

AWILCO OFFSHORE

4th quarter 2007



FOURTH QUARTER 2007



Awilco Offshore ASA is an international offshore drilling contractor owning and operating four jack-up drilling rigs and two accommodation units. Another four 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 November the contract for the jack-up drilling rig WilCraft was extended from 13 to 16 wells. The well-based contract with Peak group (Asia Pacific) Pty Ltd is for operation offshore Australia, and the firm part of the program is now expected to last until August 2008.
- In November Awilco Offshore signed the drilling contract with BP Norge, on behalf of the Skarv Licence partners, for its first semi submersible drilling rig, WilPioneer. The contract is based on the firm drilling program at Skarv for 16-18 wells, with an estimated duration of 3 years.
- 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 now financed.
- In January Awilco Offshore, through Premium Drilling, was awarded a Letter of Intent from Repsol Exploration Murzuq S.A. for the jack-up drilling rig WilForce. The drilling program offshore Libya is estimated to last 5 months, and the contract value is estimated to MUSD 30 plus mobilization cost. Operation is scheduled to commence during third quarter 2008.
- 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. After completion of operational preparation the rig will be delivered early March to Premier Oil Vietnam Offshore BV for commencement of its 6 months contract offshore Vietnam.

RESULTS

Main figures

At the end of December 2007 Awilco Offshore had 5 rigs in operation. By 2010, when the current building program is completed, 13 units will be in operation.

Fourth quarter 2007

Revenue

Total revenues for the quarter were MUSD 81.2. Operating revenues, excluding reimbursable revenues were MUSD 75.0 of which MUSD 52.0 was related to the jack-up drilling rigs and MUSD 23.0 was related to accommodation units.

All 5 rigs were in full operation during the quarter.

Operating expenses

Rig operating expenses, excluding reimbursable costs, were MUSD 20.6 of which MUSD 11.4 was related to the jack-up drilling rigs, and MUSD 9.2 was related to the accommodation units.

The accommodation units have operating costs primarily in NOK. Due to the weakening of the USD these have increased during the year.

In most geographical areas AWO experience daily operating cost for jack-up rigs of 40-45,000 USD. For WilCraft, operating costs have increased and are higher mainly because of a general augmentation in Australian labor rates. As labor rates are paid in Australian dollars (AUD), the weakening of the USD compared to AUD has further amplified the effect of the augmentation.

Total administrative expenses amounted to MUSD 11.6. This includes approximately MUSD 4 of non-recurring costs and year-end bonuses. The administrative cost in Norway and Singapore was MUSD 8.1 during the quarter. Management fees to Premium Drilling for jack-up drilling rigs in operation were MUSD 2.5 and other build up costs for rigs in operation MUSD 0.7. Share-based payments for the fourth quarter were MUSD 0.3, which have no cash effects.

Adjusted for share-based payments, total administrative expenses during the quarter increased with MUSD 5.3 compared to Q3. MUSD 1.2 relates to higher management fees to Premium Drilling, while salaries and year-end bonuses primarily account for the remaining increase. The increased administration cost reflects the continued building of the organization, including preparation for operation of the semi submersible rigs in the North Sea.

In the fourth quarter 2007 the board of Awilco Offshore extended the company's synthetic share option program, in the form of share appreciation rights. The program is based upon a similar structure as the existing program. The extended program is for a further 0,85 million share appreciation rights, is based upon strike price NOK 60 per share and has a vesting period until 2011.

EBITDA and net results

Operating profit before depreciation and amortization (EBITDA) was MUSD 43.5. EBITDA excluding non-cash elements was MUSD 43.9, due to effect from share-based payments and joint venture.

Net financial items show an expense of MUSD 9.1

Profit before tax was MUSD 27.1 and net profit was MUSD 20.0. Earnings per share was USD 0.13

Balance Sheet

As of 31 December 2007, total assets were MUSD 1,754.

Awilco Offshore had MUSD 35.4 in cash and cash equivalents at the end of the fourth quarter.

