

AWILCO OFFSHORE

1st quarter 2007



FIRST QUARTER 2007

Awilco Offshore has invested in eight jack-up drilling rigs (of which six are under construction), three semi submersibles under construction and two accommodation units in operation. The company also holds an option for the construction of one semi submersible drilling rig.

UPDATE

In January 2007, a compulsory acquisition for the remaining outstanding shares of OffRig Drilling ASA was initiated, resulting in OffRig becoming a wholly owned subsidiary of Awilco Offshore.

In January 2007, the third semi submersible drilling rig, WilPromoter, was ordered from Yantai Raffles Shipyard in China. The rig will be delivered in the fourth quarter 2009.

In early March 2007, Awilco Offshore exercised the last jack-up drilling option with PPL Shipyard in Singapore. WilConfidence will be delivered in the second quarter 2009.

In March 2007, Awilco Offshore was awarded two long term contracts with Norsk Hydro for the semi submersible drilling rigs WillInnovator and WilPromoter at the Troll field. The contracts will start mid 2009 and mid 2010, respectively, and have a fixed duration of 5 years each, plus options. These contracts have a combined value of MUS\$ 1,370. Norsk Hydro has the option to increase the fixed duration from 5 to 8 years within 28 May 2007.

The jack-up rig WilCraft started receiving income on 22 March 2007 under the contract with Peak Group Asia Pacific for drilling west of Australia.

Awilco Offshore is in the process of amending and increasing its credit facility with a syndicate of banks led by Nordea Bank. The facility will be increased from MUS\$ 670 to MUS\$ 1,085.

RESULTS

Main figures

The results for the first quarter reflect that Awilco Offshore is in the process of building a larger fleet of rigs. While the company at the end of the quarter had 4 rigs in operation, 13 units will be in operation by the start of 2010. The company is therefore in the process of undertaking heavy investments and will continue to do so in the coming periods.

First quarter 2007

Operating revenue for the quarter were MUS\$ 22.4 Operating profit before depreciation and amortization (EBITDA) was MUS\$ 4.8 and operating profit was MUS\$ - 0.1. EBITDA excluding non-cash elements was MUS\$ 6.3.

Operating revenues for first quarter relate to the two accommodation units and the two first jack-up rigs. The accommodation unit, Port Rigmar, was in full operation for the whole period, while the other accommodation unit, Port Reval, had 13 days on standby rate. Revenue from the second jack-up rig, WilCraft, is included from 22 March 2007, while WilPower was in operation for the full quarter.

Operating expenses totaled MUS\$ 11.7, of which MUS\$ 8.1 relates to the accommodation units and MUS\$ 3.6 comes from the jack-up rigs. Of the cost related to the accommodation units, MUS\$ 1.3 is related to catering cost for Port Reval. Awilco Offshore is receiving reimbursements of catering cost during the contract period.

Total administrative expenses amount to MUS\$ 5.2. After the acquisition of OffRig, the administrative cost in Oslo and Stavanger was MUS\$ 2.3 during the quarter. Management fees

and direct administration costs to Premium Drilling were MUSD 1.9 MUSD. The cost of share-based payments, which has no liquidity effect for the quarter, was MUSD 0.8.

Net financial items show an expense of MUSD 4.6.

Profit before tax was MUSD – 4.7 and net profit was MUSD - 3.4. Earnings per share was USD - 0.02.

At 31 March 2007, total assets were MUSD 1,189. Net book value of the shares in Premium Drilling was a negative MUSD 5.8 and is recorded as a non-current liability.

The investment in Petrojack had a fair value of MUSD 39.7.

Awilco Offshore had MUSD 34.9 in cash and cash equivalents at the end of first quarter. In addition, the company had MUSD 33.7 in short term securities.

Actual interest bearing debt at the end of the quarter was MUSD 655.3. Of this, MUSD 300 was in outstanding bonds; MUSD 200 is secured against the two first semis and MUSD 100 as an unsecured corporate bond.

