

# A different offshore driller



**2Q results 2008 conference call**

**August 28, 2008**

**Seadrill** 

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## Highlights 2Q2008

- Second quarter net income of US\$210 million and EPS of US\$0.53
- Second quarter included gain of US\$80 million from sale of the 1981-built jack-up West Titania
- Cash dividend per share of US\$0.60
- Three newbuild deliveries
  - Tender rig T11 delivered in April, jack-up West Ariel delivered late May and deepwater drillship West Polaris delivered July
- Operations with newbuild deepwater semi West Sirius commenced in July



## Highlights 2Q2008 – cont'd

- US\$1.7 billion in newbuild orders
  - One deepwater semi at Jurong Shipyard with delivery in 4Q2011
  - One self-erecting tender rig at KFELS with delivery 1Q 2011
  - Four jack-ups with total construction price of US\$850 million ordered in June with delivery in 2010
    - Two 400ft units from KFELS
    - Two 375ft units from PPL
  - All units based on same design as previous orders



## Highlights 2Q2008 – cont'd

- New deepwater contracts worth US\$4.8 billion

### Petrobras – Brazil development drilling

- Deepwater semi West Eminence – 6Y at US\$600,000
- Deepwater semi West Taurus – 6Y at US\$630,000
- Deepwater semi West Orion– 6Y at US\$600,000

### Exxon – Worldwide exploration drilling

- Deepwater semi West Aquarius – 1Y option at US\$525,000
- Deepwater drillship West Polaris – 1Y extension at US\$615,000

### Devon Energy – Gulf of Mexico operations

- Deepwater semi West Sirius – 2Y option at US\$475,000
- 6 year contract with Devon totals US\$1 billion



## Highlights 2Q2008 – cont'd

- Financing
  - First sale and leaseback for deepwater unit with Ship Finance
  - Finalized a two-year US\$1 billion bridge loan facility
  - In the process of securing additional financing for two more deepwater units
  
- Other investments in rig companies
  - 9.5% shareholding maintained in US based offshore drilling contractor Pride International Inc.
  - 38.5% shareholding maintained in jack-up company Scorpion Offshore Ltd.
  - 21.7% shareholding in tender rig company SapuraCrest Petroleum Bhd.



# Condensed income statement

<i>Unaudited accounts in USD millions</i>	1Q08	2Q08	6M08	6M07
<b>Revenues</b>				
Operating revenues	380,8	452,1	832,9	613,8
Reimbursables	31,7	52,5	84,2	72,6
Other revenues	25,8	98,3	124,1	166,8
<b>Total revenues</b>	<b>438,3</b>	<b>602,9</b>	<b>1 041,2</b>	<b>853,2</b>
<b>Operating expenses</b>				
Vessel and rig operating expenses	216,9	260,7	477,6	359,1
Reimbursable expenses	30,5	49,3	79,8	69,8
Depreciation and amortisation	49,2	51,0	100,2	86,8
General and administrative expenses	31,6	30,3	61,9	55,1
<b>Total operating expenses</b>	<b>328,2</b>	<b>391,3</b>	<b>719,5</b>	<b>570,8</b>
<b>Operating profit</b>	<b>110,1</b>	<b>211,6</b>	<b>321,7</b>	<b>282,4</b>
Interest income	8,9	6,6	15,5	7,2
Interest expense	(28,0)	(34,1)	(62,1)	(43,9)
Share of results from associated companies	6,5	9,2	15,7	11,5
Other financial items	174,6	25,3	199,9	(18,4)
<b>Net financial items</b>	<b>162,0</b>	<b>7,0</b>	<b>169,0</b>	<b>(43,6)</b>
<b>Income before income taxes and minority interest</b>	<b>272,1</b>	<b>218,6</b>	<b>490,7</b>	<b>238,8</b>
Income taxes	(4,5)	(2,9)	(7,4)	(24,9)
Minority interest	(5)	(5,9)	(11)	(4)
<b>Net income</b>	<b>263,0</b>	<b>209,8</b>	<b>472,8</b>	<b>210,2</b>
Earnings per share <i>(in USD)</i>	0,66	0,53	1,19	0,55
Diluted earnings per share <i>(in USD)</i>	0,63	0,51	1,14	0,55





