scheduled for the first quarter 2009 following delivery in the fourth quarter 2008 and transit. The dayrate including a five percent performance bonus and assumed taxes is US$600,000. In addition, Seadrill will receive a fixed mobilization fee of US$45 million plus fuel reimbursement for the transit period.

In April, the deepwater semi-submersible drilling rigs West Taurus, West Orion and West Eminence, all currently under construction, were each awarded six year contracts with Petrobras for operations in Brazil. The agreed dayrates are US$630,000 for West Taurus and US$600,000 for West Orion and West Eminence. The dayrates include a five percent performance bonus and assumed taxes. In addition, Seadrill will receive a fixed mobilization fee of US$45 million plus fuel reimbursement for the transit period for each of the rigs. Start-up of operations is following delivery from yard and transit to Brazil.

In April, ExxonMobil exercised the option to extend the contract for West Aquarius from three years to four years. The revised dayrate over the full contract period is US$513,000 including escalation from initial contract award up to present date. In addition, ExxonMobil has awarded Seadrill one additional year to the existing three-year contract for West Polaris. The dayrate for the additional year is US$602,000.

In April, the Seadrill operated tender rig Teknik Berkat was awarded a four-year contract by Petronas Carigali Sdn Bhd for operations in Malaysia with immediate commencement. The agreed dayrate is US$125,000.

In May, the new jack-up West Ariel received a letter of award for a 2 well assignment for PTT Thailand expected to take some 80 days. Commencement is schedule in June following delivery from yard. The agreed dayrate is US$182,500.

For more detailed information regarding dayrates and contract durations, see the fleet status report or news releases on the Company web site www.seadrill.com.

Newbuild program

Seadrill has in 2008 taken successful delivery of four units. The new jack-up West Triton was delivered in January and is now operating for Apache in Australia. In March, Seadrill took delivery from the yard of the first two deepwater semi-submersible units West Phoenix and West Sirius, which are currently in transit to Norway and the Gulf of Mexico respectively to start operations for Total and Devon. In Mid-April, Seadrill took delivery of the T11 tender rig, which has started operation for Chevron in Thailand.

In February, Seadrill decided to order a new tender rig to be named T12. The unit is a barge type unit with an estimated contract price is US$116 million. Delivery is scheduled for the first quarter of 2010. As such, the remaining newbuild program includes 11 units of which three are ultra-deepwater drillships, five ultra-deepwater semi-submersible rigs, two tender rigs and one jack-up. The delivery schedule is seven newbuilds in 2008 and four newbuilds in 2010.

Rig	Yard	Delivery date	Contract price*	Installment paid as of 1Q08
Jack-ups				
West Ariel	Keppel	2Q 2008	US$132 mill.	US$92 mill.
Tender rigs				
T11	MSE	2Q 2008	US$90 mill.	US$84 mill.
T12	MSE	1Q 2010	US$116 mill.	US$7 mill.
West TBA	Keppel	1Q 2010	US$180 mill.	US$62 mill.
Semi-submersibles				
West Eminence	Samsung	4Q 2008	US$542 mill.	US$438 mill.
West Taurus	Jurong	4Q 2008	US$457 mill.	US$147 mill.
West Orion	Jurong	2Q 2010	US$558 mill.	US$187 mill.
West Hercules	Daewoo	3Q 2008	US$512 mill.	US$157 mill.
West Aquarius	Daewoo	3Q 2008	US$530 mill.	US$165 mill.
West TBN	Jurong	4Q2011	US$640 mill.	US$0 mill.

Drillships				
West Polaris	Samsung	2Q 2008	US$478 mill.	US$327 mill.
West Capella	Samsung	4Q 2008	US$478 mill.	US$302 mill.
West Gemini	Samsung	2Q 2010	US$598 mill.	US$178 mill.
Sum			US$5,311 mill.	US$2,146 mill.

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

As of March 31, 2008, US$2,146 million has been paid as installments on the newbuilds as compared to US$1,944 million at the end of 2007. The remaining installments to be paid for the newbuilds amount to US$3,165 million split on approximately US$1,913 million, US$431 million, US$565 million and US$256 million in 2008, 2009, 2010 and 2011, respectively. In addition, incurred costs related to capital spares, capitalized interest, contract supervision and operations preparations for the same units totaled approximately US$350 million as of March 31, 2008.

