



THIRD QUARTER 2005

Awilco Offshore is invested in five jack-up drilling rigs under construction and two accommodation units. The company also holds options for the construction of a further three jack-up drilling rigs. In addition Awilco Offshore owns approx. 20% of Petrojack ASA.

The momentum in the drilling market continues its unprecedented strong development. Awilco Offshore expects to employ its drilling rigs on a combination of long, medium and short term contracts.

Awilco Offshore is fully funded to finance the construction of its five drilling rigs by a combination of bank debt and internal cash flows. The two accommodation units are fixed until mid 2007 and late 2008.

The task, together with Sinvest, of building a high quality operating company, Premium Drilling is well under way. The company now has its key personnel in place, and is responsible for the marketing and operation of the drilling rigs as they are delivered.

RESULTS

Main figures

As per third quarter 2005

Revenues for the first nine months came to MNOK 189.0. Operating profit before depreciation was MNOK 68.6 and operating profit after depreciation equaled MNOK 28.5. The revenues and operating costs are related to the accommodation units. Net financial items came to MNOK -3.5. This amount is including Awilco Offshore's share of the result in Premium Drilling of MNOK -2.4, as well as foreign exchange losses of MNOK -38.0. Net financial items also include an unrealized financial gain from the investment in Petrojack of MNOK 48.4. Profit before tax for the first nine months was MNOK 25.0, and net profit MNOK 33.0. Earnings per share was NOK 0.32 for the first nine months of 2005.

Third quarter 2005

Revenues for the period from June to September came to MNOK 102.6. Operating profit before depreciation was MNOK 57.8, and operating profit after depreciation equaled MNOK 43.9. Included in the operating costs in the third quarter was MNOK 3.5 in connection with modifications to the accommodation unit Port Reval in order to comply with rules and regulations for operation on the Norwegian Continental Shelf. Net financial items came to MNOK 38.4, including the unrealized financial gain from the investment in Petrojack. Profit before tax was MNOK 82.3, and net profit MNOK 72.8.

As per September 30 2005, total assets amounted to MNOK 2,269. Awilco Offshore holds a strong cash position to meet the remaining equity payments for the newbuilding contracts. Current assets (cash and receivables) amount to MNOK 438 at the end of the period.

At the establishment of Premium Drilling, an initial equity contribution of MNOK 19.5 was paid by Awilco Offshore. Awilco Offshore's investment in Petrojack per September 30 was valued at MNOK 221.

Accounting principles - IFRS

The accounts have been prepared in accordance with International Financial Reporting Standards. Please see a description in the notes to the interim financial statement per 3q 2005.

The pro forma accounts for 2004 are presented as if the previous offshore segment of Awilco AS was reorganized per beginning of the year, and are derived from audited financial statements for Awilco group for 2004. The pro forma accounts for 2004 are prepared for informative purposes only. Please see more information in the notes to the interim financial statement per third quarter 2005.

SEGMENTS

Investments in jackup rigs

As per September 30 four jack-up drilling rigs were ordered, and a further rig was ordered early October. The rigs are under construction at two reputable yards in Singapore, PPL and Keppel FELS. Construction of the rigs is based upon fixed price contracts and the rigs will be delivered "ready to drill". The provided delivered costs include contract price with the yard, site supervision, pipe handling equipment, spare parts and finance costs during construction.

Name	Yard	W. depth	D. depth	Decl.window	Delivery	Delivered cost	Next milestone
Contracted rigs							
WilPower	PPL	375ft	30,000ft		2Q06	USD131m	Launching 1Q06
WilCraft	Keppel	400ft	30,000ft		4Q06	USD131m	Undocking 2Q06
WilSuperior	PPL	375ft	30,000ft		2Q07	USD130m	Keel laying 1Q06
WilBoss	Keppel	400ft	30,000ft		4Q07	USD134m	Steel cutting 2Q06
WilForce *	PPL	375ft	30,000ft		4Q07	USD144m	Scantling 2Q06
Optional rigs							
Keppel option II	Keppel	400ft	30,000ft	03-08 2006	Before 31/5-09	USD150m	
PPL option II	PPL	375ft	30,000ft	04-10 2006	+27 months	USD131m	
PPL option III	PPL	375ft	30,000ft	03-09 2006	+27 months	USD132m	

- Option exercised October 1, 2005

Awilco Offshore is in the process of amending its bank financing to also include the two latest drilling rigs ordered. A detailed yard payment schedule and the remaining equity payments will be provided as soon as the new debt financing is completed.