# Mobile units

<b>Mobile Units Division</b>				
<i>Unaudited accounts in USD millions</i>				
	1Q08	2Q08	6M08	6M07
Operating revenues	216,0	242,9	458,9	340,8
Reimbursables	9,0	13,2	22,2	17,1
Other revenues	23,9	97,1	121,0	160,7
<b>Total revenues</b>	248,9	<b>353,2</b>	<b>602,1</b>	518,6
Vessel and rig operating expenses	105,5	113,6	219,1	181,0
Reimbursable expenses	8,6	11,5	20,1	15,4
Depreciation and amortisation	36,5	37,2	73,7	63,3
General and administrative expenses	24,1	21,3	45,4	40,5
<b>Total operating expenses</b>	174,7	<b>183,6</b>	<b>358,3</b>	300,2
<b>Operating profit</b>	74,2	<b>169,6</b>	<b>243,8</b>	218,4
Utilization	88,5	97,0		



# Tender rigs

<b>Tender Rigs Division</b>				
<i>Unaudited accounts in USD millions</i>				
	1Q08	2Q08	6M08	6M07
Operating revenues	65,5	<b>69,1</b>	<b>134,6</b>	108,8
Reimbursables	4,2	<b>7,4</b>	<b>11,6</b>	8,4
Other revenues	1,9	<b>1,2</b>	<b>3,1</b>	6,1
<b>Total revenues</b>	<b>71,6</b>	<b>77,7</b>	<b>149,3</b>	<b>123,3</b>
Vessel and rig operating expenses	27,8	<b>31,1</b>	<b>58,9</b>	44,1
Reimbursable expenses	4,1	<b>7,1</b>	<b>11,2</b>	8,0
Depreciation and amortisation	9,7	<b>10,2</b>	<b>19,9</b>	19,4
General and administrative expenses	3,8	<b>4,3</b>	<b>8,1</b>	6,9
<b>Total operating expenses</b>	<b>45,4</b>	<b>52,7</b>	<b>98,1</b>	<b>78,4</b>
Operating profit	26,2	<b>25,0</b>	<b>51,2</b>	44,9
Utilization	98,8	<b>90,4</b>		



# Well Services (Seawell Limited) \*

<b>Well Services Division</b>				
<i>Unaudited accounts in USD millions</i>				
	1Q08	2Q08	6M08	6M07
Operating revenues	99,3	<b>140,1</b>	<b>239,4</b>	164,2
Reimbursables	18,5	<b>31,9</b>	<b>50,4</b>	47,1
<b>Total revenues</b>	<b>117,8</b>	<b>172,0</b>	<b>289,8</b>	<b>211,3</b>
Operating expenses	82,8	<b>116,8</b>	<b>199,6</b>	134,0
Reimbursable expenses	17,8	<b>30,7</b>	<b>48,5</b>	46,4
Depreciation and amortisation	3,0	<b>3,6</b>	<b>6,6</b>	4,1
General and administrative expenses	4,5	<b>3,9</b>	<b>8,4</b>	7,7
<b>Total operating expenses</b>	<b>108,1</b>	<b>155,0</b>	<b>263,1</b>	<b>192,2</b>
<b>Operating profit</b>	<b>9,7</b>	<b>17,0</b>	<b>26,7</b>	<b>19,1</b>

\* 100% consolidated numbers  
(Seadrill owns 74%)



