SDRL – PRELIMINARY REPORT OCTOBER - DECEMBER 2005 AND FISCAL PERIOD 2005

Highlights

- **SeaDrill Limited (the “Company” or “SeaDrill”) reports a net income of $1.1 million and earnings per share of $0.01 for the fourth quarter of 2005.**
- **SeaDrill purchased 40.8% of Mosvold Drilling Ltd’s (“Mosvold”) capital for $94.6 million and presented an offer to acquire all remaining shares at NOK 14 per share on 23 December 2005.**
- **SeaDrill increased its investment in SeaDrill Invest Ltd (“SeaDrill Invest”) from 92.7% to 99.5% in the fourth quarter for a price of $16.2 million.**
- **SeaDrill raised $63.2 million in the fourth quarter through a private placement of 9,093,454 shares at NOK 47.1 per share.**

Fourth quarter results and results to date

SeaDrill reports an operating loss of $5.8 million and a net income of $1.1 million for the quarter ended December 31, 2005.

Revenues increased as a function of higher day rate for *Ekha* and higher day rates and utilisation for - *SeaDrill 6* and C*rystal Ocean*..

Vessel and rigs operating expenses increased in the fourth quarter to $15.9 million as compared to $4.2 million in the third quarter. The increase was due to *SeaDrill 6* commenced its operations and *SeaDrill 7* completed its upgrading in Brownsville and was mobilised to West Africa.. Administrative costs were $2.7 million this quarter compared to $0.9 million in the third quarter reflecting the costs incurred in building up the SeaDrill organisation in Singapore.

The results for the third quarter have been restated to reflect the change of accounting treatment for the investment in Ocean Rig ASA (“Ocean Rig”) and the capitalisation of interest expense. The investment in Ocean Rig was equity accounted for in the third quarter which resulted in a share of net loss of $5.7 million. The Company has reviewed its accounting treatment and concluded it is more appropriate to account for it as an investment in available-for-sale marketable securities as the investment was more an opportunistic holding. The investment was subsequently disposed of in January 2006. The unrealised holding gain on investment in Ocean Rig of $81.7 million was accounted for in other comprehensive income at December 31, 2005. The realised gain of 79.9 million will be recorded in the first quarter of 2006. Interest expenses of $5.9 million incurred on the Company’s various loans from inception to December 31, 2005 were capitalised as part of the construction costs on newbuildings in accordance with US GAAP.

In addition, the fourth quarter’s results have been positively impacted by the Company’s share of preliminary results of $3.0 million of its 33.05% investment in PT Apexindo Pratama Duta Tbk (“Apexindo”) and share of results of $0.1 million of its 40.08% investment in Mosvold. The contribution from Apexindo may be subject to change as a result of finalisation of the accounting treatment of its cross currency swap transactions. In December 2005, SeaDrill entered into a share swap transaction on 2,107,600 Smedvig ASA ("Smedvig") shares with no right to the physical delivery of the shares. The swap was, in accordance with US GAAP, accounted for as a derivative and resulted in positive contribution of $5.3 million based on market to market revaluation.

The Company reports an operating loss of $11.2 million and a net loss of $2.6 million for the period from inception through December 31, 2005.

Earning per share for the quarter was $0.01 and loss per share from inception to December 31, 2005 was $0.01 respectively.

The financial information presented herein is unaudited and is prepared in accordance with U.S. generally accepted accounting principles.

Financings

Net cash generated from operating activities and financing activities was $19.5 million and $67.2 million, respectively for the quarter. Net cash used in investing activities was $54.6 million. At December 31, 2005 the Company had cash and cash equivalents of $51.8 million, which includes $2.4 million of restricted cash. The Company had total interest bearing debt outstanding of $314.1 million, of which $106.1 million was repaid in January 2006.

