



AWILCO
OFFSHORE
Annual Report
2007

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Main events since incorporation

Mar-08	Delivery of WilForce from PPL
Jan-08	Notice of tender awarded for WilForce for operation offshore Libya Delivery of WilBoss from KeppelFELS Loan agreement signed for third semi rig, WilPromoter
Nov-07	Contract for WilCraft extended from 13 to 16 wells Contract signed with BP Norge AS for drilling at Skarv field
Sep-07	Port Rigmar extended for 12 months on the Ekofisk field (ConocoPhillips) Additional option at Yantai Raffles awarded
Aug-07	WilBoss fixed for 6 months to Premier Oil
Jul-07	Bankfacility increased to MUSD 1 085 Delivery of WilSuperior from PPL
Jun-07	Long lead items for a fourth semi rig secured NOK 500 million bond issued
May-07	Contracts with StatoilHydro extended to 8 years
Mar-07	Two long term contracts awarded with StatoilHydro for Willnnovator and WilPromoter
Jan-07	A compulsory acquisition of Offrig Drilling ASA shares initiated
Dec-06	Delivery of WilCraft from Keppel FELS WilSuperior fixed for 12 months to Thang Long
Nov-06	Voluntary offer extended to the remaining shareholders of Offrig Drilling ASA
Aug-06	WilCraft fixed for 13-24 months to Peak group Delivery of WilPower from PPL
May-06	Port Reval secured work for 21 months for ConocoPhillips
Apr-06	MNOK 532 raised through equity issue
Feb-06	USD 100 million bond issued
Dec-05	Purchased 38 % in Offshore Rig Services (Offrig Drilling)
Sep-05	WilPower fixed on a 5 year bareboat charter to Arabian Drilling Company
May-05	Listed on OSE with ticker AWO
Feb-05	NOK 1 bn raised through a private placement
Jan-05	Incorporation

Financial Highlights

in USD thousands unless otherwise indicated

Income statement

	2007	2006	2005
Operating revenues	189 802	69 585	42 040
EBITDA	93 452	22 787	12 628
EBITDA adjusted	98 454	34 189	15 842
EBIT, operating result	70 345	12 835	5 405
Profit /-loss before tax	36 054	-3 419	2 341
Net profit /-loss	26 178	-1 633	1 908

Balance sheet and cash flow

Total current assets	116 974	183 096	121 348
Available cash	130 372	150 989	35 753
Interest-bearing debt	1 132 396	592 210	123 595
Net cash flow	-32 368	60 502	11 526
Total assets	1 752 677	1 193 581	444 740
Capital expenditures	-642 452	-375 246	-192 090

Key figures

Number of outstanding shares as of the date of this report	149 415 487		
Shares at year end	149 415 487	148 752 173	130 277 880
Share price at year end NOK	60.80	64.10	42.4
Earnings /-loss per share (USD 1)	0.18	-0.01	0.02
Market capitalisation	1 678 888	1 524 358	742 489
Enterprise value	2 770 189	2 116 568	866 084

Definitions:

EBITDA Earnings before interest, taxes, depreciation and amortisation.

EBITDA adjusted EBITDA excluding non cash elements (adjusted for results from joint ventures and associated companies, synthetic stock options and sharebased payments)

Available cash Free cash and available undrawn creditfacilities.



Company Snapshot

Awilco Offshore ASA is an international offshore drilling contractor. The Company owns and operates four jack-up drilling rigs and two accommodation units. The fifth jack-up drilling rig has been delivered and is undergoing final preparation for operation. Another three jack-up drilling rigs and three semi submersible drilling rigs are under construction in Singapore and China. The scheduled deliveries for the rigs under construction are from 3Q 2008 through 2009. In addition, Awilco Offshore holds options for the construction of two semi submersible drilling rigs.

When incorporated, Awilco Offshore had two accommodation rigs in operation and two jack-up drilling rigs under construction. The Company expanded into the semi submersible drilling market through its purchase of Offrig Drilling ASA. In 2007, Offrig became a wholly owned subsidiary of Awilco Offshore after a compulsory acquisition of the remaining shares.

In 2005 Awilco Offshore and Sinvest established a jointly owned company, Premium Drilling, for the commercial and operational management of its fleet of jack-up drilling rigs. Over the last three years, Premium Drilling has built up a strong organization and employs today about 750 people worldwide (including contracted personnel) representing more than 25 nationalities. With Awilco Offshore's and Sinvest's 16 newbuildings entering the market, Premium Drilling will become a world leading supplier of modern drilling rigs.

The headquarters of Awilco Offshore are at Aker Brygge in Oslo. The Company also has offices in Stavanger and Singapore, and through Premium Drilling, offices in USA, Singapore, India, Vietnam, Brunei, Australia, China, Malaysia and United Arab Emirates.

Jack-up drilling rigs	Yard	W. depth	D. depth	Delivery
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	3Q08
WilStrike	Keppel	400ft	30 000ft	2Q09
WilConfidence	PPL	375ft	30 000ft	2Q09

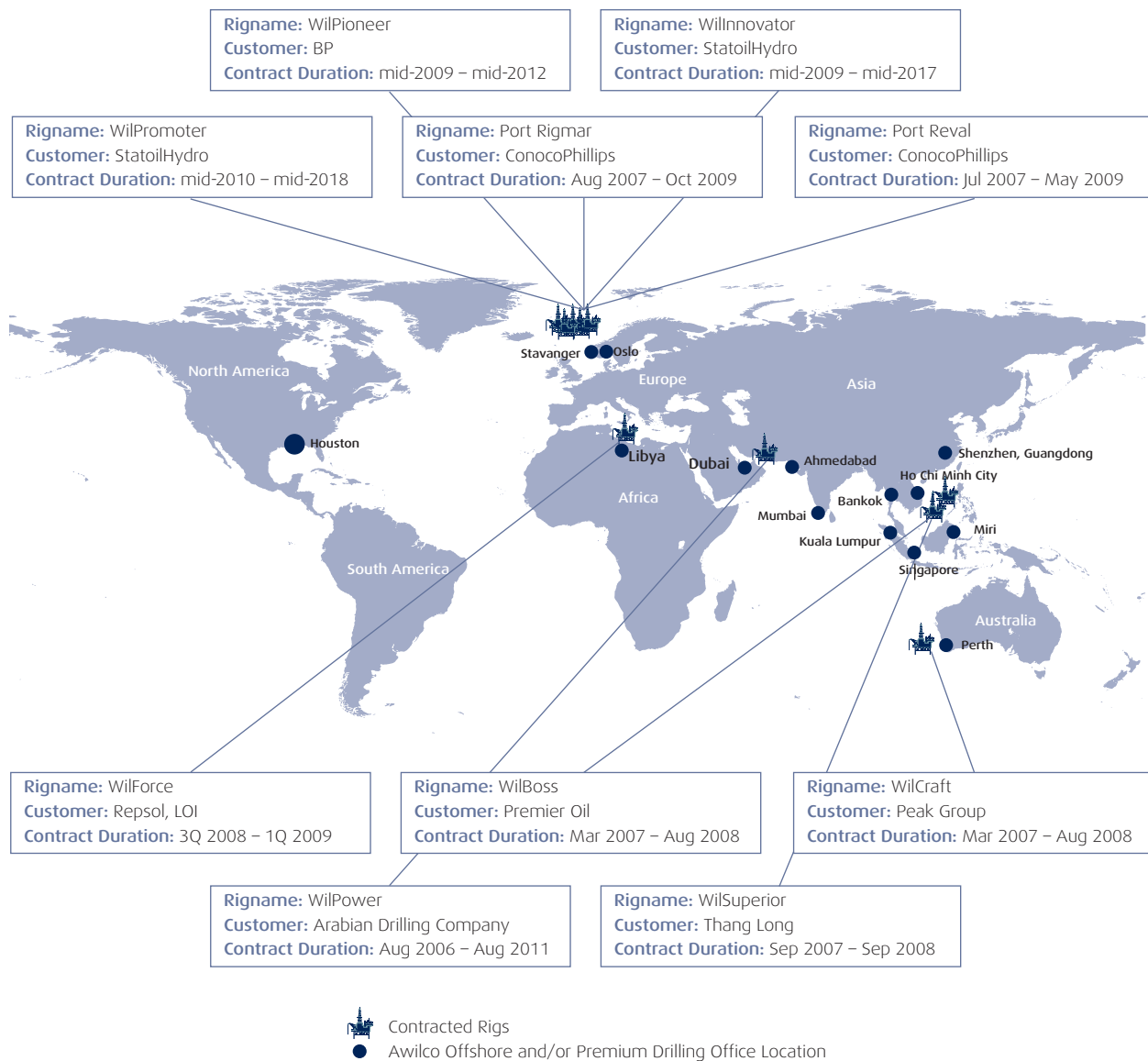
Semi submersible drilling rigs	Yard	W. depth	Station Keeping	Variable Deck load	Delivery
WilPioneer	YRS	2 500ft	D.P.	4 000 mt	4Q08
WilInnovator	YRS	2 500ft	D.P.	4 000 mt	2Q09
WilPromoter	YRS	2 500ft	D.P.	4 000 mt	4Q09
Options					
YRS option 4*	YRS	Decl. by	Nov. 2008		
YRS option 5	YRS	Decl. by	Dec. 2008		