New contracts – jack-up drilling rigs

During the third quarter WilPower was fixed on a five year bare-boat contract with Arabian Drilling Company. The contract value excl. operating expenses is approx. USD 131 mill. WilPower is to commence work under the contract in July 2006 and the rig will operate in Saudi Arabia.

Premium Drilling - update

Premium Drilling, the management company jointly owned by Awilco Offshore and Sinvest is now well established in its new headquarters in Houston. Senior positions in the onshore organisation are recruited and in place in preparation for operation of a fleet of 11 ultra premium jack-up drilling units. Premium Drilling has been well received and as such the company has been able to recruit highly experienced personnel throughout.

Investment in Petrojack

Per September 30 Awilco Offshore held 20.7% of the shares in Petrojack and had entered into a co-operation agreement with Sinvest on any further investment in the company. Together the two companies controlled approx. 40% of the shares in Petrojack. Awilco Offshore had as of September 30 2005 an unrealized gain on its investment in Petrojack of approx MNOK 48.

Accommodation rigs

As two out of only four units in the world fleet, the accommodation units are both approved for work on the Norwegian Continental Shelf. Port Rigmor is a jack-up unit currently employed by ConocoPhillips on the Ekofisk field. The contract was at the end of the third quarter extended for two years until October 2008 and can be extended further year by year by the charterer until 2010. Port Reval is a semi-submersible rig which has firm employment until mid 2007. The two accommodation units have contract coverage of 96% in 2006, 75% in 2007 and 38% in 2008.

PROSPECTS

The market fundamentals for **Jack-up drilling** rigs have continued to strengthen. At present most geographical areas are showing 100% utilisation. The recent hurricanes in the US Gulf of Mexico have had a serious impact on an already aging fleet. A number of rigs that were damaged by the hurricanes will permanently be retired from service, resulting in a reduction in the world jack-up fleet in 2005, as was also the case in 2004. A local shortage of available drilling units can already be seen and a continued shortage of units throughout 2006 is foreseen. At present, market sources indicates a shortage of up to 20 – 40 units worldwide for 2006, which will cause operators to defer drilling campaigns into 2007 and beyond. The same market upturn could be seen in almost every geographical area, however Middle East and US Gulf of Mexico are today the most buoyant markets.

The company sees a strong market during the coming years based upon its view on:

- Continued high energy prices
- Increasing E & P spending by oil companies
- Demand for jack-up drilling rigs outstripping supply

The strong market fundamentals have resulted in record rates for premium jack-up drilling rigs. Awilco Offshore is well positioned to take advantage of this strength in the market.

Also within **Accommodation** the market outlook is positive. Both accommodation units are on fixed contracts until mid 2007 and late 2008. The company is comfortable in securing further work for Port Reval from mid 2007. Several enquiries for the period 2007-2008 have been received, and we expect further interesting enquires for the same time periods to be issued in the near future. This is for work on both the Norwegian and the British Continental Shelf.

Oslo, November 10th 2005

The board of directors of Awilco Offshore ASA

Company background

Awilco Offshore was incorporated in January 2005. In February 2005, the company acquired all offshore rig assets of Awilco AS (a wholly-owned company in the Anders Wilhelmsen Group), and as part of the transaction NOK 1,000 mill was raised in new equity at NOK 20 per share through a private placement. Awilco Offshore was listed on the Oslo Stock Exchange on May 11th 2005, and in connection with the listing another three million new shares were issued at a subscription price of NOK 22.

During the second quarter Awilco Offshore and Sinvest entered into an agreement to establish a jointly owned company, Premium Drilling, for commercial and operational management of its fleet of jack-up drilling rigs. The company is well established, and key personnel are in place.