# Balance Sheet

## Total assets

Unaudited accounts in USD millions

	30.06.08	31.03.08	31.12.07
<i>Current assets</i>			
Cash and cash equivalents	425,4	317,2	1 012,9
Marketable securities	496,3	242,6	240,4
Accounts receivables, net	311,6	240,6	220,5
Other current assets	253,7	350,4	223,1
<b>Total current assets</b>	<b>1 487,0</b>	<b>1 150,8</b>	<b>1 696,9</b>
<i>Non-current assets</i>			
Investment in associated companies	337,7	250,0	176,1
Newbuildings	3 972,0	3 744,8	3 339,8
Drilling units	2 814,3	2 588,4	2 451,9
Goodwill	1 608,9	1 521,7	1 509,6
Restricted cash	347,6	0,0	0,0
Other non-current assets	398,9	345,3	118,8
<b>Total non-current assets</b>	<b>9 479,4</b>	<b>8 450,2</b>	<b>7 596,2</b>
<b>Total assets</b>	<b>10 966,4</b>	<b>9 601,0</b>	<b>9 293,1</b>



# Balance Sheet

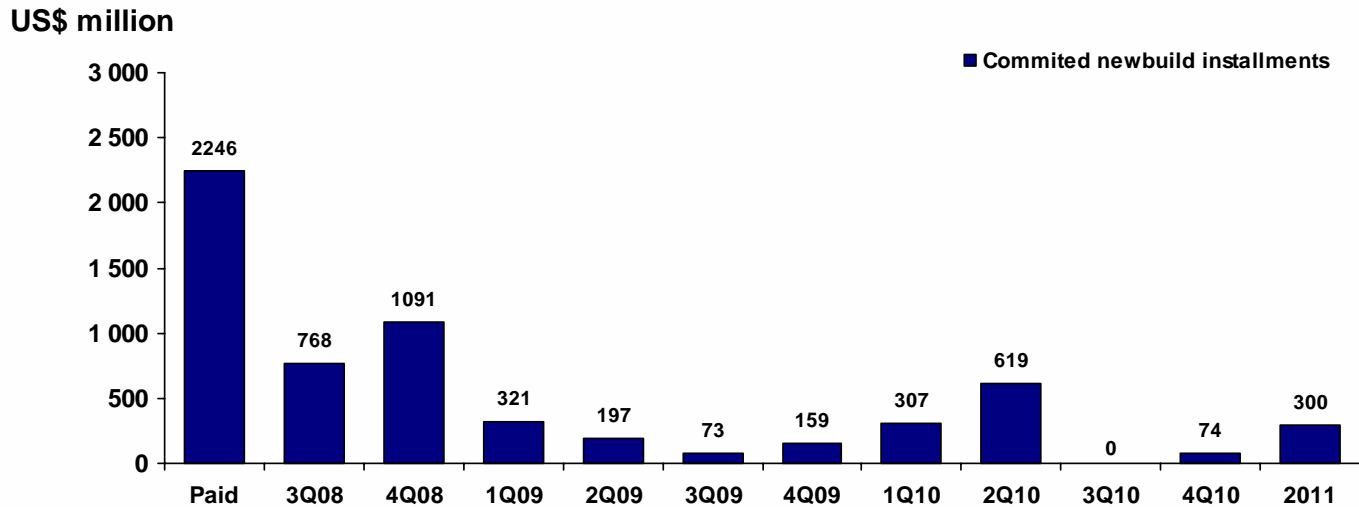
## Liability and equity

Unaudited accounts in USD millions

	30.06.08	31.03.08	31.12.07
<i>Current liabilities</i>			
Short-term interest bearing debt	550,2	584,1	484,1
Other current liabilities	1 088,7	825,8	670,6
<b>Total current liabilities</b>	<b>1 638,9</b>	<b>1 409,9</b>	<b>1 154,7</b>
<i>Non-current liabilities</i>			
Long-term interest bearing debt	5 035,1	4 039,8	4 116,4
Deferred taxes	127,0	125,8	96,1
Other non-current liabilities	205,2	180,7	198,1
<b>Total non-current liabilities</b>	<b>5 367,3</b>	<b>4 346,3</b>	<b>4 410,6</b>
Minority interest	127,8	108,8	104,6
<i>Shareholders' equity</i>			
Paid-in capital	2 786,8	2 774,1	2 778,5
Retained earnings	1 045,6	961,9	844,7
<b>Total shareholders' equity</b>	<b>3 832,4</b>	<b>3 736,0</b>	<b>3 623,2</b>
<b>Total shareholders' equity and liabilities</b>	<b>10 966,4</b>	<b>9 601,0</b>	<b>9 293,1</b>