During the fourth quarter, the Company paid $16.2 million for an additional 6.8% in SeaDrill Invest (bringing the total investment to 99.5%), $31.3 million for shares in Mosvold, $36.5 million for newbuildings, $10.9 million for rigs and vessels' upgrade and received $42.4 million from sale of other liquid securities held by SeaDrill Invest. In the same period, SeaDrill drewdown $25.0 million from the $100 million construction facility for the payment of second 20% instalment of one of its jack-up newbuildings at Keppel. In addition the Company also drewdown $50 million from a related-party loan to pay for its investment in Mosvold, increasing the total outstanding amount to $100 million as at December 31, 2005. At the same time, the Company has made debt repayments of $6.65 million, lease obligations repayments of $2.0 million and paid fees for debt arrangements amounting to $1.0 million.

Corporate and other matters

In the fourth quarter SeaDrill acquired 40.08% of Mosvold for $94.6 million which was financed partly by a related party loan of $50.0 million and partly by a private placement of 9,093,454 new shares in SeaDrill at NOK 47.1 per share (approximately $63.2 million). Subsequent to year end, the investment in Mosvold has been increased to 94.3% on an enlarged share capital through participation in a private placement, acceptance from a general offer and market purchases. The total investment in Mosvold stands at $320.6 million.

At December 31, 2005, the issued share capital of SeaDrill is $458,266,432, represented by 229,133,216 shares of $2 par value.

On January 6, 2006 the Company sold its entire investment in Ocean Rig of 21,966,660 shares for $297.7 million and made a profit of $79.9 million.

On January 9, 2006, the Company made a voluntary offer for all outstanding shares in Smedvig, at NOK 205 per share for class A shares and NOK 165 per share for class B shares, subject to a total acceptance level of more than 50%. Following the offer, including the already controlled 2,245,600 shares through share swaps, SeaDrill owns a total of 27,899,609 class A shares and 15,508,082 class B shares in Smedvig, constituting 51.89% of the Smedvig votes and 53.11 % of the Smedvig capital. The investment costs of $1.22 billion were financed through a combination of available cash, bank loan of $609.4 million from a $1.2 billion facility and the private placement of 75 million shares at NOK 66 per share ($724.3 million). $400 million of the total loan facility is repayable in January, 2007 and the remaining loan is repayable on January 25, 2008.

SeaDrill will put forward a mandatory offer in Norway together with a tender offer in the United States to all remaining shareholders in Smedvig. The mandatory offer has been submitted to the Oslo Stock Exchange for approval.

On January 20, 2006 SeaDrill declared its option to build a second harsh environment semi-submersible ultra deepwater drilling rig with Daewoo Shipbuilding in Korea for $495 million. The rig will be delivered in the third quarter of 2008 and only 30% of the contract price is payable prior to delivery of a fully operational unit.

The Company accepted a Letter of Intent (LOI) for employment of the jack-up newbuilding SeaDrill 3 (Hull B265). The contract is for two years and will commence immediately after delivery in second quarter of 2006. Total contract value is approximately $120 million.

On February 21, 2006, the Company completed another private placement of 20,000,000 shares at NOK 70.75 per share raising approximately $209.6 million to partly finance the acquisition of Mosvold and for general corporate purposes including financings for the mandatory offer of Smedvig.

The issued share capital of SeaDrill after the private placement is $648,266,432, represented by 324,133,216 shares of $2 par value.

As of February 16, 2006 SeaDrill took effective Board Control in Smedvig and Mosvold. John Fredriksen, Kate Blankenship and Tor Olav Troim, who are Board members of SeaDrill, were as of that date elected as Board members of the two companies.