Market development

Recent fixtures in the market continue to confirm the strength in the market for mobile offshore drilling units, in particular for deepwater rigs as illustrated by Seadrill's three-rig contract with Petrobras at record dayrate levels. Over the last few months, further orders for newbuilds have been made and at present the number of deepwater units under construction stands at 80 (adjusted for delivery of two units) up from 75 in February. The order book for new jack-ups totals 84 units, down from 85 in February (adjusted for five deliveries and four new orders). It seems that the market demand is able to absorb the supply increases through newbuild orders and this has yet to adversely affect the terms and dayrates observed in the market place in particular for deepwater units.

Deepwater Floaters (>5,000 ft water)

The number of deepwater newbuilds on order continues to increase and now includes 36 drillships and 44 semi-submersible units under construction. Since February, six drillships and one semi have been ordered whereas two semi-submersible units have been delivered from yard. The historic high number of deepwater newbuilds has not adversely affected dayrates and offshore drillers continue to benefit from the strong rig demand by keeping dayrates at attractive levels as well as tightening the overall contract terms. As a consequence of recent contract awards, the availability of deepwater rig capacity continues to shrink and there is very limited deepwater capacity available in 2009 as well as 2010. As a result, dayrates for term contracts are now well established in the mid US$500,000 even for contracts with commencement in 2010 or later. Seadrill has been in a rather unique position of being able to offer additional deepwater capacity earlier than most of our competitors, which has resulted in contracted dayrates at or above US$600,000 per day.

Premium Jack-ups (>300 ft water)

Dayrate fixtures in the market for premium jack-ups for short-term contracts prevail in the US$200,000 area depending on geographical region. Dayrates for three to five year contracts are lower than for short-term work. There remain some uncertainties regarding the market's ability to absorb the significant influx of newbuilds schedule for delivery shorter term. However, Seadrill is of the opinion that the growing demand being observed from Far East, India, the Middle East and Africa will absorb the supply of premium jack-up newbuilds over time and provide a strong market for jack-ups longer term. Another element is the fact that asset prices have remained firm based on strong cash flows and an increasing number of potential buyers for available units.

Jack-ups (<= 300 ft water)
The market for smaller jack-ups has been more volatile when it comes to dayrate movement and contract duration but in general continues to track the development for premium jack-ups adjusting for rig specifications and geographic markets. There were some uncertainties with respect to the development of this market segment in 2008. However, the confidence in this market is increasing as a function of a more positive view of the Gulf of Mexico market, mainly driven by increased US gas prices.

Tender rigs
The market sentiment for tender rigs remains strong as confirmed by the recently awarded four-year contract for the Seadrill operated unit Teknik Berkat. As tender rigs primarily are doing development drilling, the contract duration for tender rigs is usually longer term and the contracts are entered into well in advance of commencement. Seadrill is of the opinion that the outlook is favorable and expects that the market will continue to offer good opportunities to build order backlog and facilitate further organic growth as illustrated by the order of a new tender rig by the Company late February.

Changes to the overall organization of Seadrill
The Chief Executive Officer of Seadrill Management AS, Kjell E. Jacobsen, has regrettably informed the Board that for private reasons he wants to step down as CEO. The Board has reached the conclusion that Mr. Jacobsen will leave his current position as CEO, effective June 1, 2008 and instead will be appointed to the Board of Seadrill with specific tasks linked to organizational development, client relationships and communication with the financial markets.

The Board is pleased to announce the appointment of the Company’s Chief Operating Officer Alf C. Thorkildsen as the new Chief Executive Officer of Seadrill Management AS. Mr. Thorkildsen started in Smedvig ASA in 2002 as CFO. He has in the last 1.5 years been Seadrill’s COO with day-to-day responsibility of the drilling units and operations as well as for the newbuilding projects. Prior to joining Smedvig in 2002, he worked 20 years for Shell in various senior positions in Norway and internationally.

A replacement of the COO position will be announced at a later stage.

In connection with the latest awards of deepwater contracts, Seadrill has decided to locate the technical support centre for deepwater operations in Houston under the leadership of Mr Tim Juran who at present is senior vice president Seadrill Americas.

The Board of Seadrill commenting on the changes says, “We are in the process of completing the most aggressive newbuilding program ever executed in this industry. Our teams, together with the yards and vendors, have so far done an excellent job making sure that the units are delivered within the estimated time schedules and budgets and that the drilling units have secured strong employment contracts.”

“Kjell Jacobsen has as CEO contributed significantly to this. We respect that Mr Jacobsen wants to change his priorities in his private life. Nevertheless, we are pleased that through his appointment to the Board of Seadrill, we will continue to benefit from his huge and seasoned industry experience. The appointment of Alf C. Thorkildsen and the transfer of the technical support centre for deepwater operations to Houston is a further step in the development of Seadrill as the world's leading operator of modern drilling units."