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

Accommodation rigs	Beds	W. depth	Year built/ Acquired/ Upgraded
Port Reval	358	1 500ft	1976/2003
Port Rigmar	326	300ft	1979/2002/2007

Contract Coverage

Total contract backlog is USD 2.8 billion



Board of Directors' Report 2007

Awilco Offshore has over the last three years developed into an international offshore drilling contractor. As of the date of this report, Awilco Offshore has four jack-up drilling rigs and two accommodation units in operation. The fifth jack-up drilling rig has been delivered and is undergoing final preparation for operation.

Further, the Company has three jack-up drilling rigs and three semi submersible drilling rigs under construction at yards in Singapore and China. The scheduled deliveries for the rigs under construction are from 3Q 2008 through 2009. In addition, Awilco Offshore has two remaining options for the construction of additional two semi submersible drilling rigs. The average age of the world rig fleet is above 25 years. With the delivery of its newbuildings, the Company will become one of the leading suppliers of modern drilling rigs.

Awilco Offshore's headquarters are at Aker Brygge in Oslo. The Company also has offices in Stavanger and Singapore, and, through Premium Drilling, a jointly owned management company, offices in USA, Singapore, India, Vietnam, Brunei, Australia, China, Malaysia and United Arab Emirates.

As of January 1, 2007, Awilco Offshore owned 89.4 % of OffRig Drilling ASA (OFRD). In January 2007, Awilco Offshore increased its ownership to 91.2 % and a compulsory acquisition for the remaining outstanding shares was initiated. This resulted in OFRD becoming a wholly owned subsidiary of Awilco Offshore.

In accordance with the Accounting Act § 3-3a the Board confirms that the Financial Statements have been prepared under the assumption of a going concern.

Profit and loss account

In 2007, total revenues amounted to MUSD 189.8, and relate to the operation of the two accommodation units and the first three jackup drilling rigs. Operating profit before depreciation and amortization (EBITDA) was MUSD 93.4, and operating profit after depreciation and amortization (EBIT) was MUSD 70.3. Rig operating expenses were MUSD 68.0 for the year. General and administrative expenses were MUSD 28.9 for the year, including MUSD 2.3 relating to share-based payments. The share-based payments had no liquidity effect in 2007. Depreciation expense was MUSD 23.1 in 2007 and was primarily attributable to the accommodation rigs and the three jack-up drilling rigs. Awilco Offshore's share of the result in Premium Drilling was MUSD -2.5 in 2007.

Net financial costs were MUSD 34.3. Interest expense totaled MUSD 24.4. Profit before tax was MUSD 36.1, and net profit was MUSD 26.2. Basic and diluted earnings per share were USD 0.18.

Capital

As of December 31, 2007, total assets were MUSD 1 753. Total investments in 2007 were MUSD 641.1. The cash flow statement shows that most of these investments have been financed by external financing.

Awilco Offshore is well positioned to meet its future commitments through internal funds, cash flow and debt financing.

In January 2007, share capital was increased by MNOK 6.6, which was issued as settlement in connection with purchase of shares in OFRD. At the date of this report, the number of outstanding shares of the Company is 149.4 million, the same as at December 31, 2007.

Liquidity and financing

At December 31, 2007, Awilco Offshore had MUSD 35.4 in cash and cash equivalents. All rigs under construction are to be financed through internal funds, cash flow from existing contracts, and debt financing.

Actual interest-bearing debt was MUSD 1 132 at December 31, 2007. Recorded interest-bearing debt in the balance sheet increased during 2007 due to the ongoing construction program of drilling rigs.

Drilling services

During 2007 Awilco Offshore had three jack-up drilling rigs in operation. The first two jack-up units were delivered in 2006 while the third one was delivered mid 2007. Two additional jack-up drilling rigs were delivered in 1Q 2008 and another one is to be delivered in 3Q 2008. The first semi submersible drilling rig is scheduled to be delivered late 2008, while the two last semi units are scheduled to be delivered during 2009.

The jack-up drilling rigs are designed for HPHT (High Pressure High Temperature) operation in water depth up to 375ft – 400ft, and are capable of drilling down to 30 000ft. The semi submersible drilling rigs are designed for operation in water depth up to 2 500ft and are suitable for the harsh environment on the Norwegian continental shelf.



From left: Sigurd E. Thorvildsen, Heidi Marie Petersen, Tor Bergstrøm, Marianne H. Blystad, Managing Director Henrik Fougner and Arne Alexander Wilhelmsen.



At the date of this report a total of six drilling rigs are under construction. Three jack-up drilling rigs are being built at two yards in Singapore, two at PPL Shipyard Pte Ltd. and one at Keppel FELS Ltd. The three semi submersible drilling rigs are being built at Yantai Raffles Shipyard in China.

Contract status – Jack-ups

WilPower is on a five year bareboat charter with Arabian Drilling Company for drilling offshore Saudi Arabia. This contract runs until August 2011, and Arabian Drilling Company has the option to extend the contract for another year.

WilCraft is in operation for Peak Group Asia Pacific offshore Western Australia. The firm part of the contract is expected to continue until August 2008. In addition, the contract contains options for additional eight wells.

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

WilBoss commenced a 6 month contract with Premier Oil in Vietnam early March 2008. Premier Oil may extend the contract duration to 1 year firm plus 1 year option.

In January WilForce received a Notice of Tender Award from Repsol Exploration Murzuq S.A. for an estimated 5 month drilling program offshore Libya. Expected start-up of this program is 3Q 2008.

Contract status – Semi submersibles

WilPioneer has a contract with BP for drilling at the Skarv field with scheduled start-up by mid-2009. The contract is well-based and has an estimated duration of 3 years with options for maximum 2 more years.

Both WillInnovator and WilPromoter each have 8 year contracts with StatoilHydro on the Troll field, expected start-up is mid-2009 and mid-2010 respectively. StatoilHydro has options to extend the contracts for up to a further 8 years.

Premium Drilling

From its inception in 2005 Premium Drilling is now established as a recognized international drilling contractor with a diversified international client portfolio. At the end of 2007 Premium Drilling operated eight modern newbuilt, high specification jack-up drilling units. Sixteen jack-up rigs will be operated by 2009.

Premium Drilling has its headquarters in Houston with operations and marketing offices established in Singapore, India, Vietnam, Brunei, Australia, China, Malaysia and United Arab Emirates. Premium Drilling employs about 750 people worldwide at present (including contracted personnel) representing more than 25 nationalities, and will expand further as the number of rigs in operation continues to grow.