Actual interest-bearing debt at the end of the quarter was MUSD 1,127, of which MUSD 392 relates to three outstanding bonds and the remaining part relates to bank debt. The Company's outstanding bond debt consists of a MUSD 200 bond which is secured against the two first semis and MUSD 100 and MNOK 500 unsecured corporate bonds.

During the fourth quarter MUSD 78.6 was invested in the jack-ups under construction and MUSD 53.7 in the semi submersibles rigs under construction. Investment in the accommodation rigs in the quarter was MUSD 7.2.

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

Full Year 2007

Total full year revenues were MUS\$ 203.5. Operating full year revenues were MUS\$ 189.8. Operating profit before depreciation and amortization (EBITDA) was MUS\$ 93.3. EBITDA excluding non-cash elements was MUS\$ 98.3. Profit before tax was MUS\$ 35.8 and net profit MUS\$ 25.8. Earnings per share were USD 0.17.

SEGMENTS

Jack-up drilling rigs

As of 31 December, five 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.

Awilco Offshore took delivery of WilBoss, the second jackup drilling rig from Keppel FELS, on 22 January 2008. WilBoss is presently undergoing preparations for start-up of operations.

WilForce is to be delivered from PPL Shipyard late 1Q 2008 and the delivery for WilSeeker is scheduled to 3Q 2008 from the same shipyard.

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	1Q08	USD144m	Delivery, 1Q08
WilSeeker	PPL	375ft	30,000ft	3Q08	USD 143m	Legs erection, 2Q08
WilStrike	Keppel	400ft	30,000ft	2Q09	USD 163m	Undocking, 3Q08
WilConfidence	PPL	375ft	30,000ft.	2Q09	USD 149m	Main Deck Completion,2Q08

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 11th 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, with another 8 optional wells outstanding.

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 will commence a 6 months contract with Premier Oil in Vietnam. Premier Oil may, prior to commencement of operation, extend the contract duration to 1 year firm plus 1 year option. Operations under the contract with Premier Oil are scheduled to commence early March 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 and startup of operations is expected in 3Q 2008.

Semi submersible drilling rigs

As of 31 December, three semi submersible drilling rigs were on order at Yantai Raffles Shipyard (YRS) in China. Awilco Offshore is continuing to invest in resources for a close follow-up of the construction phase with a site team of approximately 45 persons in China, 30 persons are at YRS while 15 persons are at the Korean-owned Dopco yard in Dalian where the deck boxes for WilInnovator and WilPromoter are being built.

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

- A 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
- A contract with Yantai Raffles for the engineering, construction and overall commissioning of the rig. The yard has hired a Korean specialist firm to do the commissioning.

At Yantai Raffles, the rig is built in blocks before being assembled. A total of 70 blocks per rig is being built, of which 45 is for the deck box and 25 for the hull (pontoons, columns, bracings).

WilPioneer

All blocks for the deck box, pontoons and columns are now completed and are in the final stages of being assembled and outfitted. YRS has completed testing and certification of the 20,000 ton Gantry crane. Equipment installation and completion of the deck box is most efficiently carried out at ground level prior to mating.

In February, Yantai Raffles presented an updated project plan with scheduled delivery at the end of 4Q 2008.

The NOV manufactured drilling package is completed and was shipped from Norway to China last summer. All other main equipment has also arrived at the yard, and the equipment is now being installed.

Awilco Offshore will, on a bi-weekly basis, publish photos of the construction progress on its web site, starting immediately.

The contract with BP for drilling at the Skarv field has been signed. As regulated in the contract the commencement window has been narrowed down as start up is getting closer. The commencement window for WilPioneer is now during 2Q 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.

WilInnovator

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.

In February, Yantai Raffles presented an updated project plan with scheduled delivery early Q2 2009.

The NOV drilling package is complete and will leave Norway this week, arriving at Yantai early April.

The commencement window for WilInnovator under the StatoilHydro contract is from early summer 2009 and into the autumn.

WilPromoter

The steel cutting for WilPromoter is planned for April 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.

Both WilInnovator 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.

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.