In August 2005, Awilco Offshore acquired 20,7% of the shares in Petrojack ASA. As part of the acquisition of Petrojack shares a total of 4.396.983 new Awilco Offshore shares were issued, and the registered share capital increased to NOK 1.185.303.330 which corresponds to 118.5 million outstanding shares. Awilco Offshore has together with Sinvest agreed to co-operate on any future purchase of shares in Petrojack. Following the recent equity issue carried out by Petrojack, Awilco Offshore today holds 19.8% of the shares in Petrojack.

Awilco Offshore group

Profit and loss statement

All figures in NOK 1000

	Actual	Pro forma	
	01.01 - 30.09 2005	01.01 - 31.12 2004	01.01 - 30.09 2004
Net operating income	189,021	270,731	185,644
Operating expenses	(104,889)	(136,349)	(88,515)
Administrative expenses	(15,560)	(21,093)	(15,817)
Depreciation	(40,104)	(40,805)	(27,697)
Total operating expenses	(160,553)	(198,247)	(132,029)
Operating result	28,468	72,484	53,615
Financial items			
Interest income	10,264	1,044	471
Interest costs	(18,463)	(12,348)	(5,558)
Net result from associated companies	(2,444)		
Value adjustments for investments	48,397		
Foreign exchange gain/(loss)	(38,023)	28,950	(6,514)
Other financial items	(3,181)	(962)	(875)
Net financial items	(3,450)	16,684	(12,476)
Profit before tax	25,018	89,168	41,139
Tax expense	8,011	(26,483)	(11,530)
Profit/(loss) in period	33,029	62,685	29,609
Basic/diluted earnings per share	0.32	1.03	0.48

	Actual	Per quarter, pro forma
	01.07 - 30.09 2005	01.07 - 30.09 2004
Net operating income	102,575	108,103
Operating expenses	(38,705)	(37,444)
Administrative expenses	(6,076)	(5,670)
Depreciation	(13,888)	(13,108)
Total operating expenses	(58,668)	(56,222)
Operating result	43,907	51,881
Financial items		
Interest income	4,223	154
Interest costs	(6,094)	(1,814)
Net result from associated companies	(2,444)	0
Value adjustments for investments	48,397	0
Foreign exchange gain/(loss)	(5,085)	7,512
Other financial items	(620)	(257)
Net financial items	38,377	5,596
Profit before tax	82,284	57,476
Tax expense	(9,488)	(16,093)
Profit	72,795	41,383

Awilco Offshore group

Balance sheet

All figures in NOK 1000

	Actual	Pro forma	
	30.09.05	31.12.04	30.09.04
Assets			
Accommodation units	573,739	566,244	589,283
Jack-up rigs, under construction	1,019,033	150,854	144,738
Other fixed assets	530		
Fixed assets	<u>1,593,302</u>	<u>717,098</u>	<u>734,021</u>
Investments in shares	220,928		
Investment in associated companies	17,048		
Long term financial assets	<u>237,975</u>		
Total fixed assets	<u>1,831,277</u>	<u>717,098</u>	<u>734,021</u>
Receivables and accruals	91,251	45,057	79,214
Group receivables	0	9,039	9,913
Cash, bank	346,793	146,602	111,217
Current assets	<u>438,044</u>	<u>200,698</u>	<u>200,344</u>
Total assets	<u>2,269,321</u>	<u>917,796</u>	<u>934,366</u>
Equity and debt			
Equity	<u>1,488,679</u>	<u>269,458</u>	<u>231,253</u>
Deferred tax	<u>44,714</u>	<u>48,617</u>	<u>35,589</u>
Mortgage debt	638,376	223,131	250,381
Other debt	0	0	0
Total long term debt	<u>638,376</u>	<u>223,131</u>	<u>250,381</u>
Creditors	0	3,425	43
Intercompany debt	0	337,828	366,905
Other short term debt and accruals	97,552	35,337	50,194
Total short term debt	<u>97,552</u>	<u>376,590</u>	<u>417,142</u>
Total debt and equity	<u>2,269,321</u>	<u>917,796</u>	<u>934,366</u>