Premium Drilling is committed to creating and maintaining a safe working environment for its employees and clients throughout its operations. The safety performance for 2007 was very good with a Lost Time Incident Rate of 0,12 (per 200,000 man-hours worked) as measured by the International Association of Drilling Contractors' procedure.

During 2007 all the jack-up drilling rigs performed well without any major down time.

Construction update

At present a total of six drilling rigs are under construction. These are three jack-ups and three semi submersibles and in addition a drilling package for a possible fourth semi is being fabricated.

The jack-up rigs are being built in Singapore at the two reputable yards Keppel Fels Ltd and PPL Shipyard Ltd, both yards being among the leading offshore yards in the world. The rigs under construction are of well proven designs and are sister rigs to a number of similar units. The construction of the rigs is going forward in accordance with the master construction schedule and they are expected to be delivered as per contract provided.

The semi submersible rigs are being built by Yantai Raffles Shipyard in China. The yard has built a gantry crane with a capacity of 20 000 tons and this will enable the yard to build the semis submersible rigs in an efficient way. The amount of work necessary aloft is minimized due to the fact that the gantry crane will lift the completed deckbox weighing about 12 000 tons onto the pontoons and columns. To build sophisticated semis for operation on the Norwegian continental shelf is a challenge due to rules, regulations and requirements. However, the project is well organized with defined responsibilities for all involved parties and construction is ongoing for all three rigs. In 2007 progress suffered a set back when it was discovered that steel plates with falsified material certificates had been supplied to the yard and used in the fabrication. This necessitated that a number of steel plates on WilPioneer had to be replaced and some blocks rebuilt. Block fabrication for the first semi, i.e. WilPioneer, is now more or less finished and the block erection is due to be completed within May/early June 2008.

Accommodation services

Awilco Offshore owns two out of totally four accommodation units approved for work on the Norwegian continental shelf.

Port Rigmar is a jack-up unit with a total of 326 beds onboard. The unit is employed by ConocoPhillips on the Ekofisk field under a firm contract until October 2009. During 3Q 2007 Port Rigmar underwent substantial modifications and upgrading, preparing the unit for continued operations on Ekofisk/NCS. The work was performed at Keppel Verolme yard in Rotterdam, Holland and lasted 90 days. ConocoPhillips has an option to extend the current contract with another year.

Port Reval is a moored semi submersible unit with a bed capacity of 358. During the first half of the year the unit was employed by Aker Kværner for the Frigg decommissioning program. This contract was completed in June 2007. At the end of July 2007 the unit mobilized for ConocoPhillips for a 21 months program on the Eldfisk field, running until end of May 2009.

Market outlook – Drilling services

The drilling markets have remained strong through 2007, with sustained demand for both jack-up and semi submersible drilling units. Dayrates for Special Capability Jack-up drilling units are expected to remain at current levels.

During 2007 the worldwide demand for jack-up drilling units increased by around 10 %, an increase of about 30 units. Market sources expect that demand will increase by around 50 units in 2008. The international jack-up fleet grew by about 13 newbuilt special capability units in 2007. For 2008 the fleet is expected to increase by about 30 units.

We are seeing strong market activity for jack-up drilling rigs in most geographical areas, however the US Gulf of Mexico is still suffering from low activity levels. During the course of 2007 we have seen a number of units migrating from the US Gulf to seek opportunities elsewhere.

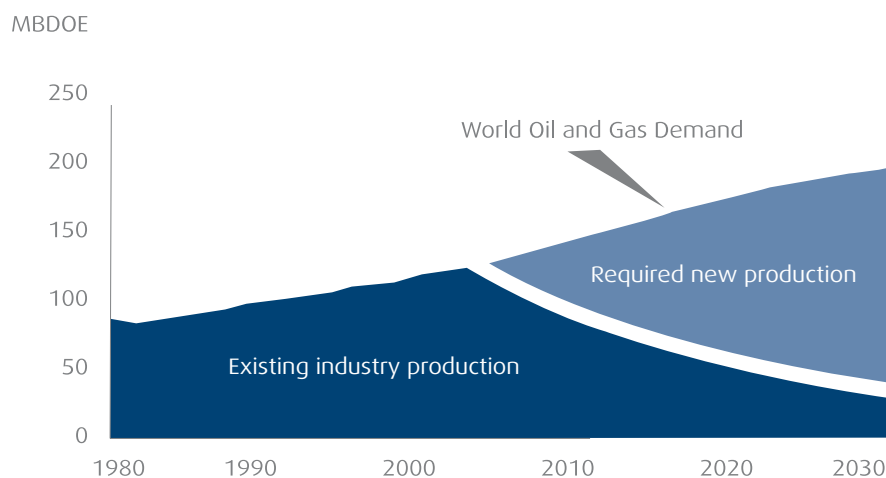
Our fleet of modern special capability jack-up units are designed to meet the latest market requirements with respect to safe and efficient operations, and represents state of the art technology. Equally the three semi submersible drilling rigs under construction are designed to meet the strict safety and operational requirements for operations in harsh environment on the Norwegian continental shelf (NCS).

The Norwegian floater market remains active and operates at full utilisation as some of the units capable of operating on the NCS have been mobilized for work in other areas. The total orderbook for semi submersibles and drill ships worldwide is approximately 75 units. Almost 70 of these are deepwater units. Awilco Offshore has the only newbuilding program focusing on the midwater segment with three rigs under construction and options for a further two rigs. The existing midwater fleet consists of a total of approximately 40 units, most of them more than 25 years old and only one rig with Dynamic Positioning capabilities.

The latest NCS fixtures in the midwater segment have been at high rates and we do not see factors that are likely to bring these down in the near future. The drilling activity on the NCS is increasing, 32 exploration wells were started in 2007, up from 26 in 2006. 12 new discoveries were made in 2007, compared to 4 new discoveries in 2006. The Norwegian Petroleum Directorate estimates that 35-40 new exploration wells will be started during 2008, of which 10 have been started at the date of this report. Awilco Offshore's two optional semi submersible rigs should therefore be well positioned for attractive contracts. Several oil companies are showing interest in these rigs for work on both the Norwegian continental shelf and internationally.

In summary, the Company continues to see a strong market going forward based on sustained high oil and gas prices, continued high E&P spending by oil companies, oil companies struggling to replace reserves, and shortage of offshore equipment.

Oil companies' challenge – how to fight depletion?



Source: ExxonMobil

Market outlook – Accommodation services

The market for North Sea type accommodation units has remained strong during 2007. All units were fully employed and one unit is currently being mobilized into the market. This unit has commitments for most of 2008. Clients with defined projects (platform installation and hook-up work) have started securing units both for the 2009 and 2010 seasons – at record rate levels.



The North Sea market is small and transparent. In addition to Awilco Offshore's two units, currently five semi submersible units are in operation plus two smaller jack-up units working on the Danish continental shelf. Out of the five semi submersibles, only one has per date full Norwegian Acknowledgement of Compliance while another is expected to obtain compliance during the year. The other three semi submersible units and the two jack-up units operating in the North Sea will probably not obtain Norwegian compliance within the near future.

All accommodation units operating in the North Sea basin will have close to full utilization during 2008. The supply side will not see dramatic changes during the coming years. One newbuilding with Norwegian compliance is expected to enter the market during 2010. Several mono hull units (hotel ships) are under construction or conversion and will gradually enter the market during 2009 and 2010. We do not expect any of these to be operating in the North Sea, with the possible exception of some summer months.

Demand for North Sea accommodation units has been stable during the past three years and we expect this to continue at least through 2010.

Organization

Sigurd E. Thorvildsen is serving as Chairman of the Board, and Henrik Fougner is the Managing Director. At the end of 2007 the Group had 47 employees, 6 women and 41 men. The working environment remains very good, attracting highly qualified personnel, and the total sick leave for the year was less than 0.5 %. Further, there have been no work accidents in Awilco Offshore resulting in injuries to personnel during 2007. The corporate management of Awilco Offshore is an equal opportunity employer and focuses on preventing any discrimination due to gender or race in matters such as pay, promotion and recruitment.