During the first quarter, MUSD 18 was invested in the jack-up new building contracts and MUSD 89 for the semi submersibles. The total estimated delivered cost for the drilling rigs are shown in Table 1a and 1b. In the first quarter, Awilco Offshore paid MUSD 23.1 on cash purchases for the remaining shares in OffRig.

From and including the first quarter of 2007 OffRig has been treated as a wholly owned subsidiary of Awilco Offshore ASA.

In connection with the compulsory acquisition of the remaining shares in OffRig during first quarter, some minority shareholders are questioning the valuation and the price per share being offered. It is expected that this issue will be settled through the legal system.

Following the acquisition of OffRig, Awilco Offshore has expanded its synthetic share option programme, in the form of share appreciation rights, for the benefit of the senior management in the former OffRig. The programme is based upon a similar structure as the existing programme for senior management in Awilco Offshore. The expanded programme is for a further 1 million. share appreciation rights, is based upon strike price NOK 60 per share and has a vesting period of four years.

SEGMENTS

Investments in jack-up drilling rigs

At 31 March, six jack-up drilling rigs were on order. The rigs are under construction at two reputable yards in Singapore, PPL and Keppel FELS. The construction of the rigs is progressing as planned, and is based upon fixed price contracts. The rigs will be delivered “ready to drill”.

The provided costs in Table 1a include contract price with the yard, site supervision, pipe handling equipment, spare parts and finance costs during construction.

Table 1a

Name	Yard	W. depth	D. depth	Scheduled delivery	Estimated delivered cost	Next milestone
<u>Contracted rigs</u>						
WilPower	PPL	375ft	30,000ft	DELIVERED		
WilCraft	Keppel	400ft	30,000ft	DELIVERED		
WilSuperior	PPL	375ft	30,000ft	2Q07	USD130m	Legs erection 2Q07
WilBoss	Keppel	400ft	30,000ft	4Q07	USD134m	Undocking 2Q07
WilForce	PPL	375ft	30,000ft	4Q07	USD144m	Main deck completion 2Q07
WilSeeker	PPL	375ft	30,000ft	2Q08	USD 143m	Main deck completion 3Q07
WilStrike	Keppel	400ft	30,000ft	2Q09	USD 163m	Steel cutting 4Q07
WilConfidence	PPL	375ft	30,000ft.	2Q09	USD 149m	Effective date 2Q07

The first jack-up, WilPower, is on a five year bare boat charter with Arabian Drilling Company for drilling offshore Saudi Arabia. This contract runs until August 2011. The second unit, WilCraft, has started operation for Peak Group Asia Pacific for drilling west of Australia. This is the first Awilco Offshore unit that is being operated by Premium Drilling. This contract runs until April 2008 and has an option for 11 additional months.

The third jack-up rig, WilSuperior, which will be delivered this summer, will start operation for Thang Long for drilling offshore Vietnam. This one year contract runs until August 2008.

Investment in semi submersible drilling rigs

At 31 March, three semi submersible drilling rigs were on order. The rigs are under construction at Yantai Raffles Shipyard in China. Awilco Offshore has invested in resources for a tight follow-up of the construction phase of these rigs and has presently more than 20 of its own personnel located at the yard.

The provided costs for the semis include contract prices with yard and the drilling package, projects and supervision cost and finance cost during construction.

Table 1b

Name	Yard	W. depth	Station Keeping	Variable Deck load	Scheduled delivery	Estimated delivered cost	Next YRS milestone
<u>Contracted rigs</u>							
WilPioneer	YRS	2,500ft	D.P.	4,000 mt	2Q08	USD 331m	Shipm. main eng. 2Q07
WilInnovator*	YRS	2,500ft	D.P.	4,000 mt	4Q08	USD 355m	Fabr. Box Girder 2Q07
WilPromoter*	YRS	2,500ft	D.P.	4,000 mt	4Q09	USD 365m	Effective date 2Q07
<u>Option</u>							
YRS option	YRS	Decl. by	Nov. 2008				

* Modification cost in connection with the Norsk Hydro contracts at Troll is not included in the numbers. The cost is expected to be approximately MUSD 30 per rig and will be paid by Norsk Hydro, either through an increased day rate or as a lump sum.

