

FIRST QUARTER 2008



Awilco Offshore ASA is an international offshore drilling contractor owning and operating five jack-up drilling rigs and two accommodation units. Another three jack-up drilling rigs and three semi submersible drilling rigs are under construction. Awilco Offshore also holds options for the construction of two semi submersible drilling rigs.

UPDATE

- In January Awilco Offshore took delivery of its fourth high specification jack-up drilling rig, WilBoss. The rig was delivered from KeppelFELS Shipyard in Singapore on schedule and within budget. WilBoss started working for Premier Oil Vietnam Offshore B.V. early March. The rig is on a 6 month contract offshore Vietnam.
- In March Awilco Offshore took delivery of its fifth high specification jack-up drilling rig, WilForce, from PPL Shipyard in Singapore. The rig has received a Notice of Tender Award from Repsol Exploration Murzuq S.A for an estimated period of 5 months. The contract value is approximately MUSD 30 plus mobilization cost. The operational preparations are completed and as of mid-May the rig is being prepared for mobilization to Repsol mid-May for its work offshore Libya. Operation is scheduled to commence during third quarter 2008.
- In January Awilco Offshore signed a MUSD 335.6 loan agreement for its third semi rig WilPromoter. The loan agreement is with Citibank, Eksportfinans/GIEK and The Export-Import Bank of China. With the signing of this loan agreement, all the 13 rigs Awilco Offshore has in operation or under construction are financed.

RESULTS

Main Figures First Quarter 2008

At the end of March 2008 Awilco Offshore had 6 rigs in operation. By 2010, when the current building program is completed, 13 units will be in operation.

Revenue

Total revenues for the quarter were MUSD 87.4. Operating revenues, excluding reimbursable revenues and other income were MUSD 79.7 of which MUSD 57.2 was related to the jack-up drilling rigs and MUSD 22.5 was related the to accommodation units. This is an increase of MUSD 4.7 compared to Q4 2007, which relates to WilBoss starting operations early March 2008.

Operating expenses

As of Q1 2008, management fee to Premium Drilling, build-up cost for rigs in operation, and pre-operational cost for the semi submersibles are included under rig operating expense and not as administrative expenses as in previous quarters.

Rig operating expenses in the quarter were MUSD 29.1. MUSD 17.9 was related to the jack-up drilling rigs, MUSD 9.1 was related to the accommodation units and MUSD 2.1 was pre-operational cost for the semi submersible rigs. Rig operating cost for the jack-up drilling rigs includes MUSD 2.3 in management fees to Premium Drilling and MUSD 1.5 in other build-up cost.

Rig operating cost for the accommodation units includes MUSD 0.7 in project cost for Port Rigmar which is paid by ConocoPhillips.

Compared to Q4 2007, rig operating cost increased with MUSD 8.5. Approximately MUSD 5.9 of the increase relates to reclassification of cost from administrative expenses and MUSD 2.6 relates to increased operating cost from the two new jack-up rigs that were delivered in January and March 2008.

Total administrative expenses in the quarter amounted to MUSD 3.6 including share-based payments which reduced expenses by MUSD 1.2. Adjusted for share-based payments, non recurring cost in Q4 2007 and cost reclassification, total administrative expenses during the quarter increased with MUSD 1.1 compared to the previous quarter.

EBITDA and net results

Operating profit before depreciation and amortization (EBITDA) was MUSD 49.8. EBITDA excluding non-cash elements was MUSD 48.6, due to effect from share-based payments.

Net financial items show an expense of MUSD 13.6.

Profit before tax was MUSD 28.0 and net profit was MUSD 20.7. Earnings per share was USD 0.14.

Balance Sheet

As of 31 March 2008, total assets were MUSD 1,979.

Awilco Offshore had MUSD 57.0 in cash and cash equivalents at the end of the first quarter.