Health, Security and Environment

Awilco Offshore aims in all its business areas to stay in the forefront of developments regarding safe and secure operations, both regarding personnel and external environment. The business operates in compliance with national and international requirements and guidelines. These requirements comprise mandatory plans and procedures to prevent damage to the external environment from offshore operations. The company's goal is zero accidental discharges to the sea or emissions to the air, in line with the principles of sustainable development. The operational management of the drilling and accommodation units achieves high quality standards through experienced management operators.

Awilco Offshore has built up site teams in Singapore and China to supervise the construction process at the yards. Commercial and operational management of the jack-up drilling rigs are ensured through Premium Drilling. Premium Drilling has developed a systematic integrated approach to HSE management that is designed to ensure compliance with relevant laws and regulations and achieve continuous improvement of business performance.

The management and operation of the semi submersible rigs is being handled by Awilco Offshore's Stavanger office. The organizational build up and recruitment of personnel is progressing according to plan. The operation of the accommodation units is handled through the independent managers OSM Offshore and Polycrest. The management companies report a positively low frequency rate of injuries and accidents, and no spill or contamination to the external environment.

Statements on corporate governance

The board of Awilco Offshore has decided to provide its statements on the company's corporate governance practice benchmarked against the Norwegian Code of Practice for Corporate Governance, dated December 7, 2004 and latest revised on December 4, 2007.



Awilco Offshore is organized based on a clear and simple model in order to achieve the highest possible efficiency, a clear division of responsibility and the benefits of measurable corporate synergies within its organization and business areas. The Board is comprised of people with broad experience within management, finance, law and the offshore industry. Management and the Board have a good working relationship that has enabled efficient management and a profitable development of the company through its three first years of operations.

The Code of Practice is based on the comply or explain principle, whereby the Board of Awilco Offshore annually produces a report where it explains any differences from the Code of Practice. The report can be reviewed in the annual report 2007, and on the company's web site; www.awo.no.

Company risks

Awilco Offshore is exposed to market risks, geographical risks, political risks, construction risks, operational risks, financial risks and strategic risks. The Board and management manage these risks through ensuring a close supervision of the construction process, retaining a close relationship with the external management providers and through continuous reporting and monitoring. Strict safety management systems are implemented to ensure a safe and efficient operation and working environment in the rig operations. Major factors in determining market risks are future oil and gas prices. As presented elsewhere in this report, we believe that future energy prices will remain high. If, however, future oil and gas prices were to fall significantly this could result in a lower than expected demand for Awilco Offshore's rigs.

Construction risk

Awilco Offshore follows the building progress at the shipyards closely through experienced site-teams present at each yard. The yards experience high building activity and inflow of new orders due to a strong offshore market. This increases the risk for capacity overload and delays. However, it is our opinion that the risk of these factors influencing on the building of our drilling rigs is being minimized through our site-teams' presence and close cooperation with the yards. No delays have been reported for the three jack-up rigs which are under construction. A six and four month delay has been reported respectively for the two first semi submersible rigs being built at the Yantai Raffles Shipyard. Awilco Offshore has an experienced and extensive project team working closely with this yard's team to meet the new delivery dates scheduled by the yard. In addition, the commencement windows of these rigs' contracts allow for buffers between the scheduled delivery dates and the contract start-up dates with the oil companies.

Financial risk

Awilco Offshore is exposed to a number of different financial market risks arising from the normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities or future cash flows. To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks.

The U.S. Dollar is Awilco Offshore's reporting currency as well as the currency for Group's revenues. The currency exposure related to cash flow and the net result arise mainly from administration and operating expenses, nominated in non-USD currencies. The newbuilding projects are also exposed to currency fluctuations. The Group periodically enters into forward contracts for USD/NOK and USD/EUR to minimize the currency risks associated with certain firm commitments and/or forecasted exposures.

The Group's exposure to changes in the market interest rates relates primarily to the long term debt obligations with floating interest rates.

Awilco Offshore trades only with recognized, and what it regards to be creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of its financial assets, projected cash flows from operations and forecasted investments in newbuildings.

Shareholders and equity

Awilco Offshore's main shareholder is Awilco AS and related companies, which, at the date of this report, own 40.1 % of the outstanding shares. As of December 31, 2007, the 20 largest shareholders owned 70.7 % of the outstanding shares. Investors located outside Norway owned approximately 51 % of the free float.

At December 31, 2007, Awilco Offshore ASA had distributable reserves according to the Norwegian Companies Act of MNOK 564.5. The parent company showed a net profit of MNOK 103.4 for 2007, which the Board proposes to allocate to retained earnings.

The annual general meeting is planned to be held on May 29, 2008. The Board recommends no dividend to be paid.

Subsequent events

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 WilForce received a Notice of Tender Award from Repsol Exploration Murzuq S.A. for an estimated 5 month drilling program offshore Libya. Expected start-up of this program is 3Q 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. The rig commenced on its 6 month contract with Premier Oil Vietnam Offshore BV offshore Vietnam early March 2008.

In March Awilco Offshore took delivery of its fifth high specification jack-up drilling rig, WilForce. The rig was delivered from PPL Shipyard in Singapore and is expected to start on its work for Respol offshore Libya during 3Q 2008.

Oslo, March 27, 2008

The Board of Directors of Awilco Offshore ASA



Sigurd E. Thorvildsen
Chairman



Tor Bergström



Arne Alexander Wilhelmsen



Marianne H. Blystad



Heidi Marie Petersen



Henrik Fougner
Managing Director

Investor Information

Share Information

Awilco Offshore was listed on the Oslo Stock Exchange in May 2005. During 2006, the share capital was increased by NOK 302.2 million to a total of NOK 1 487.5 million, equaling 148.8 million outstanding shares. In February 2007, the Company has issued a further 0.7 million shares. The purpose of the company's capital increases has been to finance corporate strategic transactions and to strengthen the company's equity and liquidity.

Historic equity issues

Month of issue	New shares issued	Total shares outstanding	Purpose of the issue	Cash effect	Prospectus
Feb 2007	663 314	149 415 487	Purchase of Offrig	No	
Dec 2006	8 974 293	148 752 173	Purchase of Offrig	No	
Apr 2006	9 500 000	139 777 880	Increased equity	Yes	yes
Jan 2006	11 747 547	130 277 880	Purchase of Offrig	No	
Aug 2005	4 396 983	118 530 333	Petrojack	No	yes
May 2005	3 000 000	114 133 350	Listing on OSE	Yes	yes
Feb 2005	50 000 000	111 133 350	Private Placement	Yes	yes

The share is traded on the Oslo Stock Exchange under the symbol AWO and was from January 1, 2007, included in the OSEBX index. As of March 17, 2008 the Company was weighted 0.59 % in the OSEBX index, measured by free float adjusted market cap. Awilco Offshore is also included in the Energy Indices (OSE1010) and the All Share Index (OSEAX). Average daily share volume is approximately 1.8 million shares.

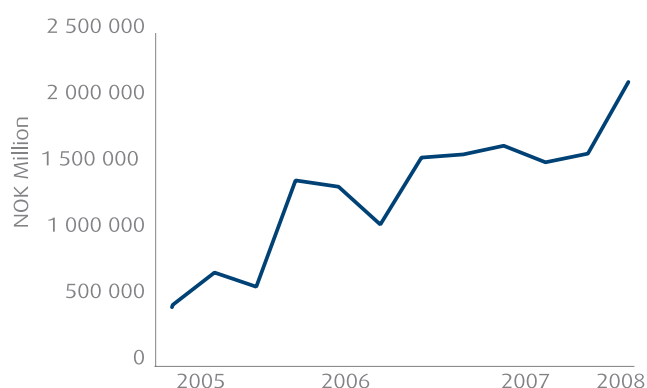
The 20 largest shareholders of Awilco Offshore held 70.7 % of the outstanding shares by year end 2007 and approximately 51 % of free float was owned by investors located outside Norway. The largest shareholder is Awilco AS, which holds at date 56 425 630 shares (approximately 38 %), and together with related companies 40.1 % of the outstanding shares.