# Committed newbuild installments



- Unpaid committed newbuild installment schedule amounts to approximately US\$3.9 billion
- The installments do not include spares, construction supervision, operation preparation and mobilization or capitalized interests
- Covers six semi-submersibles, three drillships, three tender rigs and four jack-up

Scheduled delivery incentives through back-loaded payments



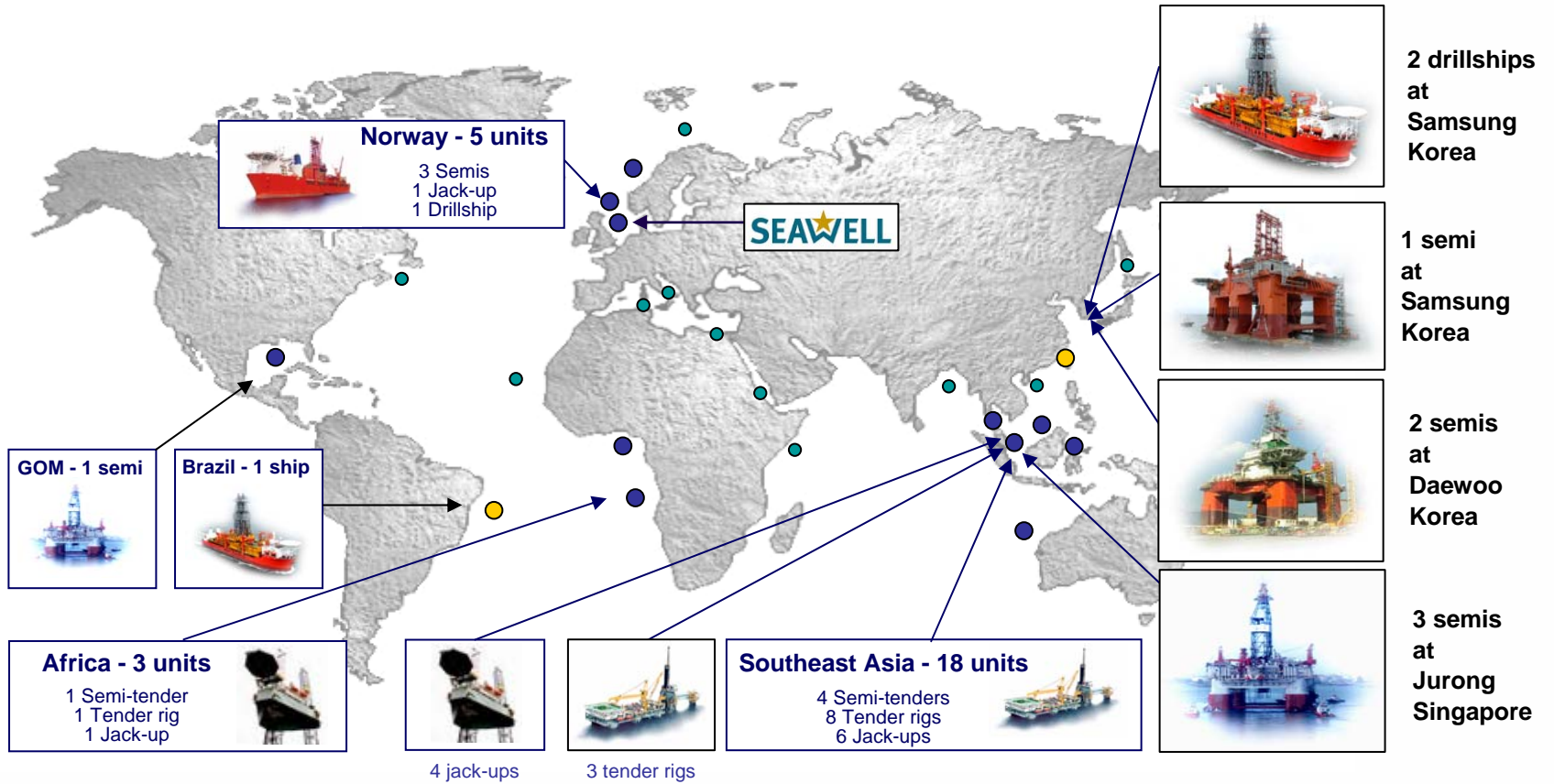
## Second cash dividend distribution

- Board resolves dividend of some US\$240 million
- Dividend of US\$0.60 per share
- Ex. dividend date is September 4, 2008
- Record date is September 9, 2008
- Payable date on or about September 16, 2008

**Cash dividend based on strong earnings visibility**



# Operations and newbuild projects



**43 units of which 15 under construction**

- Current
- Previous
- Future





# Four premium jack-ups ordered

- KFELS Mod VB Class
  - West Callisto delivery 2Q2010
  - West Juno delivery 4Q2010
  - Yard contract price per rig is US\$210 million
- PPL Baker 375 Pacific Class
  - West Leda delivery 1Q2010
  - West Elara delivery 4Q2010
  - Yard contract price per rig is US\$215 million



**US\$850 million in new investments**



# Status shallow water newbuild projects

## Jack-ups

Unit	Delivery	
<b>West Ceres</b>	May 2006	✓
<b>West Prospero</b>	June 2007	✓
<b>West Atlas</b>	September 2007	✓
<b>West Triton</b>	January 2008	✓
<b>West Ariel</b>	May 2008	✓
<b>West Leda</b>	On schedule	1Q10
<b>West Callisto</b>	On schedule	2Q10
<b>West Elara</b>	On schedule	4Q10
<b>West Juno</b>	On schedule	4Q10

## Tender rigs

Unit	Delivery	
<b>West Berani</b>	December 2006	✓
<b>T10</b>	August 2007	✓
<b>T11</b>	April 2008	✓
<b>T12</b>	On schedule	1Q10
<b>West Berani II</b>	On schedule	1Q10
<b>West Berani III</b>	On schedule	1Q11