Actual interest-bearing debt at the end of the quarter was MUSD 1,346, of which MUSD 398 was related to three outstanding bonds and the remaining part was related to bank debt. The Company's outstanding bond debt consists of a MUSD 200 bond which is secured against the two first semis and two unsecured corporate bonds; one MUSD 100 bond and one MNOK 500 bond.

During the first quarter MUSD 119.2 was invested in the jack-ups under construction and MUSD 87.4 in the semi submersibles rigs under construction. Investment in the accommodation rigs in the quarter was MUSD 3.8.

For an overview of estimated delivered cost for the drilling rigs, see table 1a and 1b.

SEGMENTS

Jack-up drilling rigs

As of 31 March, three jack-up drilling rigs were under construction. The rigs are being built in Singapore at PPL Shipyard and Keppel FELS. The construction of the rigs is progressing well, and is based upon fixed price contracts. The next jack-up rig to be delivered is WilSeeker from PPL and the scheduled delivery is Q3 2008. The last two jack-up rigs to be delivered, WilStrike and WilConfidence, are scheduled for delivery in Q2 2009 from Keppel and PPL respectively.

Awilco Offshore took delivery of WilForce, the third jack-up drilling rig from PPL, on 19 March 2007. WilForce is expected to depart Singapore early June.

The estimated delivered 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	DELIVERED		
WilBoss	Keppel	400ft	30,000ft	DELIVERED		
WilForce	PPL	375ft	30,000ft	DELIVERED		
WilSeeker	PPL	375ft	30,000ft	Q308	USD 143m	Legs erection, Q208
WilStrike	Keppel	400ft	30,000ft	Q209	USD 163m	Undocking, Q308
WilConfidence	PPL	375ft	30,000ft.	Q209	USD 149m	Installation of legs, Q308

WilPower is on a five year bareboat charter with Arabian Drilling Company for drilling offshore Saudi Arabia. This contract runs until August 2011.

WilCraft is in operation for Peak Group Asia Pacific offshore Western Australia and is now drilling its 13th well. The Operator has exercised 3 of its 11 options and the firm part of the program is now expected to be until August 2008.

WilSuperior commenced its operations for Thang Long Joint Operating Company in September 2007. The rig is operating offshore Vietnam on a firm contract until around September 2008.

WilBoss commenced its operations early March 2008. The rig is on a 6 months contract with Premier Oil in Vietnam. The firm period of the contract is expected to employ WilBoss through to October 2008.

WilForce received a Notice of Tender Award from Repsol Exploration Murzuq S.A. for an estimated 5 month drilling program offshore Libya. Following preparations for operations and final outfitting, the rig will be mobilized to Mediterranean. Start-up of operations is expected in Q3 2008. From mid-May the rig will receive compensation during preparation and mobilization.

Semi submersible drilling rigs

Three semi submersible drilling rigs are on order at Yantai Raffles Shipyard (YRS) in China. The building of the main deck for WillInnovator and WilPromoter has been outsourced by Yantai Raffles to the Dopco yard in Dalian. Awilco Offshore has a site team at both yards and they continue to work closely with the yards' teams. Currently the site teams count 55 people in total, 40 at YRS and 15 at Dopco. This number will increase as the commissioning of WilPioneer progresses.

The construction of the semi submersible rigs is regulated under two different fixed-priced contracts:

- One contract with National Oilwell (NOV) for the construction and commissioning of the drilling package. The drilling package is built in Norway and transported to Yantai when completed.
- One contract with Yantai Raffles for the engineering, construction and overall commissioning of the rig. The yard has hired a Korean specialist firm, NVMO, to do the commissioning.

Under the Yantai Raffles contract, the rigs are built in blocks before being assembled. A total of 70 blocks per rig is being built, of which 44 is for the deck box and 26 for the hull (pontoons, columns, bracings).

WilPioneer

All blocks for the deck box, pontoons and columns are completed and to be erected by early June, the outfitting continues in parallel. Equipment installation and completion of the main deck is most efficiently carried out at ground level prior to mating. On 18 April YRS did a 20.000 ton test-lift with its Gantry crane lifting a barge filled with water. The barge was successfully lifted and the technical machinery of the crane worked as expected. In comparison the main deck of WilPioneer will weigh 12.500 tons.