Awilco Offshore group

Cash flow statement

All figures in NOK 1000

	Actual	Pro forma	
	01.01 - 30.09 2005	01.01 - 31.12 2004	01.01 - 30.09 2004
<u>Cash flow generated by/used in operations</u>			
Profit before tax	25,018	89,168	41,139
Tax payable	0	(10,424)	(361)
Depreciation	40,104	40,805	27,697
Foreign exchange effects unrealized	28,925	(46,683)	5,084
Unrealized value adjustment on investments	(48,397)	0	0
Net profit associated companies	2,444		
Cash flow from operations	48,094	72,866	73,558
Change in debtor, creditors , accruals and provisions	(34,287)	28,887	(7,090)
Net cash flow from operations	13,807	101,754	66,468
<u>Cash flow generated by/used in investments</u>			
Invested in fixed assets	(916,307)	(262,261)	(254,617)
Proceeds from sale of fixed assets	0	0	0
Net sale/(purchase) of shares	0	0	0
Other investments	(42,973)	0	0
Net cash flow from investments	-959,280	-262,261	-254,617
<u>Cash flow generated by/used in financial activities</u>			
Dividend and/or group contribution etc	0	5,049	0
New debt	717,567	105,573	102,958
Repayment debt	(597,330)	(29,772)	(29,772)
Equity contributions	1,025,426	164,728	164,647
Net cash flow from financial activities	1,145,664	245,577	237,834
Net cash flow for the year	200,191	85,070	49,685
Cash and cash equivalents per opening balance	146,602	61,532	61,532
Cash and cash equivalents per end of period	346,793	146,602	111,217

Awilco Offshore group
All figures in NOK 1000

Change in equity

The Company's share capital is NOK 1.185.303.330 made up of 118.530.333 shares with a par value of NOK 10 per share. All shares of the Company are of the same class and are equal in all respects. The Company's articles of association do not provide for shares of other classes.

	Actual	
	30.09.05	30.06.05
<u>Group equity</u>		
Proforma equity per opening balance	269,458	269,458
Reversed pro forma effects (1)	11,716	11,716
Capital transfers, group contribution etc	0	0
Equity contributions	1,174,476	1,028,426
Dividend	0	0
Profit/(loss) in period	33,029	-39,767
Equity per ending balance	1,488,679	1,269,834

(1) The pro forma adjustments for 2004 are included in the pro forma equity per opening balance as specified above. As these adjustments only relates to the pro forma financial statement for 2004, the net equity effect of pro forma adjustments are reversed in the opening balance of equity in 2005.

Major shareholders per 3 November

	Number of shares	Ownership
AWILCO AS	54,050,630 ↕	45.60%
CREDIT SUISSE FIRST (EUROPE) PRIME BROKE	3,536,400	2.98%
AWECO HOLDING AS	3,300,000	2.78%
GOLDMAN SACHS INTERN EQUITY NONTREATY CUS	3,247,351	2.74%
CITIBANK, N.A. GENERAL IRISH RES.-T	2,658,200	2.24%
ORKLA ASA	2,572,300	2.17%
BANK OF NEW YORK, BR S/A EQUITY TRI-PARTY	2,439,150	2.06%
ODIN NORDEN	2,171,487	1.83%
BANK OF NEW YORK, BR BNY GCM CLIENT ACCOU	2,081,476	1.76%
DEUTSCHE BANK (SUISS	1,983,500	1.67%
STATE STREET BANK & CLIENT OMNIBUS D	1,907,810	1.61%
ODIN OFFSHORE ODIN FORVALTNING AS	1,800,000	1.52%
JPMORGAN CHASE BANK S/A ESCROW ACCOUNT	1,750,000	1.48%
DEUTSCHE BANK AG LON PRIME BROKERAGE FULL	1,577,880	1.33%
SKANDINAVISKA ENSKIL (PUBL) OSLOFILIALEN	1,400,000	1.18%
GRIFFIN UMBRELLA FUN	1,353,528	1.14%
UBS AG, LONDON BRANC IPB CLIENT ACCOUNT	1,179,916	1.00%
JPMORGAN CHASE BANK S/A BANKENES SIKRING	1,127,200	0.95%
WATRIUM AS	1,100,000	0.93%
STOREBRAND LIVSFORSI P980, AKSJEFONDET	1,091,598	0.92%
Total 20 largest shareholders	92,328,426	77.89%
Other shareholders	26,201,907	22.11%
Total	118,530,333	100.00%