At December 31, 2007 the share price was NOK 60.8, and corresponds to a decrease of 5,1 % during 2007.

Share price development 2005-2008



Average trading volume per quarter



Financing Information

At December 31, 2007, Awilco Offshore had a bank credit facility with Nordea of USD 1 085 million, of this USD 720 million was drawn down. In addition Awilco Offshore has bond loans of a total of USD 392 million linked to three different bonds. The most recent bond is a NOK 500 million unsecured bond which was issued in July 2007. The second one, a USD 200 million bond was issued by the former Offrig Drilling ASA in April 2006, and is a secured bond pledged with second priority in the two first semi submersible drilling rigs. The first bond, a USD 100 million bond was issued in February 2006. This bond is flexible, as it includes no change of control provisions and allows for a demerger of the company without bondholder approval in connection with possible corporate transactions. In January 2008 Awilco Offshore signed a USD 335.6 loan agreement with Citibank, Eksportfinans/GIEK and the Export-Import bank of China, for its third semi rig, WilPromoter.

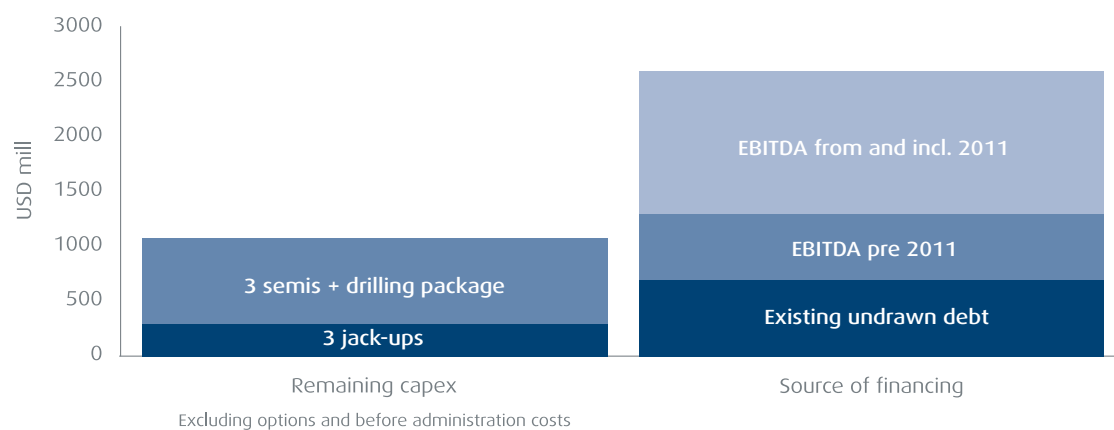
Overview over interest-bearing debt

USD million	Drawn per 31.12.07	Total available per 31.12.07	Terms
Revolver facility Nordea	365	95	LIBOR + 1.25 %
Pre and post facility Nordea	355	270	LIBOR + 1.25 %
Citi facility	0	335	LIBOR + 1.25 % (Pre-delivery)
Total bank debt	720	700	
<i>Bond 1</i>			
Corporate Bond	100		Unsecured, 9.75 % coupon
Call options 2009, 2010			Maturity 2011
<i>Bond 2</i>			
WilPioneer & Willnnovator	200*		Secured, 9.75 % coupon
Call options at delivery			Maturity 2011
<i>Bond 3</i>			
Corporate bond	92**		Unsecured, coupon 3 months
			NIBOR + 2.25 % margin
			Maturity 2010
Total bonds	392		

* Non recourse to Awilco Offshore ASA

** NOK 500 mill.

Debt capacity and contracts sufficient to fund remaining capex



Remaining capital expenditures per 31. December, 2007

in USD million

Jack-ups		Paid end 07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	Sum
WilPower	delivered	129							129
WilCraft	delivered	130							130
WilSuperior	delivered	130							130
WilBoss		110	24						134
WilForce		123	21						144
WilSeeker		65	34	19	25				143
WilStrike		64	32		33			34	163
WilConfidence		41		32		38		38	149
Total		792	111	51	58	38	0	72	1122

The delivered costs include contract price with the yard, site supervision, pipe handling equipment, spare parts and finance costs during construction.

Semi submersibles	Paid end 07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	Sum
WilPioneer	209	16	51	35	34					345
Willnnovator *	175	10	61	46	12	34	32			370
WilPromoter *	138	23	7	70	8	32	42	23	27	370
Long lead items rig 4	52	42					73	49	10	225
Total	574	91	119	151	54	66	147	72	37	1 310

The delivered costs include contract prices with the yard and the drilling package, project- and supervision costs and finance costs during construction.

* Modification costs for Willnnovator and WilPromoter in connection with the StatoilHydro contract on Troll are not included in the numbers above.

The cost is expected to be approximately USD 30 million per rig. These costs will be paid by StatoilHydro, either through an increased day rate or as a lump sum.

Contract Coverage

Jack-ups	Customer	2007		2008				2009				2010				2011				2012			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
WilPower	ADC					USD 70 000/Day																	
WilCraft	Peak Group	USD 255 000/Day																					
WilSuperior	Thang Long	USD 225 000/Day																					
WilBoss	Premier Oil					USD 220 000/Day																	
WilForce	Repsol, LOI					USD 198 000/Day																	
WilSeeker																							
WilStrike																							
WilConfidence																							
Semi submersibles																							
WilPioneer	BP									USD 300 000/Day				-> 2014									
Willnnovator	StatoilHydro									USD 350 000/Day				-> 2017/2025									
WilPromoter	StatoilHydro													USD 350 000/Day-> 2018/2026									
Accommodation																							
Port Rigmar	ConocoPhillips					USD 155 000/Day																	
Port Reval	ConocoPhillips					USD 76 500 + 149 500/Day																	

Yard
 Contract
 Option

Order backlog of approx. USD 2,8 bn

Accommodation Rigs

Awilco Offshore owns two accommodation units, both operating on the Norwegian continental shelf (NCS). The NCS has one of the world's strictest regulatory regime when it comes to technical requirements for the units and corresponding requirements for the organization, both on land and on board, operating the unit.

Port Reval

Port Reval is a semi submersible unit with 358 beds. 262 of these are in single sleeper cabins, giving the guests onboard unparalleled living comfort. The unit has spacious recreation rooms, including dining room, cinema, TV rooms, library, a large gymnasium and various other public rooms where guests can spend their free time. In addition each guest cabin has its own TV and is wired for internet connection. The unit is held in position by twelve anchor chains, each stretching approximately 1 200 meters out from the unit. Here anchors weighing 12 tons each dig into the seabed. Guests onboard, commonly oil company employees or contractor personnel, spend normal working hours on an adjacent fixed platform. Connection between the accommodation unit and the fixed platform is established via a telescopic bridge (gangway). This gangway is computer controlled and absorbs motion in all three dimensions (up/down, sideways and in/out).

Port Rigmar

Port Rigmar is a jack-up type unit with 326 beds. 194 of these beds will during first half of 2008 be configured into single sleeper cabins. The remaining are in 66 twin bed cabins. The introduction of single sleeper cabins is on request of the client and his clientele and will greatly improve living comfort. Port Rigmar rests on the sea bottom – on its long legs. The unit is normally floated into position, adjacent to a fixed platform, and when on location its three legs are jacked down until the entire hull is elevated above water – and the reach of high waves. The unit then rests firmly and a fixed bridge (gangway) is connected to the platform. Onboard Port Rigmar guests can enjoy spacious recreation rooms, internet café, cinema, gymnasium, sauna etc.



Port Reval

Design: Aker H-3 (enhanced) semi submersible rig.
Built/converted: Built 1976 as drilling rig, converted to support rig; converted to accommodation mode in 2004.
Flag: Bahamas. **Suited for:** Norwegian and UK continental shelf. **Accommodation:** 358 beds, of which 262 in single cabins. **Operational mngr:** OSM Offshore AS, an independent manager of offshore units.