Accommodation rigs

Awilco Offshore owns two out of only four accommodation units approved for work on the Norwegian Continental Shelf.

Port Rigmar is a jack-up with 326 beds and is employed by ConocoPhillips on the Ekofisk field until October 2008. The rig is scheduled for dry docking during summer 2007 in connection with the completion of its regular five-yearly class work.

Port Reval is a semi-submersible rig with approximately 360 beds. In July 2006, the unit was mobilized to the Frigg field under a contract with Aker Kvaerner in connection with the Frigg Decommissioning program for Total. This contract runs until July 2007. Thereafter, Port Reval will be employed for ConocoPhillips at Greater Ekofisk. Port Reval has continuous employment until May 2009.

On 23 February, Port Reval experienced a failure in the mooring system during a period of adverse weather. Total, the operator, decided to evacuate all unessential personnel from the unit. Normal rig operation was re-established on 8 March.

PROSPECTS

The market for high specification jack-up drilling units continues to show strength with close to full utilisation in all markets, with the exception of the US GOM. It is expected that continued high oil and gas prices will lead to a high demand for drilling services and thus maintain high day rates for the high specification units.

The Company's semi submersibles drilling units under construction have the technical capability of operating in both harsh and benign areas, and being equipped with full DP are very competitive compared to the existing fleet. The average age for the existing fleet in this segment is about 27 years and the need for renewal is apparent. Awilco Offshore is the only company bringing new capacity into this segment. The need for renewal is also reflected in the long-term Norsk Hydro contracts awarded for two of the units on Troll.

We foresee a well balanced international drilling market with an undersupply of available units throughout 2007 and 2008 both in the market for jack-ups and semi submersible drilling units. Market conditions for the Company's undelivered units are regarded as favourable.

The market for North Sea accommodation units is tight and we also foresee that it will remain tight for the coming years, including 2008/2009 when both Port Reval and Port Rigmar come off existing contracts.

Oslo, 22 May, 2007

The board of directors of Awilco Offshore ASA

Company background

Awilco Offshore was incorporated in January 2005. Awilco Offshore was listed on the Oslo Stock Exchange in May 2005.

Awilco Offshore and Sinvest are joint owners of the operational company, Premium Drilling. The company is well accepted by major oil companies as a preferred drilling contractor, and recruitment of key personnel is on schedule. Premium Drilling has offices in Houston, Singapore, Australia, India, Brunei, UAE and Malaysia. See www.premiumdrilling.com.

Awilco Offshore completed a compulsory acquisition of the remaining shares in Offrig Drilling ASA in January 2007, resulting in OFRD becoming a wholly owned subsidiary of Awilco Offshore ASA.

WilPower, the first drilling rig under construction, was delivered from PPL in mid 2006. WilCraft was delivered from Keppel FELS in late December 2006.

The total number of outstanding shares of Awilco Offshore is at the date of this report, 149.415.487.

www.awo.no

Awilco Offshore Group

Condensed income statement

in USD thousands, unless otherwise indicated

	1Q 2007	1Q 2006	2006
Operating revenue	22.386	13.324	70.519
Rig operating expenses	11.744	5.617	27.982
General and administrative expenses	5.179	2.496	12.626
Depreciation	4.896	1.877	9.952
Net result from associates and joint ventures	706	1.712	7.123
Total operating expenses	22.524	11.701	57.683
Operating profit (loss)	(137)	1.623	12.835
Interest income	1.965	391	1.455
Interest expense	(5.827)	(1.243)	(13.054)
Other financial items	(700)	(1.348)	(4.656)
Net financial items	(4.561)	(2.201)	(16.255)
Loss before tax	(4.699)	(578)	(3.419)
Tax benefit	1.253	161	1.787
Net loss	(3.446)	(417)	(1.633)
Attributable to minority interests	-	-	31
Attributable to shareholders of the parent	(3.446)	(417)	(1.664)
Basic and diluted earnings per share	(0,02)	(0,00)	(0,01)