"We are extremely pleased with the effort 6,700 employees are putting into making Seadrill an outstanding offshore drilling company, to the benefit of our customers as well as our shareholders."

Strategy - Corporate Development - Growth

The Company mission is to create a world leading offshore drilling company focusing on modern high quality assets. The strategy to reach this objective has been to secure exposure to newbuild orders at quality yards, build a strong and dynamic organization, win term contracts, secure financial leverage, deliver the projects according to plan and put the new units into operation safely and efficiently.

Seadrill has since the start-up in May 2005 grown its fleet to 38 units through a series of acquisitions and newbuild orders. Out of the 38 units, 23 units are newbuilds out of which 11 units already have been delivered from the yards. Seadrill has put four jack-ups and five tender rigs into operation whilst the first two deepwater semi-submersible rigs are in transit to their first drilling location to commence operations in the third quarter this year.

At the same time, the Company has managed to build a strong organization to manage not only the existing operations including supervision of the newbuild program, but in particular to prepare, plan and organize the future operations as the units are delivered. As part of the preparation, Seadrill has been successful in recruiting some 1,900 experienced and skilled offshore workers that have grown the workforce to more than 6,700 people. The main operational offices have been built around Stavanger, Singapore and Houston. On the operational side, the Company this year will establish presence in new areas such as Brazil, China and the Gulf of Mexico in addition to the existing drilling operations in the North Sea, Australia, Southeast Asia, and West Africa.

The main operational challenge this year continues to be effective and safe commencement of operations for all the eight deepwater units scheduled for completion in 2008. At present, the overall construction of the newbuilds is progressing according to plan with only minor delays mainly linked to the delivery of West Herculus and West Aquarius from Daewoo. As it has been reported earlier, these two units will be delayed with between 3 – 4 months compared to original delivery schedule. The delays are a mainly a function of late equipment deliveries from sub contractors and a tight building schedule at the yard. Seadrill has kept strong and efficient cost control over the projects and are not experiencing significant cost overruns linked to any of the building projects. Although there still are risks attached to completion of these projects, the Board is of the opinion that the strategy to enter into fixed-price turnkey newbuild contracts, combined with heavy back-loaded yard installments schedules at the most experienced yards in the offshore industry has served the Company well..

On the contracting side, Seadrill has built an order backlog of more than US$12 billion mainly related to the deepwater units. Only in April, the Company signed US$4.5 billion of contracts with major customers like Exxon and Petrobras. The Board is pleased to observe that the dayrates level and contract lengths have continued to increase over time and that the

Company has been able to be in the forefront in pricing our services. At present, the average contract length of the Company's deepwater capacity is 51 months and the first available unit is the newbuild deepwater drillship West Gemini with scheduled delivery in the second quarter of 2010. For the shallow water capacity, the tender rigs have average contract length of 46 months with the first available unit in the second quarter 2009. For the jack-ups the average contracts length is 14 months. Although the contract coverage for the jack-ups is short term the Board is of the opinion that the available capacity will be absorbed and that order backlog for this segment will grow going forward. For the deepwater and tender rig units the contract visibility is expected to improve further over the next 12 months as oil companies are believed to secure capacity well ahead of start-up of operations. This view is based on recent market development as well as existing rig inquiries, rig tenders and customer discussions regarding the Company's available units.

The main objective for Seadrill is to deliver the best possible equity return to shareholders. The US$12 billion order backlog built through term contracts with quality customers gives Seadrill a unique opportunity to leverage its existing assets without adding material financial risk. Through a replacement of equity with debt, the return on the remaining equity should increase significantly. The Company therefore pursues leveraging strategies and continues to develop alternative sources of funding such as sale and leaseback agreements, export credit arrangements and more aggressive bank facilities.