The updated project plan presented by YRS to Awilco Offshore in February 2008 has a scheduled delivery for WilPioneer at the end of Q4 2008. Currently the yard is somewhat behind this plan. In order to reach the planned delivery date, the yard and the AWO site team are working on compensating actions.

The NOV manufactured drilling package is completed, and arrived safely in China last summer. All other main equipment has also arrived at the yard, and the equipment is being installed on the rig.

Awilco Offshore publishes photos of the construction progress bi-weekly on its web site www.awo.no.

WilPioneer has a contract with BP for drilling at the Skarv field. The contract's commencement window is during Q2 2009. The contract length with BP is based on the firm drilling program at Skarv for 16-18 wells, with an estimated duration of 3 years, with options for maximum 2 more years.

WillInnovator

The pontoons and columns are under construction at YRS, while the construction of the main deck has been outsourced by YRS to the Dopco yard in Dalian. After completion, the main deck will be transported to YRS for mating and final commissioning of the rig. Lately, additional space for production of the blocks for WillInnovator has been freed up due to production progress on WilPioneer.

Yantai Raffles presented an updated project plan in February 2008 with scheduled delivery Q2 2009.

The NOV drilling package is completed and arrived at Yantai early April. It was successfully unloaded from the ship and is safely stored until installation on the rig.

Both WillInnovator and WilPromoter have 8 year contracts with StatoilHydro on the Troll field. Start-up under these contracts is scheduled to be between early summer and autumn 2009 and 2010 respectively. StatoilHydro has options to extend the contracts for up to a further 8 years.

WilPromoter

The steel cutting for WilPromoter started mid-March 2008. The construction and outfitting of the main deck will be done at Dopco. The construction of the NOV drilling package is well under way at Nymo. The scheduled delivery of the rig is Q4 2009.

Option for rig no. 4

Awilco Offshore has an option with YRS to build a fourth semi submersible rig. This option can be exercised until November 2008. The Company has already secured a fourth drilling package and certain other long lead items. The scheduled delivery for this rig will be 33 months after the option is declared.

Option for rig no. 5

Awilco Offshore also has an option to build a fifth semi submersible drilling rig at YRS. The option can be exercised until the end of December 2008. The scheduled delivery for this rig will be 33 months after the option is declared.

The estimated delivered costs for the semi submersibles in the table below 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
<u>Contracted rigs</u>						
WilPioneer	YRS	2,500ft	D.P./Anchors	4,000 mt	Q408	USD 345m
WillInnovator*	YRS	2,500ft	D.P./Anchors	4,000 mt	Q209	USD 370m
WilPromoter*	YRS	2,500ft	D.P./Anchors	4,000 mt	Q409	USD 370m
<u>Option</u>						
YRS option 4**	YRS	Decl. by	Nov. 2008			
YRS option 5	YRS	Decl. by	Dec. 2008			

* Modification cost in connection with the StatoilHydro 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 StatoilHydro, either through an increased day rate or as a lump sum.

** The contract for a fourth drilling package and certain other long lead items has been signed.

The scheduled delivery for WilPioneer and WillInnovator is based on the updated project plan received from YRS in February 2008.

Accommodation rigs

Awilco Offshore owns two out of four accommodation units approved for working on the Norwegian Continental Shelf (NCS).

Port Rigmor

Port Rigmor, the only jack-up unit capable of and approved for working on the Norwegian continental shelf, is employed by ConocoPhillips for work on the Ekofisk Field till October 2009. The unit has a total bed capacity of 326 whereof 194 is in single bed cabins. During 2007 the unit underwent substantial modifications and upgrading, preparing the unit for continued operations on Ekofisk. ConocoPhillips holds an option to extend the unit's employment contract at Ekofisk.

Port Reval

Port Reval is a moored semi submersible unit with a total bed capacity of 358, of which the majority (262) is in single bed cabins. The unit is employed by ConocoPhillips on the Eldfisk Field NCS on a firm contract until May 2009.