Immediately after the election of the new Board in Mosvold, the new Board was made aware of the fact that one day prior to election of the new Board two of the previous Board members had signed off and transferred USD 25.1 million in “success fee” to Mosvold Management Ltd, a company controlled by the two individuals. The ex-Chairman states in a letter, dated February 27, 2006, to SeaDrill that ”It is our opinion that the fees were due for payment……pursuant to a management agreement between Mosvold Management and Mosvold Drilling”. However, there is no Board decision or independent assessment verifying the basis of this payment, neither was it mentioned in the documentation in connection with the latest Mosvold’s private placement that more than a third of the proceeds, which were raised, would be used to fund such a payment. The new Board of Mosvold will challenge the “success fee” and seek recovery of any illegal payments. The ex-Chairman of Mosvold, who co-signed the payment, has in the above-mentioned letter to SeaDrill, stated that he will be willing to review the situation and “in the mutual understanding that Mosvold Management Ltd is not entitled to the entire paid amount, I can confirm that any difference will be repaid with interest”.

The Market

Throughout the quarter, the rig market continued to show strength across all categories and classes of MODUs. This trend is anticipated to continue unabated throughout 2006 assuming no fundamental change to the price of oil. The supply demand equation is very tight. Operator demand for rigs remains robust with little prospect of supply relief as the inventory of cold stacked rigs and those engaged in alternative work (eg accommodation units, production duties, etc) continues to decline. Anecdotal comments by operators that dayrates are beginning to damage project economics is not reflected in fixtures.

Geographic location is now becoming less important as pricing patterns begin to reflect a truly global market.

Deepwater Floaters (>5000 fsw)
A number of commitments by operators to upgrading old second and third generation semi-submersibles for deepwater service will increase supply in the long term but will have little immediate effect on prevailing day rates.

Key features include a disappearing spot market, increased term expectations amongst contractors, and rates exceeding $500,000 outside of Norway. Deepwater rig supply is now essentially sold out for 2006 save for sublets. The market is tight for 2007. Several of the large oil companies are currently planning tenders for 3 – 7 year contracts starting in 2008 and 2009. The increased deepwater production development makes an increasing part of the deep water fleet tide up in development drilling and available capacity for exploration work is expected to be significantly reduced.

Premium Jack-ups (incl. newbuilds and >300 fsw)
Fixtures in the markets in which SeaDrill is currently exposed are now been recorded at rates up to $200,000/day for work commencing in late 2006. Whilst there remains potential for further growth into early 2007, the key factor remains the markets ability to absorb a significant influx of newbuildings due to be delivered in 2007 without placing downward pressure on pricing. SeaDrill is confident that this new supply will be absorbed with strong demand from among others India, Middle East and West Africa.

Commodity Jack-ups (<= 300 fsw)
This segment continues to track the Premium jack-ups at a discount depending on specification and geographic market. The Company is well positioned to benefit from further improvements with relatively short-term commitments on the *Ekha* and *SeaDrill 7*.

Committed revenues and rig status

SeaDrill 6 continued its employment with EMP Kangean in Indoesia at a day rate of $105,000 after commencement of operations in November 2005. The contract is expected to complete in April 2006. Thereafter she will work for Shell in Sakhalin Island till October 2006. EMP have an option for extension thereafter that must be declared in early May 2006.

E*kha* completed its low rate work in Iran in November and left for India where it started a program with GazProm in November at an average day rate of $107,500 for two wells. *Ekha* suffered a "punch through" in India and as a result the legs sustained some damage. The rig is currently under repair assessment at a Singapore yard. The jacking operation of the rig was performed based on soil information provided by the oil company and according to the contract the rig remains on the payroll at standby rate of $97,000 per day whilst repairs are effected. Gazprom has the right to request the Company to resume the contract after *Ekha* completes its repair. Discussion has started with Gazprom with respect to how to resolve the current situation. Thereafter the rig has another five firm wells plus single option contract with Premier Indonesia at $125,000 per day.

The *SeaDrill 7* has completed its refurbishment. The Board is not satisfied that the cost and time it took to get the rig back into working condition was considerably more costly than the original inspection indicated. In total $14.2 million has been spent on refurbishment of the rig as at December 31, 2005. The rig went on contract February 21st 2006 after further delays caused by problems experienced due to equipment and logistics after mobilisation to Nigeria.