Port Rigmar

Design: Robroy 300 self elevating jack-up rig.
Built/converted: Built 1979 as drilling rig, converted to accommodation mode in 1991, extensively refurbished in 2007. **Flag:** Bahamas. **Suited for:** Norwegian, UK and Danish continental shelf. **Accommodation:** 326 beds. **Operational mngr:** Polycrest AS, an independent manager of offshore units.

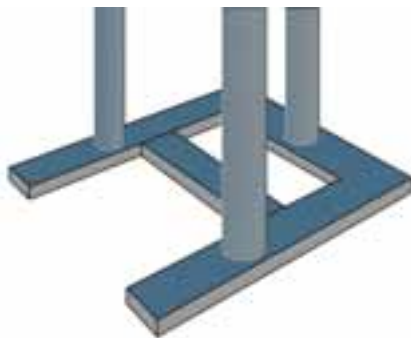
Jack-Up Drilling Rigs

Awilco Offshore presently has taken delivery of five Special Capability jack-up drilling rigs. Another three units are under construction and due for delivery over the next 18 months. All units are delivered from shipyards in Singapore. Three units; WilCraft, WilBoss, and WilStrike are built by Keppel Fels and are of the KFELS Mod VB design. The remaining five units; WilPower, WilSuperior, WilForce, WilSeeker and WilConfidence are all of the Baker Marine Pacific Class 375 design and are built by PPL Shipyard. Both designs represent the latest technological developments.

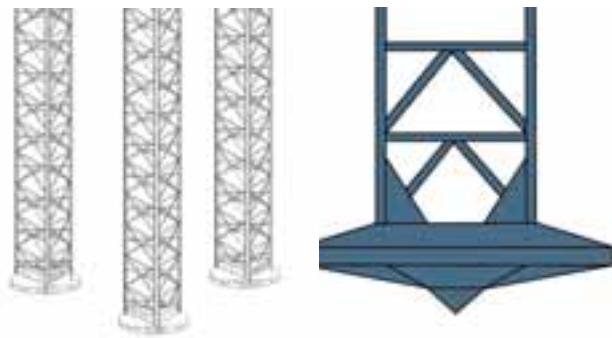
Compared with earlier jack-ups the new Special Capability units features systems for High Pressure/High Temperature (HPHT) drilling, ability to work in deeper water, increased ability to carry deck load, more efficient and safer operations, and better and more comfortable accommodation.

Jack-up drilling units are traditionally characterized by the leg system. Earlier designs often featured a substantial steel mat structure to which all legs were attached. The mat is lowered to the sea bottom and provides a firm foundation for jacking up the rig. These rigs are normally referred to as Mat Supported rigs (MS). The most widely used design is however the Independent Leg (IL) system where all legs are operated independently. These rigs are less dependent on a level seabed to do the installation. Earlier design often had the drill center located within the periphery of the hull box, the design is well suited for traditional exploration drilling, and the design is commonly referred to as slot type rigs. However as the industry developed it became a requirement to be able to extend the drilling envelope, i.e. to drill more wells without having to reposition the rig. In jack-up design this was achieved through the introduction of a cantilever. The drilling center is positioned on a cantilever that can be skidded over the side of the rig and is able to move both longitudinally and transversely. This enables the unit to drill more wells without repositioning and is attractive for example when working over fixed installations. The system is commonly referred to as the Cantilever system. The majority of modern jackups, including Awilco Offshore's units, have both independent legs and cantilever systems, and is referred to as Independent Leg Cantilever (ILC) units.

Mat supported rig



Independent Leg



The modern fleet of Special Capability Jack-up drilling units is normally capable of working in water depths from 350 to at least 400ft. and at the same time carrying greater deckloads than rigs of earlier designs. This makes them less dependent on support from service vessels. As the technical capabilities have developed, operators have been able to take advantage of the added features by working in deeper waters and drilling more challenging and deeper wells. When working over fixed structures the modern units are normally able to service more wells through the increased drilling envelope without having to reposition. This is the fundamentals for the Special Capability market.

All of Awilco Offshore’s jack-up drilling rigs are Special Capability units as described above. In addition to these features, they also have an automated and remotely operated pipe handling system improving safety in an often exposed working environment and thereby creating a safer working environment for the workforce.

Awilco Offshore’s jack-up drilling rigs are managed and operated by Premium Drilling, a joint venture between Awilco Offshore and Sinvest/Aban. Premium Drilling has over the past three years developed into a recognized international drilling contractor with a diversified international client portfolio. As of April 1, 2008 the company operated in total eleven modern new built special capability jack-up drilling units, of which five are owned by Awilco Offshore. By end of 2009 the Company will have in total sixteen special capability jack-up rigs in operation.

Premium Drilling employs about 750 people worldwide at present (including contracted personnel) representing more than 25 nationalities, and will expand further as the number of rigs in operation continues to grow. The Company is committed to creating and maintaining a safe working environment for its employees and clients throughout its operations. The safety performance for 2007 was very good with a Lost Time Incident Rate of 0,12 (per 200,000 man-hours worked) as measured by the International Association of Drilling Contractors’ procedure. During 2007 all the jack-up drilling rigs performed well without any major down time. Premium Drilling has its headquarters in Houston with operations and marketing offices established in Singapore, India, Vietnam, Brunei, Australia, China, Malaysia and United Arab Emirates.



PPL

Type of rig: Jack-up drilling rig. **Design:** Baker Marine Pacific 375’ Class. **Class:** ABS + A1 Self-Elevating Drilling Unit, CDS. **Water depth:** 375ft. **Drilling depth:** 30 000ft. **Cantilever:** 70ft outreach. **Bop:** 15 000psi. **Main generators:** 10 750bhp. **Deck load:** 3 400mt. **Pipe handling:** Remotely operated. **Accommodation:** 115 persons in 1 and 2 man cabins. **Operational mngr:** Premium Drilling.

WilPower, WilSuperior, WilForce, WilSeeker, WilConfidence.



Keppel FELS

Type of rig: Jack-up drilling rig. **Design:** KFELS MOD V’B’ Class. **Class:** ABS + A1 Self-Elevating Drilling Unit, CDS. **Water depth:** 400ft. **Drilling depth:** 30 000ft. **Cantilever:** 70ft outreach. **Bop:** 15 000psi. **Main generators:** 10 750 bhp. **Deck load:** 2 400mt. **Pipe handling:** Remotely operated. **Accommodation:** 112 persons in 1 and 2 man cabins. **Operational mngr:** Premium Drilling.

WilCraft, WilBoss, WilStrike.

Semi Submersible Drilling Rigs

Awilco Offshore currently has three semi submersible drilling rigs under construction at Yantai Raffles Shipyard in China. The building process at this yard is unique and innovative compared to the process at other yards. The conventional way is to build drilling rigs in a sequential way, starting with the hull, then working up to the deckbox. This means that much of the construction work takes place high up in the air, using scaffolds and stairs to access the working areas. Yantai Raffles builds the hull and the deckbox in blocks, finishing each block before mounting them together on ground level. The deckbox and the hull are completed separately before the deckbox is lifted onto the hull by the worlds' largest gantry crane, a process called mating. Advantages with this building process are that easy access to all parts of the rig is kept as long as possible, making the construction process a lot more efficient. A good part of the commissioning also takes place on ground level before mating.

Yantai construction process



Yantai Raffles

Type of rig: Semi submersible drilling rig. **Design:** GM4000. **Class:** DNV+1A1 Column Stabilized Drilling Unit, DRILL (N), Dynpos-AUTRO POSMOOR-ATA, CRANE, HELDK-SH. Eo, ECO. **Positioning:** IMO DP Class
3 + 8 ea anchor winches. **Water depth:** 70 – 750m (230 - 2500ft). **Drilling depth:** 7 500m (25 000ft)
Hook load: 590Mt (650 ton). **Bop:** 1 035 (15 000psi). **Main generators:** 30 660kW (41 000hp).
Variable deck load: 4 000mt (4 400 ton).