Organization

Awilco Offshore currently employs about 140 people of which about 50 % are contractors. The number of employees is growing as the preparation for operating the semi submersible rigs in the North Sea is progressing.

At the end of first quarter, Premium Drilling had 381 employees. The increase is due to the additional rigs that have come into operation since the beginning of the year.

PROSPECTS

Jack-up

The market for high specification jack-up drilling units is expected to remain at strong levels. With the oil price at historic levels the demand for drilling services will have strong underlying support. Most of the jack-up markets continue to enjoy close to full utilization, the US Gulf of Mexico is still the exception.

With an ever increasing workload, mainly driven by the high number of floater newbuild contracts, the shipyards have limited capacity. This leads to increased replacement cost and longer delivery time from the yards.

We continue to see that newbuild units secure contracts in an active market. The efficiency and technical capabilities of Awilco Offshore's modern fleet of high specification drilling jack-up rigs, together with Premium Drilling's acknowledged operational experience, means the Company is well placed to continue benefiting from the strength of the market.

Semi submersible

The market for semi submersible drilling rigs remains strong within all segments and all regions. An increasing number of areas are now contracting rigs for start-up in 2010 and forward. This drives the rates upwards and increases the pressure on yards, equipment suppliers, and personnel.

The mid-water segment continues to be strong on the Norwegian continental shelf with recent fixtures above USD 450.000 /day for 3 year contracts. Recent international fixtures in the mid-water segment are strong, with rates around USD 350.000/ day for 3 year contracts. Awilco Offshore is still the only drilling operator with a newbuilding program in the mid-water segment. Several oil companies are showing interest in the two optional rigs Awilco Offshore has at Yantai Raffles Shipyard both for work on the Norwegian continental shelf and internationally.

Accommodation

The North Sea accommodation market remains tight and the 2009 season is expected to be exceptionally busy. Several tenders are being circulated and we expect all available units to be fully employed. Rate levels are on the rise, and high rates have been seen for short contracts. The supply side is only marginally increasing; hence we expect the tight market to continue for North Sea type accommodation units.

Oslo, May 26, 2008

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 has offices in Norway and Singapore.

Awilco Offshore and Aban 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.

WilPower, the first drilling rig under construction, was delivered from PPL in mid 2006. WilCraft was delivered from Keppel FELS in December 2006. WilSuperior was delivered from PPL in July 2007. WilBoss was delivered from Keppel FELS in January 2008. WilForce was delivered from PPL in March 2008.

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

www.awo.no

Forward Looking Statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as "will", "expects", "is expected to", "should", "may", "is likely to", "intends" and "believes". These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Awilco Offshore's examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including 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 on favorable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports filed with the Oslo Stock Exchange.

Condensed income statement

in USD thousands, except earnings per share

	Q1 2008	Q1 2007*	2007*
Contract revenue	79 694	22 386	189 802
Reimbursables	5 239	-	11 470
Other	2 469	-	2 252
	<u>87 402</u>	<u>22 386</u>	<u>203 524</u>
Rig operating expenses	29 112	13 029	76 359
Reimbursables	4 947	-	10 651
General and administrative expenses	3 550	3 894	20 546
Depreciation	8 192	4 896	23 107
Share of loss from joint venture	1	706	2 517
	<u>45 803</u>	<u>22 524</u>	<u>133 179</u>
Operating profit/ (loss)	41 599	(137)	70 345
Interest income	630	1 965	2 269
Interest expense	(8 108)	(5 827)	(24 392)
Other financial items	(6 153)	(700)	(12 168)
Net financial items	<u>(13 631)</u>	<u>(4 561)</u>	<u>(34 291)</u>
Profit before tax	27 968	(4 699)	36 054
Tax benefit/ (expense)	(7 272)	1 253	(9 876)
Net profit/ (loss)	<u>20 697</u>	<u>(3 446)</u>	<u>26 178</u>
Attributable to minority interests	-	-	1
Attributable to shareholders of the parent	20 697	(3 446)	25 801
Basic and diluted earnings per share	0,14	(0,02)	0,18

* Management fees to Premium Drilling, other build up cost and pre operational cost for the semi submersibles are now presented as part of rig operating expenses. Previously these expenses were presented as part of general and administrative expenses. The expenses have been reclassified from general and administrative expenses to rig operating expenses for 1Q 2007 and 2007 for comparison purposes.