**Deliveries on time and budget**



# West Sirius

## Update

- Arrived the Gulf Of Mexico July 1
- Commenced drilling operations July 24
- Farmed out to APT
- Drilled three top holes
- Utilization in line with expectations
- Contract extended from four to six years



# West Taurus

## Progress

- 95% complete
- Delivery scheduled in December this year
- Start-up of operations for Petrobras expected in February next year

## Challenges

- Final commissioning

Cost - On budget



# West Phoenix

## Update

- Delivery taken end March 2008
- Unit has arrived Norway
- Commencement of operations in Norway is delayed to November 2008
- Activities outstanding are final commissioning and testing of drilling equipment



# West Eminence

## Progress

- 99% complete
- Delivery scheduled year-end 2008

## Challenges

- Commissioning

Cost - On budget



# West Polaris

## Update

- Delivered on July 10
- On time and budget
- En route to Brazil
- Commencement of operations in Brazil for Exxon anticipated in October 2008



# West Capella

## Progress

- 95% complete
- Delivery planned in December 2008
- Commencement of operations in Nigeria for Total expected in February/March 2009

## Challenges

- Final commissioning

Cost - On budget





# West Hercules

## Progress

- 100% complete
- Delivery scheduled mid September 2008
- Commencement of operations in China for Husky in October 2008

## Challenges

- Final commissioning

Cost - On budget



# West Aquarius

## Progress

- 96% complete
- Delivery planned in the November this year
- Commencement of operations in Indonesia December

## Challenges

- Yard capacity
- Commissioning risk

Cost - On budget



# Human resources recruitment status

Units	Core crew recruitment % complete
West Phoenix	100%
West Sirius	100%
West Hercules	100%
West Polaris	100%
West Aquarius	100%
West Capella	95%
West Eminence	95%
West Taurus	85%