SeaDrill has accepted a Letter of Intent (LOI) from Total Fina Elf for a two years contract in Nigeria for the newbuild jack-up *SeaDrill 3* at a rate of $166,000 per day, with the possibility of a further extension of one year at a rate to be mutually agreed between the parties. The rig will commence employment immediately after delivery from the yard in the second quarter of 2006.

The bareboat rate of *MV* "*Crystal Ocean*" has doubled compared to that of the third quarter. The Company expects to receive additional tariff income from production, which has successfully commenced in late December. "*Crystal Sea*" was subject to refurbishment during fourth quarter to prepare for its 5 year bareboat charter for which a signed LOI is in place. The charter has been postponed and is now scheduled to commence in early May 2006. This fixture is still subject to completion of final production contract.

	Rig	**Delivery date**
Keppel B277	Jack-up	3rd quarter 2007
PPL 2011	Jack-up	4th quarter 2007
SeaDrill 3 (Keppel B265)	Jack-up	2nd quarter 2006
Keppel B272	Jack-up	3rd quarter 2007
Jurong 1085	Semi-submersible	1st quarter 2008
Jurong 1086	Semi-submersible	4th quarter 2008
Daewoo 3019	Harsh environment Semi-submersible	1st quarter 2008
Daewoo 3020	Harsh environment Semi-submersible	3rd quarter 2008
MOSD Hull 1657	Drillship	2nd quarter 2008
MOSD Hull 1687	Drillship	4th quarter 2008

As of December 31, 2005, $441.1 million had been paid on the newbuildings, the remaining instalments to be paid on these eight newbuildings amount to approximately $2.0 billion. Of the amount, $80.0 million was paid in January 2006 with $429 million payable in the remaining periods of 2006. The Board is confident that the necessary external financing can be achieved through a combination of cash flow from existing units, bank financing, lease financing and loan from other sources hereunder including loans from the major shareholder.

Strategy

The acquisition of Smedvig was an important step in SeaDrill's strategy to be a consolidator in the rig industry. SeaDrill and Smedvig are complementary companies which represent an attractive industrial platform when combined.

The integration of SeaDrill and Smedvig will create a new major drilling company. Smedvig's highly competent organization will enhance SeaDrill's operations and improve SeaDrill's offering to its customers. Smedvig's mobile drilling fleet is considered one of the most modern in the world with a leading position in the market for deepwater and harsh environment drilling units. SeaDrill is making a mandatory offer to acquire the remainder of the Smedvig shares at an offer price per share equal to that offered in the Voluntary Offer.

An agreement has been signed between SeaDrill and Smedvig with respect to marketing and construction supervision of the four deepwater semis which SeaDrill presently has under construction. The services will include Smedvig's staff leading the marketing and the supervision of these projects. The SeaDrill project organisation, which has successfully been established to carry out the supervision of the building of these units at the yard, will remain intact, but will in addition to the reporting in SeaDrill also report to an overall Project Coordinator Director in Smedvig.

SeaDrill has to-date acquired 94.3% of Mosvold, which controls two ultra deep water drill ships presently under construction at Samsung. It is the intention that these two ships will also be included in the agreement with Smedvig. Even though the high load of activity is a challenge in itself it is very clear that a closer coordination of these projects with an experienced deep water operator has large benefits both from an experience point of view and from accessing the right personnel resources, as well as purchasing power and marketing strategy.

The consolidated entity of SeaDrill, Smedvig and Mosvold will have a diversified and modern fleet of two FPSOs, eight jack-ups (including four under construction); six semi-submersibles (including four harsh environment deepwater semi-submersibles, two of which are under construction), three ultra-deepwater drill ships (including two under construction) and thirteen tender rigs (including two under construction). The combined company will be a leading supplier of high quality and cost-efficient drilling and service units to the offshore oil and gas industry.

The investment in Apexindo develops in a positive way. Apexindo has secured a term contract for their newbuilding jack-up to be delivered next year as well as an improved day rate for the existing jack-up, Raniworo. SeaDrill has continued discussions with Apexindo's largest shareholder, Medco, regarding the future development of Apexindo.