Condensed balance sheet

in USD thousands

	31.03.2007	31.03.2006	31.12.2006
Rigs	995.145	308.015	940.754
Machinery and equipment	554	253	569
	995.699	308.268	941.323
Deferred tax benefit	-	-	-
Goodwill	1.877	-	-
Investment in shares	39.724	44.646	40.381
Investment in joint venture	-	-	-
Investment in associates	-	74.392	-
Loan pledge	25.855	-	28.617
Other long-term assets	168	-	164
	67.624	119.038	69.162
Other current assets	56.676	12.676	32.106
Financial investments	33.733	-	83.248
Bank deposits, cash equivalents	34.914	40.699	67.741
	125.323	53.374	183.096
Total assets	1.188.646	480.680	1.193.581
Paid in capital	457.419	283.039	450.747
Other equity	(635)	5.970	2.810
Revaluation reserves	11.892	16.813	12.549
Minority interests	-	-	21.202
	468.676	305.822	487.309
Deferred tax	26.660	3.179	27.697
Other long-term liabilities	13.704	311	11.985
	40.364	3.490	39.682
Long-term interest-bearing debt	619.994	158.842	567.052
Current portion of long-term interest-bearing debt	35.277	3.136	25.158
Other current liabilities and accruals	24.336	9.390	74.379
	59.613	12.526	99.538
Total equity and debt	1.188.646	480.680	1.193.581

Awilco Offshore Group

Condensed cash flow statement

in USD thousands

	31.03.2007	31.03.2006	31.12.2006
Cash flow from (used in) operations	(62.353)	(6.754)	32.964
Cash flow from (used in) investments	(33.078)	(28.047)	(324.729)
Cash flow from (used in) financing	62.604	39.746	352.370
Net change in cash and cash equivalents	(32.827)	4.945	60.605
Loan pledge	-	-	(28.617)
Cash and cash equivalents per opening balance	67.741	35.753	35.753
Cash and cash equivalents per ending balance	34.914	40.698	67.741

Condensed statement of changes in equity

in USD thousands, unless otherwise indicated

	31.03.2007	31.03.2006	31.12.2006
Attributable to equity holders of the parent, opening balance	466.107	300.220	300.220
Equity contributions	6.672	-	167.861
Revaluation reserve	(657)	5.084	1.129
Other equity / translation adjustments	-	935	(1.440)
Net profit (loss) during the period	(3.446)	(417)	(1.664)
Attributable to equity holders of the parent, ending balance	468.676	305.822	466.107
Minority interests	-	-	21.202
Total equity	468.676	305.822	487.309

Share capital details

Average number of shares during the period	149.356.526	130.277.880	134.370.096
Total number of shares at end of the period	149.415.487	130.277.880	148.752.173

Awilco Offshore Group
Notes to the accounts

Note 1

Basis of preparation

The unaudited condensed interim financial report is in compliance with IAS 34 - Interim Financial Reporting.

Significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2006. This interim report should be read in conjunction with the audited 2006 financial statements, which include a full description of the Group's significant accounting policies.