65% of non-core crew complete



- Core crews
  - Internal and international recruiting
- Other crew
  - In the country we operate

**Recruitment as planned .... retention future challenge**



# Contract status floaters

Customer	2008				2009				2010				2011				2012				2013				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Semi-submersibles</b>																												
West Alpha	StatoilHydro				US\$274,000				US\$488,000 <sup>2</sup>																			
West Venture	StatoilHydro				US\$269,000				US\$269,000																			
West Phoenix <sup>1</sup>	Total				Newbuild				US\$530,000				US\$515,000															
West Aquarius	Exxon				Newbuild				US\$525,000																			
West Sirius	Devon				Newbuild				US\$475,000																			
West Hercules	Husky				Newbuild				US\$524,000																			
West Eminence <sup>3</sup>	Petrobras				Newbuild				US\$600,000																03.2015			
West Taurus <sup>3</sup>	Petrobras				Newbuild				US\$630,000																02.2015			
West Orion <sup>3</sup>	Petrobras				Newbuild				US\$600,000																06.2016			
West Capricorn	-				Newbuild																							
<b>Drillships</b>																												
West Navigator	Shell				US\$267,000				US\$595,000																			
West Polaris	Exxon				Newbuild				US\$556,000				US\$615,000															
West Capella	Total				Newbuild				US\$540,000																			
West Gemini	-				Newbuild																							

■ Yard plus transit period   
■ Contract   
■ Option

<sup>1</sup> The West Phoenix contract could be extended by two years at dayrate US\$515,000

<sup>2</sup> The West Alpha contract could be extended by one or two years reducing the dayrates for the contract period to US\$468,000 or US\$448,000, respectively

<sup>3</sup> Dayrates include five percent performance incentive as well as estimated compensation for taxes

Order backlog of approx. US\$10.7 billion



# Contract status jack-ups

Customer		2008				2009				2010				2011			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Jack-ups</b>																	
West Epsilon	StatoilHydro	US\$326,000															
West Janus	PCPPOC	US\$185,000 US\$150,000															
West Atlas	Coogee	US\$257,500 US\$252,000															
West Triton	ADA	US\$275,000															
West Ceres	Total	US\$183/US\$221'															
West Prospero	Exxon	US\$205,000															
West Larissa	VietsoPetro	US\$183,500															
West Ariel	PTT	Newbuild US\$182'															
West Callisto	-	Newbuild at KFELS															
West Juno	-	Newbuild at KFELS															
West Leda	-	Newbuild at PPL															
West Elara	-	Newbuild at PPL															

■ Yard 
 ■ Contract 
 ■ Option

**Order backlog of approx. US\$740 million**



# Contract status tender rigs

Customer	2008				2009				2010				2011				2012				2013				2014			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Tender barges</b>																												
T3 <sup>1</sup>	PTT	US\$58,000	US\$74,000																									
T4	Chevron	US\$49'	US\$88,000																									
T6 <sup>1</sup>	Carigali/CTOC	US\$93,000																										
T7	Chevron	US\$57,000																										
T8	Total	US\$90'	US\$125,000																									
T9 <sup>1</sup>	Exxon	US\$73,000	Market rate																									
T10 <sup>1</sup>	Carigali/Hess	US\$85,000	US\$85,000																									
T11	Chevron	Newbuild	US\$116,000																									
T12	-	Newbuild																										
Teknik Berkat <sup>1</sup>	Carigali	US\$72'	US\$125'																									
<b>Semi-tenders</b>																												
West Alliance	Shell	US\$93,000																										
West Berani	Newfield/Conoco	US\$124,000	US\$165,000																									
West Menang	Total	US\$127,000																										
West Pelaut	Shell	US\$67,000	US\$67,000																									
West Setia	Murphy/Chevron	US\$85,000	US\$165'	US\$163'																								
West TBA I	-	Newbuild																										
West TBA II	-	Newbuild																										