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 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.	4,000 mt	4Q08	USD 345m
WilInnovator*	YRS	2,500ft	D.P.	4,000 mt	2Q09	USD 370m
WilPromoter*	YRS	2,500ft	D.P.	4,000 mt	4Q09	USD 370m

Option

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 WilInnovator is based on the updated project plan received from YRS in February 2008. The increase in the estimated delivered cost for WilPioneer and WilInnovator is due to the prolonged building period. As reported earlier, an extension of the building process of one quarter represents an increase in total project costs of approximately MUSD 5-10 per rig.

Accommodation rigs

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

Port Rigmar

Port Rigmar is the only jack-up unit capable of and approved for working on the NCS. After dry docking the rig returned to Ekofisk in early October and is employed by ConocoPhillips until October 2009. The unit has a total bed capacity of 326. During 3Q 2007 the unit underwent substantial modifications and upgrading, preparing the unit for continued operations on Ekofisk. The client holds an option for a 12 month extend to the unit's employment contract at Ekofisk.

Port Reval

Port Reval is a semi submersible unit with 358 beds whereof 262 in single bed cabins. The unit is employed by ConocoPhillips on the Eldfisk Field NCS on a firm contract until May 2009.

Organization

During 2007 Awilco Offshore has doubled its number of employees, from approximately 50 to approximately 100. This is due to the preparation for operating the semi submersible rigs in the North Sea.

Premium Drilling has during 2007 increased their number of employees from 150 to approximately 300 in relation to the additional rigs that have come into operation during the year.

PROSPECTS

Jack-up

The underlying demand for jackup drilling services remains strong supported by the high oil and gas prices. We experience close to full utilization in most markets with the exception of the US GOM.

The market for high specification jackup drilling units is expected to remain at strong levels. The recent Notice of Tender Award to WilForce supports this market view. Premium Drilling is working on requirements for 2009 start up for high specification units for deeper and more challenging wells.

The efficiency and technical capabilities of Awilco Offshore's fleet of high specification drilling jackup rigs, together with Premium Drilling's acknowledged high competence, including drilling complex wells, means the Company is well placed to continue benefiting the strength of the market.

Semi submersible

The total orderbook for semi submersibles and drill ships is approximately 75 units. Almost 70 of these are ultra deepwater units. Awilco Offshore has the only newbuilding program focusing on the midwater segment with 3 rigs under construction and options for a further 2 rigs. The existing midwater fleet consists of a total of approximately 40 units, most of them more the 25 years old and only one rig with DP capabilities.

The latest NCS fixtures in the midwater segment have been at rates between USD 450-490.000 per day for 3 year contracts.

As the market for midwater rigs is expected to be strong and the supply is limited, Awilco Offshore's 2 optional semi submersible rigs should be well positioned for attractive contracts. Several oil companies are showing interest in these rigs for work both on the Norwegian Continental Shelf and internationally.

Accommodation

The North Sea accommodation market remains tight with several new contracts let at record dayrate level. The recent USD 325 000 per day contract awarded Prosafe for 6 months work in 2010 confirms the oil companies willingness to secure tonnage with long lead time. Although several new entities are emerging, especially in the mono hull segment (hotel ships) suitable for benign waters, we are positive with regards to the outlook for our two North Sea type units.

Oslo, February 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.