Condensed balance sheet

in USD thousands

	31.03.2008	31.03.2007	31.12.2007
Rigs and equipment	1 776 651	995 699	1 574 395
Goodwill	-	1 877	-
Available-for-sale financial assets	35 099	39 724	39 456
Loan pledge	14 309	25 855	17 170
Other non-current assets	6 674	168	4 682
	<u>56 081</u>	<u>67 624</u>	<u>61 308</u>
Financial investments	5 944	33 733	5 931
Other current assets	83 700	56 676	75 671
Cash and cash equivalents	57 042	34 914	35 372
	<u>146 686</u>	<u>125 323</u>	<u>116 974</u>
Total assets	<u>1 979 418</u>	<u>1 188 646</u>	<u>1 752 677</u>
Paid in capital	457 419	457 419	457 419
Other equity	50 393	(635)	27 448
Revaluation reserves	7 266	11 892	11 623
Minority interests	10	-	10
	<u>515 088</u>	<u>468 676</u>	<u>496 500</u>
Deferred tax liability	30 971	26 660	30 495
Long-term interest-bearing debt	1 346 398	619 994	1 126 673
Other non-current liabilities	17 520	13 704	18 063
	<u>1 394 890</u>	<u>660 358</u>	<u>1 175 231</u>
Current portion of long-term debt	5 723	35 277	5 723
Income taxes payable	6 296	-	5 473
Other current liabilities	57 420	24 336	69 750
	<u>69 440</u>	<u>59 613</u>	<u>80 946</u>
Total equity and liabilities	<u>1 979 418</u>	<u>1 188 646</u>	<u>1 752 677</u>

Condensed cash flow statement

in USD thousands

	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>2007</u>
Cash flow from (used in) operating activities	12 392	(62 353)	14 856
Cash flow from (used in) investing activities	(210 448)	(33 078)	(579 684)
Cash flow from (used in) financing activities	219 726	62 604	532 459
Net change in cash and cash equivalents	21 670	(32 827)	(32 370)
Cash and cash equivalents at beginning of the period	35 372	67 741	67 741
Cash and cash equivalents at end of the period	<u>57 042</u>	<u>34 914</u>	<u>35 372</u>

Condensed statement of changes in equity

in USD thousands

	<u>31.03.2008</u>	<u>31.03.2007</u>	<u>31.12.2007</u>
Attributable to equity holders of the parent, opening balance	496 491	466 107	487 309
Equity contributions	-	6 672	6 672
Revaluation reserve	(4 357)	(657)	(926)
Other equity / translation adjustments	2 248	-	957
Net profit (loss) during the period	20 697	(3 446)	26 178
Acquisition of minority interest in OFRD	-	-	(23 699)
Attributable to equity holders of the parent, ending balance	515 078	468 676	496 491
Minority interests	10	-	9
Total equity	<u>515 088</u>	<u>468 676</u>	<u>496 500</u>

Share capital details

Average number of shares during the period	149 415 487	149 356 526	149 400 949
Total number of shares at end of the period	149 415 487	149 415 487	149 415 487