■ Yard ■ Contract ■ Option

<sup>1</sup> Ownership 49%

Order backlog of approx. US\$1.2 billion

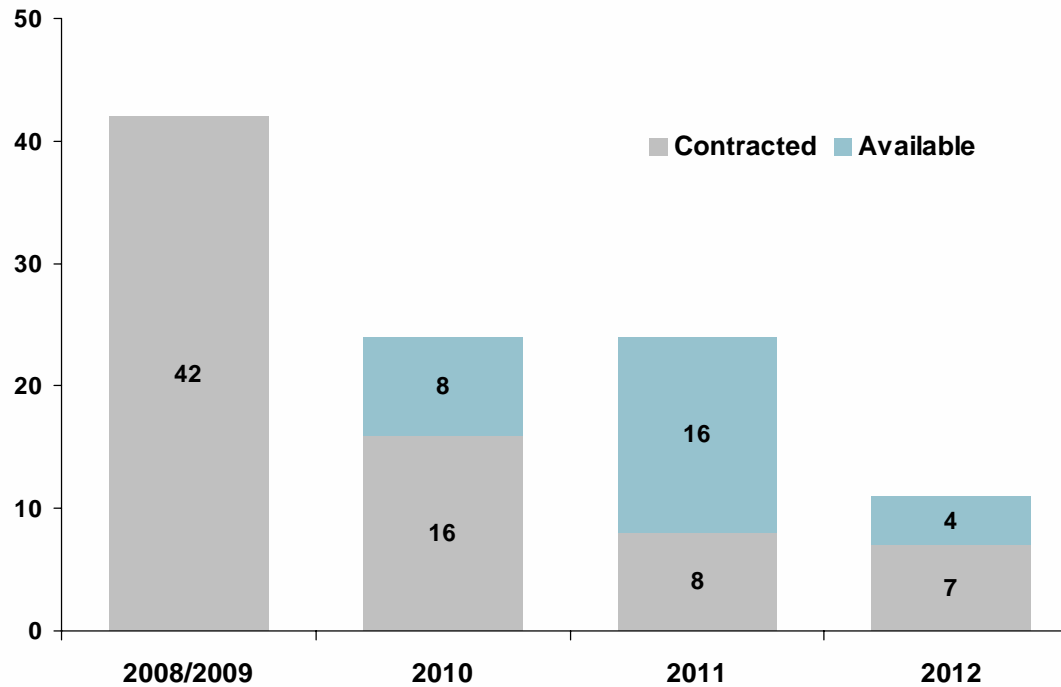


## Market status floaters

- Brazil with the sub-salt discoveries is a game changer
- The National Oil Companies and Independents continue to be in the driving seat
- Super majors and majors are being more active in securing deepwater capacity
- Availability combined with operation track record is highly valued



# Ultra-deepwater newbuilds – 2008 and 2009 fully booked



Market is absorbing the newbuilds



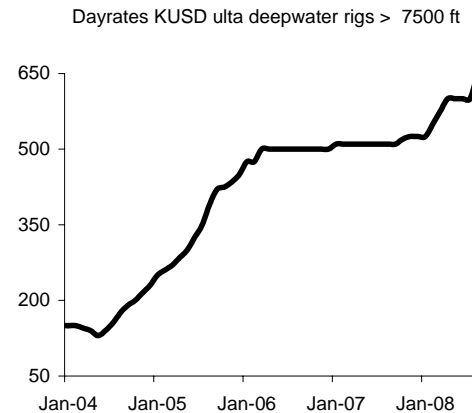
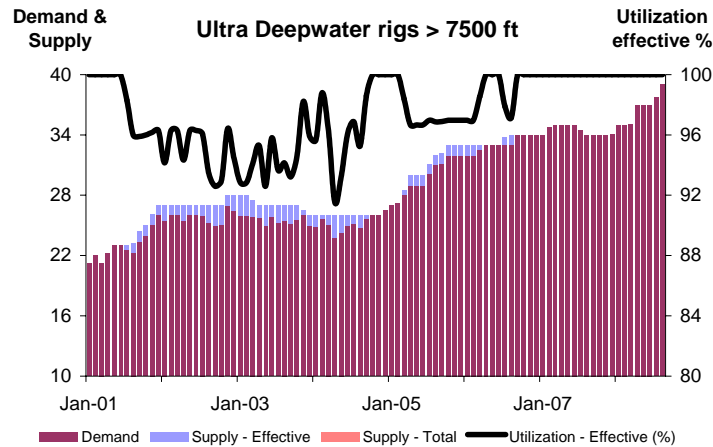