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

Awilco Offshore

Condensed income statement

in USD thousands, unless otherwise indicated

	4Q 2007	4Q 2006	2007	2006
Contract services	74 961	23 000	189 802	69 585
Reimbursable	5 735	2 787	11 470	5 534
Other	486	422	2 252	567
	<u>81 182</u>	<u>26 209</u>	<u>203 524</u>	<u>75 686</u>
Rig operating expenses	20 579	8 933	67 964	27 982
Reimbursable	5 409	2 649	10 651	5 168
General and administrative expenses	11 614	6 666	28 941	12 626
Depreciation	7 388	3 514	23 107	9 952
Net result from associates and joint ventures	59	2 775	2 685	7 123
	<u>45 051</u>	<u>24 538</u>	<u>133 347</u>	<u>62 851</u>
Operating profit	36 131	1 671	70 177	12 835
Interest income	536	497	2 221	1 455
Interest expense	(7 051)	(4 910)	(24 394)	(13 054)
Other financial items	(2 548)	(3 477)	(12 167)	(4 656)
Net financial items	<u>(9 064)</u>	<u>(7 890)</u>	<u>(34 341)</u>	<u>(16 255)</u>
Profit before tax	27 067	(6 219)	35 836	(3 419)
Taxes	(7 041)	2 571	(10 034)	1 787
Net profit	<u>20 026</u>	<u>(3 647)</u>	<u>25 802</u>	<u>(1 633)</u>
Attributable to minority interests	1	31	1	31
Attributable to shareholders of the parent	20 025	(3 678)	25 801	(1 664)
Basic and diluted earnings per share	0,13	(0,03)	0,17	(0,01)

Condensed balance sheet

in USD thousands

	31.12.2007	31.12.2006
Rigs	1 573 334	940 754
Machinery and equipment	1 061	569
	<u>1 574 395</u>	<u>941 323</u>
Investment in shares	39 456	40 381
Loan pledge	17 170	28 617
Other long-term assets	4 115	164
	<u>60 740</u>	<u>69 162</u>
Other current assets	77 820	32 106
Financial investments	5 931	83 248
Cash and cash equivalents	35 372	67 741
	<u>119 124</u>	<u>183 096</u>
Total assets	<u>1 754 259</u>	<u>1 193 581</u>
Paid in capital	457 419	450 747
Other equity	27 072	2 810
Revaluation reserves	11 623	12 549
Minority interests	10	21 202
	<u>496 124</u>	<u>487 309</u>
Deferred tax	32 609	27 697
Other long-term liabilities	18 202	11 985
	<u>50 812</u>	<u>39 682</u>
Long-term interest-bearing debt	1 126 673	567 052
Current portion of long-term interest-bearing debt	5 723	25 158
Taxes payable	5 086	-
Other current liabilities and accruals	69 841	74 379
	<u>80 651</u>	<u>99 538</u>
Total equity and liabilities	<u>1 754 259</u>	<u>1 193 581</u>

Awilco Offshore

Condensed cash flow statement

in USD thousands

	4Q 2007	4Q 2006	2007	2006
Cash flow from (used in) operations	1 920	19 345	15 078	32 964
Cash flow from (used in) investments	(123 540)	(123 598)	(579 906)	(353 346)
Cash flow from (used in) financing	121 177	155 347	532 459	352 370
Net change in cash and cash equivalents	(444)	51 094	(32 368)	31 988
Cash and cash equivalents per opening balance	35 816	16 647	67 741	35 753
Cash and cash equivalents per ending balance	<u>35 372</u>	<u>67 741</u>	<u>35 372</u>	<u>67 741</u>

Condensed statement of changes in equity

in USD thousands, unless otherwise indicated

	31.12.2007	31.12.2006
Attributable to equity holders of the parent, opening balance	466 107	300 220
Equity contributions	6 672	167 861
Revaluation reserve	(926)	1 129
Other equity / translation adjustments	(1 541)	(1 440)
Net profit (loss) during the period	25 802	(1 664)
Attributable to equity holders of the parent, ending balance	496 114	466 107
Minority interests	10	21 202
Total equity	<u>496 124</u>	<u>487 309</u>

Share capital details

Average number of shares during the period	149 400 949	134 370 096
Total number of shares at end of the period	149 415 487	148 752 173

Awilco Offshore
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 under construction	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	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
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	9 171	13 744	-	-	192	23 107
Accumulated depreciation at December 31, 2007	35 385	15 978	-	-	311	51 674
Net carrying amount:						
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>			
WilForce	PPL	1Q08	USD 144m
WilSeeker	PPL	3Q08	USD 143m
WilStrike	Keppel	2Q09	USD 163m
WilConfidence	PPL	2Q09	USD 149m

Awilco Offshore
Notes to the accounts

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	4Q08	USD 345m
WilInnovator ⁽¹⁾	YRS	2Q09	USD 370m
WilPromoter ⁽¹⁾	YRS	4Q09	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 WilInnovator is based on the updated project plan received from YRS in February 2008. The increase in the estimated delivered cost for WilPioneer and WilInnovator is due to the prolonged building period. As reported earlier, an extension of the building process of one quarter represents an increase in total project costs of approximately MUSD 5-10 per rig.