Note 2

Rigs, machinery and equipment

in USD thousands	Accommodation rigs	Jack-up drilling rigs	Jack-up drilling rigs under construction	Semi-submersible drilling rigs nder constructio	Other	Total
Acquisition cost at December 31, 2005	95.381	-	205.037	-	299	300.717
Newbuilding, upgrades and reconstruction	4.816	-	321.105	49.189	135	375.246
Transfer from under construction	-	258.629	(258.629)	-	-	-
Acquisition of a subsidiary	-	-	-	293.674	285	293.959
Disposals	-	-	-	-	(29)	(29)
Acquisition cost at December 31, 2006	100.197	258.629	267.513	342.863	691	969.893
Newbuilding, upgrades and reconstruction	2.381	4.713	18.416	33.743	19	59.272
Acquisition cost at March 31, 2007	102.578	263.341	285.929	376.606	710	1.029.165
Accumulated depreciation at December 31, 2005	18.574	-	-	-	52	18.626
Depreciation	7.639	2.234	-	-	79	9.952
Disposal of assets	-	-	-	-	(9)	(9)
Accumulated depreciation at December 31, 2006	26.214	2.234	-	-	122	28.570
Depreciation	2.009	2.852	-	-	34	4.896
Accumulated depreciation at March 31, 2007	28.223	5.086	-	-	156	33.465
Net carrying amount:						
At March 31, 2007	74.355	258.255	285.929	376.606	554	995.699
At December 31, 2006	73.983	256.395	267.513	342.863	569	941.323

Estimated delivered costs for the contracted jack-up drilling rigs include contract price with the yard, site supervision, pipe handling equipment, spare parts and borrowing costs during construction, are specified as follows:

Jack-up drilling rigs	Yard	Scheduled Delivery	Estimated Delivered Cost
WilSuperior	PPL	2Q07	USD 130m
WilBoss	Keppel	4Q07	USD 134m
WilForce	PPL	4Q07	USD 144m
WilSeeker	PPL	2Q08	USD 143m
Wilstrike	Keppel	2Q09	USD 163m
Wilconfidence	PPL	2Q09	USD 149m

Estimated delivered costs for the contracted semi submersible drilling rigs include contract price with the yard, drilling package, project and supervision costs and borrowing costs during construction, are specified as follows:

Semi submersible drilling rigs	Yard	Scheduled Delivery	Estimated Delivered Cost
WilPioneer	YRS	2Q08	USD 331m
Willnnovator	YRS	4Q08	USD 355m

Awilco Offshore Group

Notes to the accounts

WilPromoter YRS 4Q09 USD 365m

Note 3

Investment in joint venture

Awilco Offshore and Sinvest established a jointly controlled entity, Premium Drilling, to manage the operations of the companies' fleet of jack-up drilling rigs. Awilco Offshore's 50% ownership in Premium Drilling is recorded using the equity method. The negative net carrying value is classified as an other non-current liability.

in USD thousands	1Q 2007	1Q 2006	2006
NBV per opening balance	(5.055)	2.049	2.049
Share of loss in joint venture	(706)	(2.116)	(7.070)
Translation adjustment	-	(55)	(34)
NBV per ending balance	(5.761)	(123)	(5.055)

Note 4

Investment in shares

Awilco Offshore owns 18.5% of the shares in Petrojack ASA. The investment is classified as an available-for-sale investment and fair value adjustments are recorded directly to equity.

in USD thousands	1Q 2007	1Q 2006	2006
Net carrying amount per opening balance	40.381	39.252	39.252
Fair value adjustment during the period	(657)	5.394	1.129
Net carrying amount per ending balance	39.724	44.646	40.381

Note 5

Share-based payment

Awilco Offshore has an employee share incentive plan for senior management. Under the incentive plan, management is granted share appreciation rights where the employees are entitled to a cash payment equivalent to the gain that would have arisen from a holding of a particular number of shares from the date of the grant to the date of exercise. The share appreciation rights are vested over four years from the date of grant.

The fair value of the share appreciation rights has been estimated using the Black & Scholes option pricing model.

in USD thousands	1Q 2007	1Q 2006	2006
Fair value per opening balance	6.594	2.038	2.038
Expensed during the period	815	1.435	4.279
Translation adjustment	189	74	276
Fair value per ending balance	7.597	3.546	6.594

Note 6

Related party transactions

In the normal course of its business, Awilco Offshore enters into a number of transactions with Anders Wilhelmsen group, which is a major shareholder through its wholly owned subsidiary Awilco AS.