In this respect, the Board is satisfied that Seadrill Limited and Ship Finance International Limited have agreed a sale and leaseback arrangement whereby Seadrill sells the ultra-deepwater drillship West Polaris under construction for a consideration of US$850 million and simultaneously lease the unit back for a 15-year period with six repurchase options during the lease period. The arrangement will at delivery of the drillship contribute some US$600 million in cash liquidity up front. In addition, the difference between the received client dayrate less the lease rate, rig-operating expenses and taxes will provide a cash flow that will strengthen and grow Seadrill going forward. If Seadrill was to use similar financing for all the eight deepwater units due for delivery this year, the Company could release in excess of US$4 billion in cash after adjusting for remaining yard instalments, interest expenses and supervision costs. This cash will be available for dividend purpose or further growth of the Company. Additional cash can be raised through executing similar structures on the remaining rigs in the Company. Along these lines, the Board is also considering solutions that might include a split of Seadrill into an operating company and an asset owning company. The bifurcation of risk is expected to increase shareholder value going forward by reducing the cost of capital. However, no decision around this has yet been taken, and this will to a large extend depend on the status of the financing markets. Furthermore, Seadrill is in the final phase of securing a US$1 billion bridge financing for the remaining rig delivery program through a bank syndicate. The facility has a two-year tenor and will provide more flexibility for the Company to optimize its debt structure going forward.

As a result of the recent developments including the recent secured financing, the significant increase in order backlog, the continued strong market outlook especially for deepwater units as well as the good progress made on newbuild deliveries, the Board has decided to declare the Company's second cash dividend of US$0.60 per share. The ex. dividend date has been set at June 5, 2008, the record date is June 9, 2008 and payment date is on or about June 18, 2008. As communicated earlier, the Board plans to increase the dividend stream materially when the deepwater rigs commence their contracts and additional financing has been secured.

The level of dividend will be guided by present earnings, market outlook, current capital expenditure programs as well as investment opportunities.

Furthermore, the Board is determined to continue to grow the Company and is continuously evaluating opportunities to grow the Company further by ordering more newbuilds or through corporate actions. Earlier this month, the Board decided to increase its stake in and made a mandatory offer for the remaining shares of the Oslo Stock Exchange listed company Scorpion Offshore that has a fleet of seven modern high specification jack-ups to be delivered within the end of 2009. The Board see the bid for Scorpion as an attempt to grow the Company's cash generation short term without having to wait for further new buildings to be delivered. The shareholders should be assured that Seadrill's focus would continue to be to develop the world's leading fleet of modern deepwater floater assets, although opportunistic investment approaches from time to time may be applied to optimize the equity return to the shareholders.

Based on the continued momentum in the deepwater market and the considerable strengthening of the Company's order backlog, the Board has decided to order a new semi-submersible rig from the Jurong Shipyard. The agreed construction price is US$640 million ex supervision and interest expenses with delivery schedule for fourth quarter 2011. The decision was pushed by the large amount of orders, which is likely to be executed shortly based on charter demand from Petrobras. These orders are likely to block attractive yard capacity well into 2012.

In April, Seadrill also disclosed a 9.9 percent ownership interest in the NYSE listed offshore drilling company Pride International Inc. This investment has been based on thorough evaluation of the company's underlying values. The Board has taken the initiative to a dialog with Prides management in order to look for attractive opportunities for both parties.

Outlook

For the second quarter 2008, the operating results will be positively influenced by the new tender rig addition T-11 as well as more days in operations for the jack-ups West Epsilon and West Janus that had yard-stays in the first quarter. On the negative side, Seadrill will perform a two months yard-stay for the tender rig T4, higher than normal operating expenses for West Navigator as well as record operating expenses for the two deepwater units in transit. In accordance with US GAAP accounting practice the mobilization income of some US$63 million cannot be used to offset these cost but will be taken as income over the life of the contracts. The cash will however be received when the rigs start their operation.
High West Navigator off hire operating costs will influence the results in April and May.

The significant increase in Seadrill revenues will start in the third quarter when the first of the eight deepwater units and one remaining newbuild jack-up are expected to commence operations in addition to several of the existing contracts rolling over at dayrates that are more favorable.

The Board is pleased with the positive operating development in the Jack-up division and the strong operation of the Tender Rig division. They are further pleased with the development in the projects, the build up of the Houston deepwater office as well as the contracting of the rigs. Special efforts are put into making the Company highly competitive when it comes to rig operating costs.

The Company has through well timed investment decisions secured the most modern high quality drilling fleet in the world with an average age almost 20 years younger than any of our large competitors. 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 have an active and opportunistic investment approach in order to maximize the return to shareholders from this very strong offshore cycle. This might include asset investments as well as corporate investments.

The results for the coming quarters will show strong earnings growth and high dividend payout.

Forward Looking Statements
This press release contains forward-looking statements. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Seadrill management's examination of historical operating trends.

Including among others, factors that, in the Company's view, could cause actual results to differ materially from the forward looking statements contained in this press release are the following: the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing for the newbuildings on favorable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports filed with the Oslo Stock Exchange.