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	2007	2006
NBV per opening balance	(5 055)	2 049
Share of loss in joint venture	(2 685)	(7 070)
Translation adjustment	(43)	(34)
NBV per ending balance	<u>(7 782)</u>	<u>(5 055)</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	2007	2006
Net carrying amount per opening balance	40 381	39 252
Fair value adjustment during the period	(926)	1 129
Net carrying amount per ending balance	<u>39 456</u>	<u>40 381</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	2007	2006
Fair value per opening balance	6 594	2 038
Expensed during the period	2 319	4 279
Translation adjustment	1 066	276
Fair value per ending balance	<u>9 979</u>	<u>6 594</u>

Awilco Offshore
Notes to the accounts

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	2007	2006
Sales	85	190
Purchases	1 656	1 449
Receivables	-	9
Payables	2 683	5 802

Note 7
Segment information

BUSINESS SEGMENTS
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
	78 624	124 807	8	85	203 524
Rig operating expenses	37 136	30 828	-	-	67 964
Reimbursable	8 787	1 864	-	-	10 651
General and administrative expenses	414	10 885	10 684	6 958	28 941
Depreciation	9 171	13 744	-	192	23 107
Share of loss from joint venture	-	2 685	-	-	2 685
	55 508	60 006	10 684	7 150	133 347
Operating profit (loss)	23 116	64 801	(10 676)	(7 064)	70 177
Assets	107 789	788 219	677 326	1 060	1 574 394
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

2006

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	61 088	8 496	-	-	69 585
Reimbursable	5 534	-	-	-	5 534
Other	374	-	-	193	567
	66 997	8 496	-	193	75 686
Rig operating expenses	25 795	2 187	-	-	27 982
Reimbursable	5 168	-	-	-	5 168
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
	39 012	14 674	793	8 371	62 851
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	375 245

Awilco Offshore**Notes to the accounts****GEOGRAPHICAL SEGMENTS****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	803	21 544	4 519	3 961	67 964
Reimbursable	3 160	5 627	-	1 724	140	-	10 651
General and administrative expenses						28 941	28 941
Depreciation						23 107	23 107
Share of loss from joint venture						2 685	2 685
							<u>133 347</u>
Operating profit							<u>70 177</u>

GEOGRAPHICAL SEGMENTS**2006**

in USD thousands	UK	Norway	Saudi Arabia	Other, unallocated	Total
Contract services	20 804	40 285	8 496	-	69 585
Reimbursable	3 843	1 691	-	-	5 534
Other	374	-	-	193	567
	<u>25 021</u>	<u>41 976</u>	<u>8 496</u>	<u>193</u>	<u>75 686</u>
Rig operating expenses	9 285	16 510	935	1 251	27 982
Reimbursable	3 557	1 611	-	-	5 168
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 associated companies				53	53
					<u>62 851</u>
Operating profit (loss)					<u>12 835</u>

Subsequent events

In January 2008, Awilco Offshore signed a MUS\$ 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 13 rigs Awilco Offshore has in operation or under construction are now financed.

In January 2008, Awilco Offshore, through Premium Drilling, was awarded a Letter of Intent from Repsol Exploration Murzuq S.A. for the jack-up drilling rig WilForce. The drilling program offshore Libya is estimated to last 5 months, and the contract value is estimated to MUS\$ 30 plus mobilization cost. Operation is scheduled to commence during third quarter 2008.

In January 2008, 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. After completion of operational preparation, the rig will be delivered early March to Premier Oil Vietnam Offshore BV for commencement of its 6 months contract offshore Vietnam.



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