# Ultra-deepwater rates established above US\$600'/day

## Latest fixtures

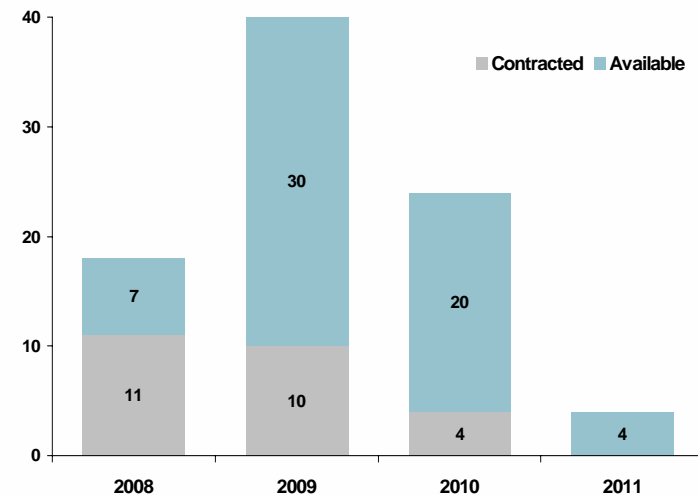
Date	Company	Rig	Rig type	Operator	Rate \$/day	Old \$/day	Duration	Start-up	Comments
4-Aug	RIG	Deepwater Expedition	5GDS	Petronas	640	375	3Y	Aug-10	
8-Jul	RIG	Deepwater Pathfinder	5GDS	ENI	652	395	5Y	Apr-10	
27-Jun	Seadrill	West Sirius	6GSS	Devon	470	470	2Y	3Q12	Priced option
24-Jun	Noble	Noble Jim Day	6GSS	Marathon	515	NA	2Y	Jan-12	Priced option
23-Jun	Transocean	Petrobras Drsh Tbn1	6GSS	Petrobras	418	NA	10Y	Jul-09	+10%bonus+10Y opt.
19-Jun	RIG	GSF Dev. Driller II	5GSS	BP	580	208	5Y	Nov-08	
2-Jun	Sevan	Sevan Brasil	6GSS	Petrobras	406	NA	6Y	Jun-12	+ 6Y option
2-Jun	Scorpion	Scorpion Semi Tbn1	6GSS	Petrobras	416	NA	6Y	Jun-12	+ 6Y option
2-Jun	Delba	Delba VI	6GSS	Petrobras	382	NA	6Y	Jun-12	+ 6Y option
2-Jun	Delba	Delba V	6GSS	Petrobras	382	NA	6Y	Jun-12	+ 6Y option



## Market status Jack-ups

- Continued historical high oil prices will result in revival
- Increased focus on quality and fleet ageing issues
- A modern brand new fleet of rigs is a major advantage

Newbuild jack-ups



Market is absorbing the premium jack-up newbuilds



# Further growth opportunities

*Opportunities are:*

- Further newbuilds?
- Acquisition of assets under construction, or
- Smaller newcomers?
- A sizable corporate transaction?

Transactions that create shareholder value



# Summary

- First deepwater newbuild has commenced operations in the Gulf of Mexico
- Remaining newbuilding projects progressing as planned with a few exceptions
- Strong order backlog exceeding US\$12 billion
- Market outlook remain favorable with increasing dayrates especially for ultra-deepwater rigs
- Remaining debt financing to cover all newbuilds installments is expected to be in place shortly
- Third consecutive cash dividend resolved

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