May 27, 2008
The Board of Directors
Seadrill Limited
Hamilton, Bermuda

Questions should be directed to Seadrill Management AS represented by:

Kjell E Jacobsen:	Chief Executive Officer
Trond Brandsrud:	Chief Financial Officer
Jim Daatland:	Vice President Investor Relations

Accounts

Condensed Consolidated Income Statement

Unaudited accounts in USD millions	4Q07	**1Q08**	Q107	2007
Revenues				
Operating revenues	381,0	**380,8**	305,9	1 318,5
Reimbursables	43,2	**31,7**	28,2	146,6
Other revenues	21,8	**25,8**	145,1	211,2
Total revenues	446,0	**438,3**	479,2	1 676,3
Operating expenses				
Vessel and rig operating expenses	218,0	**216,9**	178,3	755,5
Reimbursable expenses	40,8	**30,5**	26,9	139,4
Depreciation and amortisation	48,7	**49,2**	43,1	182,9
General and adminstrative expenses	28,4	**31,6**	25,4	109,8
Total operating expenses	335,9	**328,2**	273,7	1 187,6
Operating profit	**110,2**	**110,1**	**205,5**	**488,8**
Interest income	13,4	**8,9**	2,5	23,6
Interest expense	(38,0)	**(28,0)**	(23,0)	(112,7)
Share of results from associated companies	5,2	**6,5**	6,9	23,2
Other financial items	15,2	**174,6**	(8,2)	(36,2)
Net financial items	(4,2)	**162,0**	(21,8)	(102,1)
Income before income taxes and minority interest	**106,0**	**272,1**	**183,7**	**386,7**
Income taxes	108,2	**(4,5)**	(13,7)	78,3
Minority interest	(5,2)	**(4,6)**	(1,8)	(13,0)
Gain on issuance of shares by subsidiary	50,0	**0,0**	0,0	50,0
Net income	**259,0**	**263,0**	**168,2**	**502,0**
Earnings per share *(in USD)*	0,66	**0,66**	0,44	1,28
Diluted earnings per share *(in USD)*	0,58	**0,63**	0,44	1,20

Condensed Consolidated Segment Information

Mobile Units Division

Unaudited accounts in USD millions	4Q07	**1Q08**	1Q07	2007
Operating revenues	213,6	**216,0**	174,1	729,9
Reimbursables	8,8	**9,0**	5,1	32,8
Other revenues	18,7	**23,9**	142,0	198,9
Total revenues	241,1	**248,9**	321,2	961,6
Vessel and rig operating expenses	110,3	**105,5**	92,1	376,4
Reimbursable expenses	7,4	**8,6**	4,4	28,2
Depreciation and amortisation	36,6	**36,5**	31,4	135,1
General and adminstrative expenses	15,3	**24,1**	18,2	73,3
Total operating expenses	169,6	**174,7**	146,1	613,0
Operating profit	71,5	**74,2**	175,1	348,6

Tender Rigs Division

Unaudited accounts in USD millions	4Q07	**1Q08**	1Q07	2007
Operating revenues	66,9	**65,5**	52,9	236,3
Reimbursables	3,4	**4,2**	4,0	17,2
Other revenues	3,1	**1,9**	3,0	12,2
Total revenues	73,4	**71,6**	59,9	265,7
Vessel and rig operating expenses	31,9	**27,8**	20,4	100,8
Reimbursable expenses	3,2	**4,1**	3,8	16,3
Depreciation and amortisation	9,5	**9,7**	9,8	38,6
General and adminstrative expenses	2,2	**3,8**	3,3	13,0
Total operating expenses	46,8	**45,4**	37,3	168,7
Operating profit	26,6	**26,2**	22,6	97,0

Well Services Division

Unaudited accounts in USD millions	4Q07	**1Q08**	1Q07	2007
Operating revenues	100,7	**99,3**	78,9	352,4
Reimbursables	30,9	**18,5**	19,2	96,7
Total revenues	131,6	**117,8**	98,1	449,1
Operating expenses	83,0	**82,8**	65,7	285,6
Reimbursable expenses	30,2	**17,8**	18,8	94,9
Depreciation and amortisation	2,7	**3,0**	1,9	9,2
General and adminstrative expenses	3,5	**4,5**	3,9	16,1
Total operating expenses	119,4	**108,1**	90,3	405,8
Operating profit	12,2	**9,7**	7,8	43,3