Outlook

The Company's goal to fix one semi-submersible and one jack-up on a term contract before the end of the first quarter has already been achieved in relation to the jack-up. The semi-submersible's target may be relaxed to the second quarter in order to get the best possible effect out of Smedvig's input and improving market rates..

The acquisition of Smedvig and Mosvold is expected to positively influence the Company's long-term outlook. The combination of an enlarged fleet, strong asset base and favourable market conditions provide opportunities for the Company to grow substantially. The Board believes that the combined company will be a strong and robust drilling company with attractive offerings from both the existing portfolio and the newbuilding program. When all the existing units have been delivered the SeaDrill Group will have the most modern drilling fleet in the world and will be the second largest operator of ultra deepwater units after TransOcean.

The Board is pleased with the good work performed by the SeaDrill administration and project organisation. and looks confidently to the future. The Company has gone from having one unit in operation by the start last year to having four units in operation as of the moment. This will be increased to six units in operation in the second quarter when Crystal Sea and SeaDrill 3 commence operations under their respective charters in the second quarter of 2006.

The results for the first quarter will be positively influenced by increased working days and improved day rates for the SeaDrill units, a positive contribution from the consolidation of Smedvig's results and an approximately $80 million profit from the sale of the Ocean Rig shares.

Forward Statement

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

Including among the 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 favourable 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 bases and other important factors mentioned from time to time in our reports filed with Oslo Stock Exchange.

February 28, 2006
The Board of Directors
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2005 Oct – Dec	CONSOLIDATED INCOME STATEMENT *(in thousands of $, except per share data)*	2005 From inception May 10 to Dec 31,	Predecessor Combined 2005 Jan - Jun	Predecessor Combined 2004 Jan – Dec *(audited)*
18,277	**Operating revenues**	**23,232**	**9,735**	**6,365**
	Operating expenses			
15,891	Vessel and rig operating expenses	20,128	8,415	5,788
2,723	General and administrative expenses	3,595	4,107	176
5,417	Depreciations and amortisation	10,703	8,065	3 518
(5,754)	**Operating income (loss)**	**(11,194)**	**(10,852)**	**(3,117)**
600	Interest income	1,670	37	-
(85)	Interest expenses on drivatives	(85)	-	-
(292)	Interest element included in capital lease obligations	(596)	(721)	(1,904)
(276)	Other financial items	(169)	(46)	(22)
3,109	Share of results from associated companies	3,109	-	-
5,321	Fair value of equity shares swap	5,321	-	-
(47)	Other income (loss), net	839	(45)	71
2,576	**Income (loss) before taxes and minority interest**	**(1,105)**	**(11,627)**	**(4,972)**
(42)	Minority interest	(80)	-	-
(1,412)	Income taxes	(1,412)	-	-
1,122	**Net income (loss)**	**(2,597)**	**(11,627)**	**(4,972)**
0.01	**Basic and diluted earnings (loss) per share (USD)**	**(0.01)**	**(1,938)**	**(829)**
	CONSOLIDATED COMPREHENSIVE INCOME STATEMENT			
1,122	**Net income (loss)**	**(2,597)**	**(11,627)**	**(4,972)**
	Other comprehensive income (loss), net of tax:			
82,418	Unrealised holding gains on other investments	82,418	-	-
83,540	**Comprehensive income**	**79,821**	**(11,627)**	**(4,972)**