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, 2007. This interim report should be read in conjunction with the audited 2007 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 under construction	Other	Total
Acquisition cost at December 31, 2006	100 197	258 629	267 513	342 863	691	969 893
Newbuilding, upgrades and reconstruction	42 977	8 081	269 974	334 463	680	656 175
Transfer from under construction	-	134 062	(134 062)	-	-	-
Acquisition cost at December 31, 2007	143 174	400 771	403 425	677 326	1 371	1 626 068
Newbuilding, upgrades and reconstruction	3 797	(127)	119 196	87 428	167	210 461
Transfer from under construction	-	140 221	(140 221)	-	-	-
Acquisition cost at March 31, 2008	146 971	540 865	382 401	764 754	1 539	1 836 528
Accumulated depreciation at December 31, 2006	26 214	2 234	-	-	122	28 570
Depreciation	9 171	13 744	-	-	201	23 116
Accumulated depreciation at December 31, 2007	35 385	15 978	-	-	320	51 683
Depreciation	3 363	4 754	-	-	75	8 192
Accumulated depreciation at March 31, 2008	38 748	20 732	-	-	395	59 876
Net carrying amount:						
At March 31, 2008	108 223	520 133	382 401	764 754	1 144	1 776 651
At December 31, 2007	107 789	384 793	403 425	677 326	1 060	1 574 394
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
<u>Contracted rigs</u>			
WilSeeker	PPL	Q308	USD 143m
WilStrike	Keppel	Q209	USD 163m
WilConfidence	PPL	Q209	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
<u>Contracted rigs</u>			
WilPioneer	YRS	Q408	USD 345m
Willnnovator ⁽¹⁾	YRS	Q209	USD 370m
WilPromoter ⁽¹⁾	YRS	Q409	USD 370m
<u>Option</u>			
YRS option ⁽²⁾	YRS		
YRS option	YRS		

(1) Modification costs in connection with the Hydro contracts on Troll are not included in the numbers. The cost is expected to be approximately USD 30 million per rig and will be paid by Hydro, either through an increased day rate or as a lump sum.

(2) Signed contract for drilling package with National Oilwell Norway AS.

The scheduled delivery for WilPioneer and Willnnovator is based on the updated project plan received from YRS in February 2008.

The first and second options for the potential construction of a fourth and fifth semisubmersible drilling rig have to be declared by November and December 2008, respectively.

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

	Q1 2008	Q1 2007	2007
NBV per opening balance	(7 782)	(5 055)	(5 055)
Share of loss in joint venture	(1)	(706)	(2 685)
Translation adjustment	-	-	(43)
NBV per ending balance	<u>(7 783)</u>	<u>(5 761)</u>	<u>(7 782)</u>

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

	Q1 2008	Q1 2007	2007
Net carrying amount per opening balance	39 456	39 252	40 381
Fair value adjustment during the period	(4 357)	5 394	(926)
Net carrying amount per ending balance	<u>35 099</u>	<u>44 646</u>	<u>39 456</u>

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

	Q1 2008	Q1 2007	2007
Fair value per opening balance	9 979	6 594	6 594
Expensed during the period	(642)	815	2 319
Translation adjustment	96	189	1 066
Fair value per ending balance	<u>9 433</u>	<u>7 597</u>	<u>9 979</u>

Note 6**Related party transactions**

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

Transactions with AWILHELMOSEN are specified as follows:

in USD thousands	Q1 2008	Q1 2007	2007
Sales	26	20	85
Purchases	383	345	1 656
Receivables	-	29	-
Payables	3 433	613	2 683

Note 7**Segment information****BUSINESS SEGMENTS****Q1 2008**

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	22 484	57 210	-	-	79 694
Reimbursable	4 180	1 055	4	-	5 239
Other	2 443	-	-	26	2 469
	-	-	-	-	87 402
Rig operating expenses	9 100	17 913	2 100	-	29 112
Reimbursable	4 174	774	-	-	4 947
General and administrative expenses	96	403	2 359	692	3 550
Depreciation	3 363	4 708	-	122	8 192
Share of loss from joint venture	-	1	-	-	1
	16 732	23 798	4 459	814	45 803
Operating profit (loss)	(16 732)	(23 798)	(4 459)	(814)	41 599
Assets	108 223	902 534	764 754	1 144	1 776 651
Interest-bearing debt (including current portion)	107 552	677 581	566 989	-	1 352 122
Investments	3 797	119 070	87 428	167	210 461