Awilco Offshore group
All figures in NOK 1000

Fixed assets

	Accommodation units		Jack-up rigs		Other assets	
	2005	2004	2005	2004	2005	2004
Acquisition cost per 1 January	656,720	486,495	150,854	0	0	0
Acquisition, capitalized costs	0	0	0	0	0	0
Newbuilding, upgrade, reconstruction	47,505	170,225	868,179	150,854	623	0
Sale of assets	0	0	0	0	0	0
Acquisition cost per ending balance	<u>704,225</u>	<u>656,720</u>	<u>1,019,033</u>	<u>150,854</u>	<u>623</u>	<u>0</u>
Accumulated depreciation per 1 January	(90,476)	(49,671)	0	0	0	0
Sale of assets	0	0	0	0	0	0
Depreciation	(40,011)	(40,805)	0	0	0	0
Accumulated depreciation per ending balance	<u>(130,487)</u>	<u>(90,476)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net book value per ending balance	<u>573,739</u>	<u>566,244</u>	<u>1,019,033</u>	<u>150,854</u>	<u>623</u>	<u>0</u>

The Company has entered into five newbuilding contracts to build jack-up drilling rigs. The contracts are distributed with three contracts at the PPL yard and two at the Keppel yard. See further explanation of the contracts in chapter 4 in the Prospectus. The capitalized amounts on the jack-up drilling rigs includes the installments paid to the yards according to the Construction contracts, initial project costs, project management costs, capitalized interests and other costs directly associated with the newbuilding program.

Estimated project price for the contracted rigs, including yard contract prices, newbuilding supervision, owner furnished equipment, spares, financing and other project expenses, can be specified as follows:

<u>Contracted rigs</u>	<u>Yard</u>	<u>Delivery</u>	<u>Project price</u>
WilPower	PPL	2Q06	USD 131
WilCraft	Keppel	4Q06	USD 131
WilSuperior	PPL	2Q07	USD 130
WilBoss	Keppel	4Q07	USD 134
WilForce	PPL	4Q07	USD 144

Related party disclosure

Management services is provided by a group company owned by A Wilhelmsen AS, which is also the owner of Awilco AS - the major shareholder of the company. Per end of this accounting period the related party transactions etc towards A Wilhelmsen group can be specified as follows:

Management fee	8,064
Receivable / (debt) per end of period	(5,449)

Jointly owned companies

Sinvest and Awilco Offshore has established a jointly owned company, Premium Drilling AS, for commercial and operational management of its fleet of jack-up drilling rigs. Awilco Offshore's 50% ownership in Premium Drilling is recorded using the equity method.

Initial investment	19,500
Share of profit/(loss) in associate	<u>-2,444</u>
NBV per end of period	<u>17,056</u>

Investment in shares

Awilco Offshore has acquired the following number of shares in Petrojack 11,942
The Petrojack shares are paid partly by cash and also by issuing new shares in Awilco Offshore.
The investment is classified as a financial asset at fair value through profit and loss.

Cost price of the Petrojack shares	172,530
Fair value per end of period	<u>220,928</u>
Value adjustment in period	<u>48,397</u>

Awilco Offshore group
All figures in NOK 1000

Segment information

Split by segments	3Q 2005				2004, pro forma		
	Accom rigs	Jack up rigs	Other	Total	Accommodation rigs		
					Ngaap	IFRS/other adjustments	IFRS ¹⁾
Operating income	189,021	0	0	189,021	270,731		270,731
Operating costs	(104,889)	0	0	(104,889)	(134,918)	(1,431)	(136,349)
	84,132	0	0	84,132	135,813		134,382
Administrative costs	(1,923)	(3,756)	(9,878)	(15,557)	(6,093)	(15,000)	(21,093)
Net operating income bef depreciation (EBITDA)	82,208	(3,756)	(9,878)	68,574	129,720		113,290
Depreciation	(40,011)	0	(93)	(40,104)	(50,083)	9,278	(40,805)
Net operating income (EBIT)	42,198	(3,756)	(9,972)	28,471	79,637		72,484
Assets	573,739	1,019,563	530				
Long term debt	638,376	0	0				
Investments	47,505	868,179	623				

Explanations to the adjustments to the segment information:

- 1) Accrued docking expenses are reversed from the operating costs.
- 2) Pro forma adjustment for estimated management fee for 2004. See accounting policies for more information on pro forma adjustments.
- 2) Depreciation is adjusted according to IFRS standards as explained under accounting principles.