BALANCE SHEET *(in thousands of $)*	Consolidated 2005 Dec 31	Consolidated 2005 Jun 30	Predecessor Combined 2004 Dec 31 *(audited)*
ASSETS			
Current assets			
Cash and cash equivalents	49,405	59,462	194
Restricted cash	2,394	2,272	-
Other investment	302,255	42,399	-
Derivatives	5,237	-	-
Other current assets	17,728	16,775	2,539
Total current assets	**377,019**	**120,908**	**2,733**
Non-current assets			
Investment in associated companies	153,201	-	-
Deferred charges	807	-	-
Newbuildings and rig purchase options	441,439	243,113	-
Rigs and equipment	150,940	142,250	99,875
Vessels under capital lease, net	27,277	25,351	25,791
Total non-current assets	**773,664**	**410,714**	**125,666**
Total assets	**1,150,683**	**531,622**	**128,399**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Other current liabilities	32,543	19,667	1,854
Current portion of long term debt	26,600	-	-
Current portion of obligations under capital lease	11,272	14,761	3,377
Shareholder loan	-	175,025	115,610
Loan, related party	99,500	30,044	-
Total current liabilities	**169,915**	**239,497**	**120,841**
Non current liabilities			
Long term debt	176,750	-	-
Non-current portion of obligations under capital lease	-	-	14,761
Total non current liabilities	**176,750**	**-**	**14,761**
Minority interest	1,442	11,407	-
Stockholders' equity	802,576	280,718	(7,203)
Total liabilities and stockholders' equity	**1,150,683**	**531,622**	**128,399**

2005 Oct - Dec	CONSOLIDATED STATEMENT OF CASHFLOWS *(in thousands of $)*	2005 From inception May 10 to Dec 31,	Predecessor Combined 2005 Jan - Jun	 2004 Jan – Dec *(audited)*
	Operating activities			
1,122	Net income (loss)	(2,597)	(11,627)	(4,972)
	Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
5,417	Depreciation	10,703	8,065	3,518
103	Amortisation of deferred charges	103	-	-
(3,109)	Share of profits of associated companies	(3,109)	-	-
(5,321)	Fair value of equity shares swap	(5,321)	-	-
85	Interest expenses on drivatives	85	-	-
42	Income attributable to minority interest	80	-	-
292	Interest element included in capital lease obligations	596	721	1,904
(37)	Gains on disposal of other investments	(839)	-	-
	Changes in working capital items:			
1,361	Inventory	(403)	(36)	(119)
(7,772)	Trade accounts receivables and others	(8,553)	(2,620)	(2,114)
14,315	Prepaid expenses	8,546	(3,895)	(306)
6,590	Trade accounts payables and others	9,338	2,837	1,177
6,410	Accrued expenses	8,805	460	21
-	Deferred revenue	519	3,000	-
19,498	**Net cash used in operating activities**	**17,953**	**(3,095)**	**(891)**
	Investing activities			
(2,093)	Purchase of other investment	(15,086)	-	-
-	Restricted cash	(122)	(2,272)	-
-	Cash assumed in purchase of the subsidiaries	16,661	-	-
(16,197)	Acquisition of subsidiary	(19,284)	-	-
(31,353)	Purchase of associated companies	(31,353)	-	-
(36,553)	Additions to newbuildings	(247,586)	-	-
(10,948)	Additions to rigs and equipment	(21,820)	(50,000)	(102,500)
42,471	Disposal of other investments	48,560	-	-
(54,673)	**Net cash used in investing activities**	**(270,030)**	**(52,272)**	**(102,500)**
	Financing activities			
52,000	Proceeds from related party	52,000	-	-
25,000	Proceeds from long term debt	210,000	-	-
(6,650)	Repayment of loans	(6,650)	-	-
(2,041)	Repayment of obligations under capital lease	(4,085)	(4,098)	(9,106)
-	Repayment of shareholder and related party loans	(157,569)	59,415	112,683
(1,138)	Debts fees paid	(1,138)	-	-
-	Proceeds from issuance of equity	208,924	2	2
67,171	**Net cash provided by financing activities**	**301,482**	**55,319**	**103,579**

31,996	**Net increase (decrease) in cash and cash equivalents**	**49,405**	**(48)**	**188**
17,409	**Cash and cash equivalents at beginning of the period**	**-**	**194**	**6**
49,405	**Cash and cash equivalents at the end of the period**	**49,405**	**146**	**194**