Transactions with Anders Wilhelmsen group are specified as follows:

in USD thousands	1Q 2007	1Q 2006	2006
Sales	20	46	190
Purchases	345	262	1.449
Receivables	29	-	9
Payables	613	1.739	5.802

Awilco Offshore Group
Notes to the accounts

Note 7

Segment information

BUSINESS SEGMENTS

1Q 2007

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi- submersible drillings rigs	Other	Total
Operating revenue	14.053	8.313	-	20	22.386
Operating expenses	(8.101)	(3.643)	-	-	(11.744)
General and administrative expenses	(123)	(1.919)	(1.590)	(1.546)	(5.179)
Depreciation	(2.009)	(2.856)	(11)	(19)	(4.896)
Share of loss from joint venture	-	(706)	-	-	(706)
Operating profit (loss)	3.820	(811)	(1.601)	(1.546)	(137)

Assets	74.355	544.204	376.885	256	995.699
Interest-bearing debt (including current portion)	85.885	270.983	200.201	98.202	655.271
Investments	2.381	23.129	33.751	11	59.272

1Q 2006

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi- submersible drillings rigs	Other	Total
Operating revenue	13.279	-	-	46	13.324
Operating expenses	(5.617)	-	-	-	(5.617)
General and administrative expenses	(96)	(269)	-	(2.133)	(2.497)
Depreciation	(1.876)	-	-	-	(1.876)
Share of loss from joint venture	-	(2.116)	-	405	(1.712)
Operating profit (loss)	5.691	(2.385)	-	(1.682)	1.622

Assets	75.386	232.628	-	253	308.268
Interest-bearing debt (including current portion)	-	64.680	-	100.000	164.680
Investments	455	27.591	-	7	28.053

2006

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi- submersible drillings rigs	Other	Total
Operating revenue	61.829	8.496	-	193	70.519
Operating expenses	(25.795)	(2.187)	-	-	(27.982)
General and administrative expenses	(410)	(3.184)	(790)	(8.243)	(12.626)
Depreciation	(7.639)	(2.234)	(3)	(75)	(9.952)
Share of loss from joint venture	-	(7.070)	-	-	(7.070)
Share of loss from associates	-	-	-	(53)	(53)
Operating profit (loss)	27.985	(6.178)	(793)	(8.178)	12.835

Assets	73.983	523.908	343.145	287	941.323
Interest-bearing debt (including current portion)	82.905	211.164	199.975	98.167	592.211
Investments	4.816	321.105	49.189	135	375.246