Q1 2007

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	14 053	8 313	-	20	22 386
	14 053	8 313	-	20	22 386
Rig operating expenses	8 101	4 928	-	-	13 029
General and administrative expenses	123	634	1 590	1 546	3 893
Depreciation	2 009	2 856	11	19	4 895
Share of loss from joint venture	-	706	-	-	706
	10 233	9 124	1 601	1 565	22 523
Operating profit (loss)	3 820	(811)	(1 601)	(1 545)	(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

2007

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	67 226	122 576	-	-	189 802
Reimbursable	9 239	2 231	-	-	11 470
Other	2 159	-	8	85	2 252
	<u>78 624</u>	<u>124 807</u>	<u>8</u>	<u>85</u>	<u>203 524</u>
Rig operating expenses	37 136	39 223	-	-	76 359
Reimbursable	8 787	1 864	-	-	10 651
General and administrative expenses	414	2 490	10 684	6 958	20 546
Depreciation	9 171	13 744	-	192	23 107
Share of loss from joint venture	-	2 517	-	-	2 517
	<u>55 508</u>	<u>59 838</u>	<u>10 684</u>	<u>7 150</u>	<u>133 179</u>
Operating profit (loss)	<u>23 116</u>	<u>64 969</u>	<u>(10 676)</u>	<u>(7 064)</u>	<u>70 345</u>
Assets	107 789	788 219	677 326	1 058	1 574 392
Interest-bearing debt (including current portion)	103 585	553 171	475 640	-	1 132 396
Investments	42 977	278 055	334 463	680	656 175

GEOGRAPHICAL SEGMENTS**Q1 2008**

in USD thousands	Norway	Saudi Arabia	Australia	Vietnam	Other, unallocated	Total
Contract services	22 484	6 211	22 797	28 202	-	79 694
Reimbursable	4 180	-	481	575	4	5 239
Other	2 443	-	-	-	26	2 469
	<u>29 106</u>	<u>6 211</u>	<u>23 278</u>	<u>28 777</u>	<u>31</u>	<u>87 402</u>
Rig operating expenses	9 100	830	8 362	7 629	3 191	29 112
Reimbursable	4 174	-	460	314	-	4 947
General and administrative expenses					3 550	3 550
Depreciation					8 093	8 093
Share of loss from joint venture					99	99
					<u>1</u>	<u>45 802</u>
Operating profit						<u>41 599</u>

Q1 2007

in USD thousands	UK	Norway	Saudi Arabia	Australia	Other, unallocated	Total
Contract services	7 206	6 847	6 143	2 171	20	22 386
Reimbursable	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>7 206</u>	<u>6 847</u>	<u>6 143</u>	<u>2 171</u>	<u>20</u>	<u>22 386</u>
Rig operating expenses	5 483	2 618	576	2 821	1 532	13 029
Reimbursable					-	-
General and administrative expenses					3 894	3 894
Depreciation					4 896	4 896
Share of loss from joint venture					706	706
						<u>22 523</u>
Operating profit						<u>(137)</u>

2007

in USD thousands	UK	Norway	Saudi Arabia	Australia	Vietnam	Other, unallocated	Total
Contract services	17 295	49 931	24 911	70 028	27 637	-	189 802
Reimbursable	3 475	5 764	-	1 875	356	-	11 470
Other	1 672	487	-	-	-	93	2 252
	<u>22 442</u>	<u>56 182</u>	<u>24 911</u>	<u>71 903</u>	<u>27 993</u>	<u>93</u>	<u>203 524</u>
Rig operating expenses	11 537	25 599	3 342	25 416	6 484	3 981	76 359
Reimbursable	3 160	5 627	-	1 724	140	-	10 651
General and administrative expenses						20 546	20 546
Depreciation						23 107	23 107
Share of loss from joint venture						2 517	2 517
						<u>133 179</u>	<u>133 179</u>
Operating profit							<u>70 345</u>