Split by geographic area	3Q 2005			
	UK	Norway	Unallocated, eliminations	Total
Operating income	77,154	113,312	(1,445)	189,021
Operating costs	(31,524)	(68,658)	(4,707)	(104,889)
	45,629	44,655	(6,152)	84,132
Administrative costs	0	0	(15,557)	(15,557)
Net operating income bef depreciation (EBITDA)	45,629	44,655	(21,709)	68,574
Depreciation	0	0	(40,104)	(40,104)
Net operating income (EBIT)	45,629	44,655	(61,813)	28,471

The geographic split above refers to what continental shelf the rigs have been employed in during the period.

Analytical information for 2003 and 2002

The information for 2003 and 2002 is extracted from the offshore segment information as shown in the financial reports for Awilco AS. No pro forma adjustments are rolled back to 2003 or 2002.

	2003, extract from Awilco AS' segment info				2002, extract from Awilco AS' segment info		
	Ngaap	IFRS adjustments	IFRS		Ngaap	IFRS adjustments	IFRS
Operating income	134,015		134,015		83,333		83,333
Operating costs	(80,506)	2,400	(78,106)	1)	(39,773)	600	(39,173)
	53,509		55,909		43,560		44,160
Administrative costs	(2,210)		(2,210)	2)	(1,014)		(1,014)
Net operating income bef depreciation (EBITDA)	51,299		53,699		42,546		43,146
Depreciation	(36,985)	4,305	(32,680)	3)	(17,025)	4	(17,020)
Net operating income (EBIT)	14,314		21,018		25,521		26,125

1. Notes to the interim financial report per 3q 2005

1.1 Proforma accounts for 2004

General

Awilco Offshore ASA was founded on 21 January 2005. The pro forma group accounts for 2004 have been prepared according to International Financial Reporting Standards. The pro forma accounts are presented according to IFRS as if the offshore segment was reorganized per beginning of the period presented, and is derived from audited financial statements for Awilco group for 2004. The pro forma accounts have been provided based on the assumptions stated below. Pro forma financial statements are provided for informational purposes only and are not necessarily indicative of actual results that would have been achieved if the transactions and assumptions described below had occurred during the period presented.

Since the formation of Awilco's offshore segment into the wholly owned AWO group is seen as a reorganization of a segment in a wholly owned subgroup of Awilco, the reorganization has been recorded using the continuity method. Consequently, the net book value of the assets, rights and liabilities transferred to the AWO group, corresponds to the net book value under the previous organization and ownership structure.

Pro forma adjustments (relates only to the 2004 figures)

Equity contribution

The Company carried out a private placement in the period from 14 – 18. February 2005. Prior to completion of the private placement, the share capital of the Company was increased through the conversion into equity of part of the consideration for the offshore assets transferred from Awilco. This conversion of debt into equity is rolled-back and reflected in the pro forma balance sheet per beginning of 2004. Correspondingly, debt not converted to equity is also reflected in the pro forma balance sheet per beginning of 2004. Interest cost on this debt is reflected in the accounts using the same interest rate as agreed in 2005.

The transfer of assets from Awilco to AWO is in the pro forma accounts assumed to have been executed using the same underlying values as actually used in the reorganization that took place in 2005.

The proceeds from the private placement were received by the Company at end of February 2005, and will be reflected in the financial report for 1st quarter 2005, and is not rolled back to be reflected in the pro-forma accounts for 2004.

Inter-company debt

Part of the proceeds from the private placement was used to repay inter-company debt to Awilco. In order to better reflect the actual funding of the segment in 2004, combined with the proceeds from the private placement mentioned above is not rolled-back to 2004, no pro forma adjustments are made to the actual inter-company debt that existed in 2004.

Management fee

The Company has entered into management agreements with companies in the A Wilhelmsen group. The management fee will equal the costs incurred by delivering the agreed management services. The pro forma accounts for 2004 include a management fee of approximately NOK 15 million.