WilPioneer, WillInnovator, WillPromoter.

National Oilwell Varco (NOV) drilling packages will be installed on all three rigs. The drilling packages for the first two rigs, WilPioneer and WillInnovator, have been completed at Nymo yard in Grimstad and have arrived at Yantai Raffles. The third drilling package for WilPromoter is currently being fabricated at Nymo. In addition to the three drilling packages for the semi submersible drilling rigs under construction, a fourth package has been ordered from NOV and fabrication of this drilling package has started.

Awilco Offshore has established a site office at Yantai Raffles Shipyard. The site team currently consists of 38 people, all dedicated to supervise the construction and commissioning of the semi submersible drilling units. Some of the team members are also to crew the rig after delivery. The construction of the deckboxes for WillInnovator and WilPromoter (rig No. 2 and 3) has been outsourced by Yantai Raffles to the DOPCO yard (Dalian Oriental Precision & Engineering Co., LTD) in Dalian. A site team consisting of 9 people from Awilco Offshore is located at the DOPCO yard to supervise the construction of these deckboxes.

All three semi submersible drilling rigs have the same design. They meet the highest standard and will be in compliance with the requirements for operating on the Norwegian continental shelf. The rigs will undergo extensive testing and commissioning before departing from China, including Dynamic Positioning trials. Commissioning personnel from NOV, Siemens, Wärtsila, Kongsberg Maritime and the Yantai Raffles specialised commissioning team from Korea are contracted to complete this work.

The scheduled deliveries for the semi submersible drilling rigs are 4Q 2008 for WilPioneer, 2Q 2009 for WillInnovator, and 4Q 2009 for WilPromoter. Awilco Offshore also holds options for the construction of further two semi submersible drilling rigs at Yantai Raffles Shipyard, these expire late 2008.

The first semi submersible rig, WilPioneer, has a firm contract with BP Norge AS for drilling on the Skarv for an estimated period of 3 years plus options for maximum 2 years. The start up window of this contract is during 2Q 2009. WillInnovator and WilPromoter (rig No. 2 and 3) both have firm contracts with StatoilHydro for the Troll Production Licence. The fixed contract period for each of these rigs is 8 years plus 8 years options. Start-up for these contracts is scheduled to respectively mid-2009 and mid-2010.

The recruitment process for the operations department, both onshore and offshore, is well underway and on schedule. Awilco Offshore's office in Stavanger is manned with competent and experienced personnel. In addition, the Company is also rotating operations personnel to China to support the rig construction project and to assist in the commissioning phase. The operational organization is currently working hard to prepare for operation by developing a proactive management system including all required procedures and manuals. At present 40 people at the Stavanger office are involved in preparations, covering all from transit of the rig from the yard in China to operations offshore in Norway. The Acknowledgement of Compliance application is expected to be handed to the Norwegian Petroleum Safety Authority during the second half of 2008.

About 500 people in total will be required onshore and offshore to operate the three rigs on the Norwegian Continental Shelf. The average age of the current mid-water fleet is more than 25 years and Awilco Offshore is currently the only company investing in newbuildings in the mid-water segment. The combination of new rigs and long secure contracts seems to make Awilco Offshore an attractive employer. The HR department has so far received more than 2 000 applications for offshore positions. In addition, a recruitment campaign is planned to be launched during 2008.



Financial Statements

Awilco Offshore group

Income Statement Awilco Offshore group

in USD thousands, except earnings per share	Notes	2007	2006	2005
Contract revenue		189 802	69 585	42 044
Reimbursables		11 470	5 534	1 880
Other		2 252	567	34
Operating revenues	4	203 524	75 686	43 958
Rig operating expenses	5	67 964	27 982	21 551
Reimbursables		10 651	5 168	1 876
General and administrative expenses	5	28 941	12 626	6 830
Depreciation	6	23 107	9 952	7 223
Share of loss from joint venture	8	2 517	7 070	1 073
Share of loss from associates	9	-	53	-
Operating expenses		133 179	62 851	38 553
Operating profit/-loss		70 345	12 835	5 405
Interest income		2 269	1 455	2 273
Interest expense	5	-24 392	-13 054	-4 776
Net foreign exchange loss		-13 463	-3 730	-105
Other financial items		1 295	-925	-456
Net financial items		-34 291	-16 255	-3 064
Profit /-loss before taxes		36 054	-3 419	2 341
Tax benefit /-expense	14	-9 876	1 787	-433
Net profit /-loss		26 178	-1 633	1 908
Attributable to minority interests	27	1	31	-
Attributable to shareholders of the parent		26 177	-1 664	1 908
Basic and diluted earnings per share	25	0.18	-0.01	0.02

Balance Sheet Awilco Offshore group

in USD thousands

Assets

Non-current assets

	Notes	2007	2006	2005
Rigs and equipment	6	1 574 395	941 323	282 091
Available-for-sale financial assets	10	39 456	40 381	39 252
Derivative financial instruments	21	3 441	-	-
Loan pledge	17	17 170	22 894	-
Other non-current assets		1 241	164	2 049
Total non-current assets		1 635 703	1 004 762	323 392

Current assets

Financial investments	11	208	83 248	73 987
Loan pledge	17	5 723	5 723	-
Trade and other receivables	16	71 608	31 867	11 607
Inventory		4 063	239	-
Cash and cash equivalents	15	35 372	67 741	35 753
Total current assets		116 974	188 819	121 348
Total assets		1 752 677	1 193 581	444 740

Equity and liabilities

Equity

Issued capital	24	233 367	232 324	203 056
Share premium	24	224 052	218 423	79 983
Retained earnings		37 973	11 796	11 483
Asset revaluation reserve		11 623	12 549	11 419
Other reserves		-10 525	-8 985	-5 722
Minority interests		10	21 202	-
Total equity		496 500	487 309	300 220

Non-current liabilities

Deferred tax liability	14	30 495	27 697	3 882
Long-term interest-bearing debt	17	1 126 673	567 052	112 155
Net pension liabilities	13	484	337	183
Other liabilities	19	17 579	11 648	2 038
Total non-current liabilities		1 175 231	606 734	118 258

Current liabilities

Current portion of long-term debt	17	5 723	25 158	11 440
Trade and other payables	20	69 646	74 379	12 155
Derivative financial instruments	21	104	-	-
Income taxes payable		5 473	-	2 666
Total current liabilities		80 946	99 538	26 262
Total equity and liabilities		1 752 677	1 193 581	444 740


Oslo, March 27, 2008

Sigurd E. Thorvildsen, Chairman



Heidi M. Petersen

Tor Bergstrøm



Marianne H. Blystad

Arne Alexander Wilhelmsen



Henrik Fougner, Managing Director

Statement of Cash Flow Awilco Offshore group

in USD thousands	Notes	2007	2006	2005
Profit /-loss before income tax		36 054	-3 419	2 341
Adjustments for:				
Depreciation	6	23 107	9 952	7 223
Gain on disposal of rigs and equipment		-	-3	-21
Share of loss from joint venture	8	2 517	7 070	1 073
Share of loss from associates		-	53	-
Net fair value gains on derivative financial instruments		-3 337	-	-
Foreign exchange losses		6 769	-	-
Decrease /-increase in trade and other receivables		-38 597	10 873	-1 630
Decrease /-increase in inventory		-3 823	-239	-
Increase /-decrease in trade and other payables		-17 406	6 508	7 796
Increase /-decrease in other provisions		11 849	4 709	183
Income taxes paid		-2 276	-2 666	-
Net cash flow from (used in) operating activities ⁽¹⁾		14 856	32 837	16 966
Purchases of rigs and equipment		-641 093	-333 046	-192 090
Proceeds from sale of rigs and equipment		-	24	-
Investments in financial assets		-	-	-8 552
Decrease in financial investments		83 040	-	-
Advances to Premium Drilling		-3 590	-	-
Acquisition of subsidiary, net of cash acquired	3	-1 067	8 317	-
Decrease in loan pledge		5 723	-	-
Acquisition of minority interests		-22 696	-	-
Net cash flows from (used in) investing activities		-579 684	-324 705	-200 643
Proceeds from interest-bearing debt, net		995 253	419 269	132 920
Repayment of interest-bearing debt		-462 794	-151 084	-103 787
Proceeds from issuance of shares, net		-	84 185	166 070
Net cash flows from (used in) financing activities		532 459	352 370	195 202
Net change in cash and cash equivalents		-32 368	60 502	11 526
Loan pledge	17	-	-28 617	-
Net foreign exchange difference		-	103	-
Cash and cash equivalents at beginning of the period		67 741	35 753	24 228
Cash and cash equivalents at end of the period		35 372	67 741	35 753
(1) Supplemental information				
Interest paid		33 510	10 072	11 210
Interest paid relating to the construction of rigs		24 667	4 939	5 499
Interest received		7 191	1 455	2 273