Condensed Consolidated Balance Sheets

Unaudited accounts in USD millions	**31.03.08**	**31.12.07**	**31.03.07**
Current assets			
Cash and cash equivalents	**317,2**	1 012,9	471,6
Marketable securities	**242,6**	240,4	122,6
Receivables	**591,0**	443,6	408,8
Total current assets	**1 150,8**	1 696,9	1 003,0
Non-current assets			
Investment in associated companies	**250,0**	176,1	161,9
Newbuildings	**3 744,8**	3 339,8	2 342,6
Drilling units	**2 588,4**	2 451,9	2 232,5
Goodwill	**1 521,7**	1 509,6	1 284,2
Other non-current assets	**345,3**	118,8	68,3
Total non-current assets	**8 450,2**	7 596,2	6 089,5
Total assets	**9 601,0**	**9 293,1**	**7 092,5**
Current liabilities			
Short-term interest bearing debt	**584,1**	484,1	1 015,5
Other current liabilities	**825,8**	670,6	404,4
Total current liabilities	**1 409,9**	1 154,7	1 419,9
Non-current liabilities			
Long-term interest bearing debt	**4 039,8**	4 116,4	2 033,6
Deferred taxes	**125,8**	96,1	234,0
Other non-current liabilities	**180,7**	198,1	183,3
Total non-current liabilities	**4 346,3**	4 410,6	2 450,9
Minority interest	**108,8**	104,6	257,2
Shareholders' equity			
Paid-in capital	**2 774,1**	2 778,5	2 449,8
Retained earnings	**961,9**	844,7	514,7
Total shareholders' equity	**3 736,0**	3 623,2	2 964,5
Total shareholders' equity and liabilities	**9 601,0**	**9 293,1**	**7 092,5**

Condensed Consolidated Cash Flow Statements

Unaudited accounts in USD millions	**3M2008**	**3M2007**	**2007**
Cash flow from operating activities			
Net income	**263,0**	168,2	502,0
Adjustement to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	**49,2**	43,1	182,9
Gains on disposals of other investments	**(163,3)**	(123,3)	(124,2)
Share of results from associated companies	**(6,6)**	(6,9)	(23,2)
Change in working capital	**(21,7)**	(7,8)	112,0
Net cash from operating activities	**120,6**	**73,3**	**649,5**
Cash flow from investing activities			
Acquisition of subsidiary			(216,5)
Acquisition of fixed assets	**(599,3)**	(332,3)	(1 738,7)
Disposal of fixed assets		170,0	170,0
Purchase of other investments	**(164,1)**		(141,4)
Cash flow from (investment in) associated companies	**(140,0)**	83,3	83,3
Cash flow from other investments		(23,2)	5,4
Sale of other investments	**182,3**		99,3
Net cash from investing activities	**(721,1)**	**(102,2)**	**(1 738,6)**
Cash flow from financing activities			
Proceeds from debt	**186,5**	441,4	3 926,3
Repayment of debt	**(163,4)**	(211,5)	(2 211,9)
Proceeds from issuance of equity			304,0
Purchase of treasury shares	**(9,6)**		0,2
Paid dividend	**(100,6)**		
Contribution by minority interest	**(8,1)**	58,0	(128,2)
Net cash from financing activities	**(95,2)**	**287,9**	**1 890,4**
Effect of exchange rate changes on cash equiv.	**0,0**	**2,2**	**1,2**
Net change in cash and cash equivalents	(695,7)	261,2	802,5
Cash and cash equivalents at beginning of year	**1 012,9**	**210,4**	**210,4**
Cash and cash equivalents at end of period	**317,2**	**471,6**	**1 012,9**

Condensed Consolidated Statement of changes in Equity

Unaudited accounts in USD millions	Issued share capital	Treasury shares	Share premium reserve	Accum. compreh. income	Accum. earnings	Total shareholders' equity
Balance at 31 December, 2005	**458,3**	**0,0**	**267,1**	**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**	**(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**	**152,1**	**692,5**	**3 623,3**
Other comprehensive income				(46,3)		(46,3)
Net income for the period					263,0	263,0
Share-based payments			5,1			5,1
Dividend payment					(100,6)	(100,6)
Purchase of treasury shares		(1,0)	(9,6)			(10,6)
Sale of treasury shares		0,1	0,9			1,0
FASB adjustment				(2,6)		(2,6)
Translation adjustment				(7,8)		(7,8)
Other					11,5	11,5
Balance at 31 March, 2008	**798,3**	**(2,1)**	**1 978,0**	**95,4**	**866,4**	**3 736,0**