Awilco Offshore Group
Notes to the accounts

GEOGRAPHICAL SEGMENTS
1Q 2007

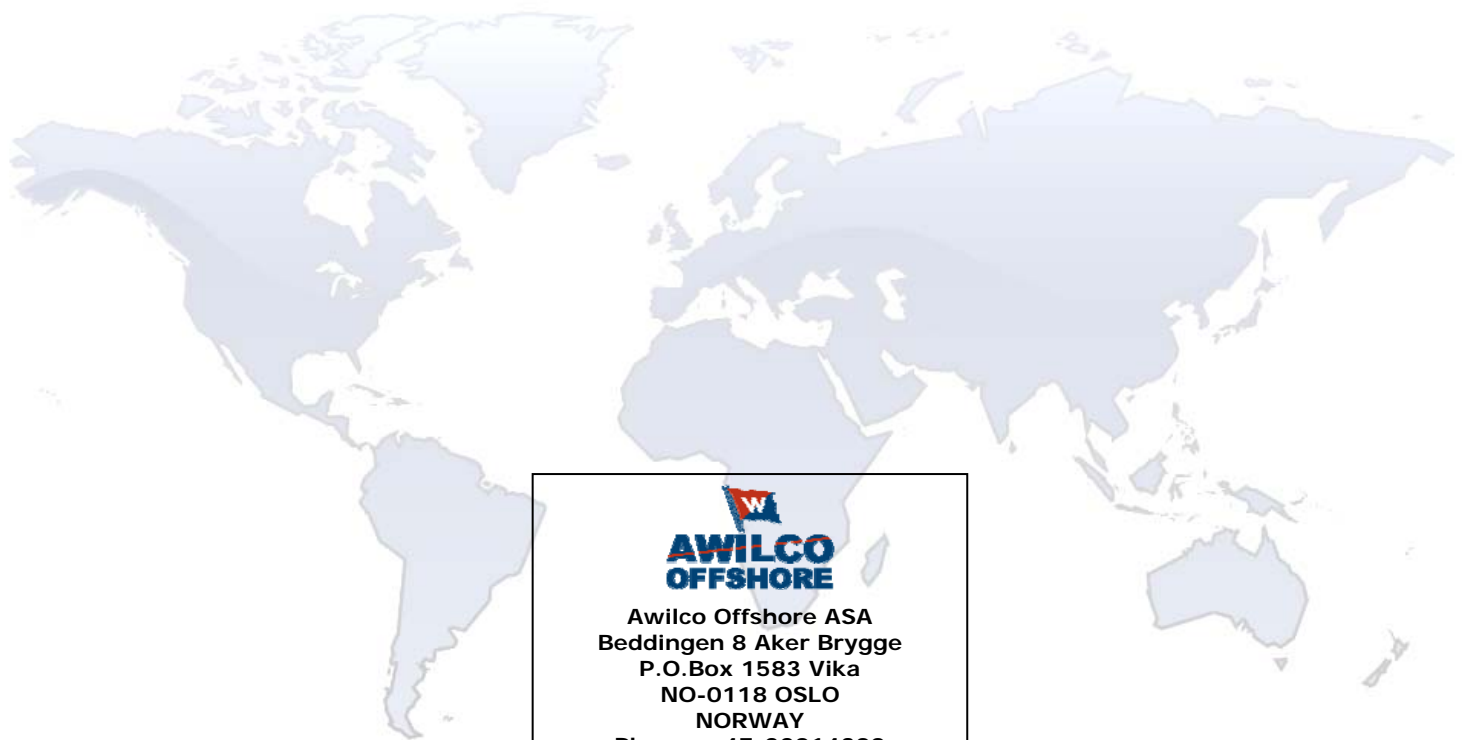
in USD thousands	UK	Norway	Saudi Arabia	Australia	Other, unallocated	Total
Operating revenue	7.206	6.847	6.143	2.171	20	22.386
Operating expenses	(5.483)	(2.618)	(72)	(2.039)	(1.532)	(11.744)
General and administrative expenses					(5.179)	(5.179)
Depreciation					(4.896)	(4.896)
Share of loss from joint venture					(706)	(706)
Operating profit (loss)						<u>(137)</u>

1Q 2006

in USD thousands	UK	Norway	Saudi Arabia	Australia	Other, unallocated	Total
Operating revenue	-	13.279	-	-	46	13.324
Operating expenses	-	(5.617)	-	-	-	(5.617)
General and administrative expenses					(2.497)	(2.497)
Depreciation					(1.876)	(1.876)
Share of loss from joint venture					(2.116)	(2.116)
Share of profit from associates					(405)	405
Operating profit (loss)						<u>1.622</u>

2006

in USD thousands	UK	Norway	Saudi Arabia	Australia	Other, unallocated	Total
Operating revenue	21.463	40.367	8.496	-	193	70.519
Operating expenses	(9.285)	(16.510)	(935)	-	(1.251)	(27.982)
General and administrative expenses					(12.626)	(12.626)
Depreciation					(9.952)	(9.952)
Share of loss from joint venture					(7.070)	(7.070)
Share of loss from associates					(53)	(53)
Operating profit (loss)						<u>12.835</u>



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