Tax

The accommodation rigs have been organized within the Norwegian tonnage tax regime since the acquisition date of the rigs. However, the law has recently been changed so that with effect from the

fiscal year 2006, rigs will no longer qualify for the tonnage tax regime. This means that the company will no longer be in a position to benefit from the deferred taxation allowed under the regime. Consequently, the deferred tax on historical operating profits from the accommodation rigs will become payable.

In the pro forma accounts, the Company has provided for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not taxable or deductible for income tax purposes, using the current tax rate. This deferred tax provision is reflecting the possible change on tax rules mentioned above.

Income tax expense has been adjusted for the effects of pro forma adjustments to the profit and loss statement.

1.2 International Financial Reporting Standards (IFRS)

General information

As from 2005 Norwegian public companies are subject to new accounting standards introduced in the European Union. The new accounting standards are called International Financial Reporting Standards (IFRS). The objective of IFRS is to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that provide accurate, transparent and comparable information to help users make economic decisions.

AWO has prepared the pro forma accounts for 2004 according to the IFRS. AWO has prepared the pro forma accounts based on the current understanding of IFRS.

Below is a description of the main effects between the accounting principles previously used by Awilco compared with the IFRS principles used in the pro-forma accounts of AWO;

Assets

The useful economic lives of the accommodation rigs are estimated for the material components of the rigs separately. The major components of the rigs are estimated to have useful economic lives in the range from 20-38 years. Based on experience, performance and future scheduled dockings, economic lives are evaluated on a regular basis – at least annually. If the estimated useful economic life changes future depreciations are adjusted accordingly.

There is established residual value for the accommodation rigs. Awilco's previous principle has been to depreciate assets to zero over the economic life. We have recalculated accumulated depreciations for each asset taking into account the residual value and dismantling expenses. The asset value has been appreciated by the difference in accumulated depreciation based on IFRS and Norwegian GAAP. Future depreciations are based on depreciation schedules including residual values and dismantling expenses. The residual value is based on the market value for scrapping at the reporting date.

Reclassification of docking expenses

Docking expenses are regarded as a separate part of the rig value with a different depreciation period than the rig. Depreciation of docking expenses is therefore reclassified from operating expenses to depreciation.

Deferred tax and tax expense

Income tax expense has been adjusted for the effects of IFRS adjustments to the profit and loss statement. Deferred tax is adjusted due to changes in asset values.

Long term debt

First year installment of long term debt has been classified as current liabilities.

1.3 Accounting principles

Classification of balance sheet items

Assets and liabilities related to the operation of the company are classified as current assets and liabilities. Assets for long term use are classified as fixed assets.

Revenue

Revenues are recognized as earned, based on contractual daily rates or on a fixed price basis.

Debt issuance costs

Debt issuing costs are amortized and then capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Taxes and deferred tax liabilities

The Company provides for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not taxable or deductible for income tax purposes.

Deferred taxation is provided in the balance sheet as the liability method in respect of temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Current assets

Current assets are valued at the lower of historical cost and market value.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the balance sheet date.

Fixed assets

Rigs and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. In situations where it can be clearly demonstrated that expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the asset.

Components of new fixed assets with different economic useful lifetime will have different depreciation time.

Depreciation is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The expected useful life for the accommodation rigs is 20 – 38 years.

The useful lives of assets and the depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their costs and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposals is included in the income statement.

New-building contracts

New-building contracts include payments made under the contracts, capitalized interest and other costs directly associated with the new-building program.

Investment in associated companies

Investments in associated companies are accounted for under the equity method.

Financial assets at fair value through profit and loss

Financial investments as e.g. share investments are categorized as “financial assets at fair value through profit and loss”. Consequently, any value adjustments on such investments are recognized in the profit and loss statement.

Impairment of assets

All assets are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the income statement.

Cash flow statement, cash and cash equivalents

The cash flow statement is prepared using the indirect method.

Cash represents cash on hand and deposits with bank that are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Consolidation

The consolidated statements consist of Awilco Offshore ASA and companies where the parent company controls directly or indirectly more than 50% of the votes. Companies are consolidated from the time when control is obtained. Companies in the group apply consistent accounting principles. Inter-company transactions and balances between group companies are eliminated.

Interim financial statement

The interim financial statements have been prepared in accordance with the standard for interim reporting (IAS 34) in International Financial Reporting Standards.