Statement of Changes in Equity Awilco Offshore group

in USD thousands	Issued capital	Share premium	Retained earnings	Asset revaluation reserve	Other reserves	Total	Minority interests	Total equity
Equity per opening balance ⁽¹⁾	94 051	9 402	-78 467	-	-	24 986	-	24 986
Reversal of pro forma adjustments ⁽¹⁾	-	-	5 190	-	-	5 190	-	5 190
Share issue No. 1	80 000	80 000	-	-	-	160 000	-	160 000
Share issue No. 2	4 724	5 669	-	-	-	10 394	-	10 394
Share issue No. 3	6 924	16 549	-	-	-	23 474	-	23 474
Share issue No. 4 ⁽²⁾	17 356	55 538	-	-	-	72 894	-	72 894
Share issue costs	-	-4 323	-	-	-	-4 323	-	-4 323
Reclassification of paid in premium to other equity	-	-82 852	82 852	-	-	-	-	-
Net profit	-	-	1 908	-	-	1 908	-	1 908
Revaluation of available-for-sale investments	-	-	-	11 419	-	11 419	-	11 419
Translation adjustments	-	-	-	-	-5 722	-5 722	-	-5 722
Equity at Dec. 31, 2005	203 056	79 983	11 483	11 419	-5 722	300 220	0	300 220
Adjustment to share premium	-	-153	-	-	-	-153	-	-153
Share issue No. 1	15 323	70 484	-	-	-	85 806	-	85 806
Share issue No. 2	13 946	69 730	-	-	-	83 676	-	83 676
Share issue costs	-	-1 622	-	-	-	-1 622	-	-1 622
Tax effect relating to OFRD share issue	-	-	1 581	-	-	1 581	-	1 581
Revaluation of available-for-sale investments	-	-	-	1 129	-	1 129	-	1 129
Contribution from previous shareholder	-	-	395	-	-	395	-	395
Minority interests in OFRD	-	-	-	-	-	-	21 171	21 171
Net loss	-	-	-1 664	-	-	-1 664	31	-1 633
Adjustment to group value in OFRD	-	-	-	-	-3 264	-3 264	-	-3 264
Equity at Dec. 31, 2006	232 324	218 423	11 796	12 549	-8 985	466 107	21 202	487 309
Share issue, January 2007	1 042	5 629	-	-	-	6 672	-	6 672
Revaluation of available-for-sale investments	-	-	-	-926	-	-926	-	-926
Net profit	-	-	26 177	-	-	26 177	1	26 178
Currency and other adjustments	-	957	957	-	957	-	-	-
Acquisition of min. interests in OFRD	-	-	-	-	-2 496	-2 496	-21 202	-23 699
Minority interests in Awilco Offshore Management AS	-	-	-	-	-	-	9	9
Equity at Dec. 31, 2007	233 367	224 052	37 973	11 623	-10 525	496 490	10	496 500

(1) See the Group's 2005 annual report for further information.

(2) The share issue was resolved by a Board of Directors' meeting held on December 27, 2005, and was registered with the Register of Business Enterprises in January 2006.

Note 1. Corporate information

Awilco Offshore ASA is a public limited liability company incorporated and domiciled in Norway. The address of the main office is Beddingen 8 Aker Brygge, 0250 Oslo, Norway. The consolidated financial statements for the year ended December 31, 2007, were approved by the Board of Directors on March 27, 2008. The principal activity of Awilco Offshore ASA and its subsidiaries is the investment in and operation of jack up drilling rigs, semi submersible drilling rigs and accommodation rigs.

Note 2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Awilco Offshore ASA and its subsidiaries (the "Group") are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements are prepared on a historical cost basis, except for investments bought for market purposes or available-for-sale which have been measured at fair value and are presented in USD, except as otherwise indicated. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. In order to present comparable information certain reclassifications have been made to the financial statements.

Changes in accounting policies

The Group has adopted the following standards, amendments and interpretations, with effect from 2007: IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements – Capital disclosures, requires new disclosures relating to financial instruments and does not have any effect on the financial position or results. However, adjustments to comparative information have been added, when needed. IFRIC 10, Interim financial reporting and impairment, prohibits impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Basis of consolidation

The consolidated financial statements include Awilco Offshore ASA and its subsidiaries as of December 31 for each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company transactions and balances are eliminated in the consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Joint ventures

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognizes its interest in the joint venture using the equity method. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee after the date of acquisition. If the accumulated losses from our interest in the joint venture exceeds the cost of the investment, the difference is recorded as a liability if the Group has a legal or constructive obligation to settle these losses. The Group's share of the profit or loss of the investee is recognized in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

Notes Awilco Offshore group

Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investment in the associate. The Group's share of the results of operations of the associate is recognized through profit and loss. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Critical accounting estimates and judgements

Estimates

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenue, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Rigs

Depreciation is based on management estimates of the useful lives of the rigs and their residual values. Estimates may change due to changes in scrap value, technological development, competition and environmental and legal requirements. Management reviews the future useful lives of each component and the residual values of the rigs annually, taking into consideration the above mentioned factors. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively.

Consideration is given annually to determine whether there is any indication or impairment of the carrying amount of the Group's rigs. If any indication exists, a rig's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, management must estimate future cash flows from the rigs based on an appropriate discount rate. This calculation will be based on management's estimate of future use, revenue generating capacity of the assets and assumptions of future market conditions.

Pensions

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability was USD 484 thousand and USD 337 thousand as of December 31, 2007 and 2006, respectively. Further details are given in note 13.

Share-based payments

The Group operates a cash-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The options fair value is determined by using the Black & Scholes – Merton option pricing model. The model uses the following parameters, grant date share price, exercise price, vesting period/option life, volatility, risk free rate and dividend. The fair value of the share-based payment was USD 9 979 thousand and USD 6 594 thousand as of December 31, 2007 and 2006, respectively. See note 12 for further details.

Revenue

Revenue is recognized when persuasive evidence of an agreement exists, the service has been delivered, fees are fixed and determinable, collectables are probable and when other significant obligations have been fulfilled. Revenues from the rigs are recognized based on contractual daily rates or on a fixed price basis.

(a) Revenues from time charters and bareboat charters accounted for as operating leases under IAS 17 are recognized on a straight-line basis over the rental periods of such charters, as service is performed.

(b) Reimbursables relate to purchases of supplies, equipment, personnel services and other services provided at the request of our customers, with the related expense recorded as an operating expense. Income is recognized when the goods are delivered or services rendered.

Foreign currency

The financial statements are presented in USD, which the functional currency for all group entities. When translating financial statements for foreign entities from local currency into USD assets and liabilities are translated using year-end exchange rates, and results are translated using the average exchange rates for the reporting period.

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates in effect at the dates of the initial transactions.

Leases

For operating leases, the lease payments (that is, time charter hires and bareboat hires) are recorded as ordinary operating income, and charged to profit and loss on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Rigs and equipment are stated at cost less accumulated depreciation. 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.

Depreciation is calculated using the straight-line method for each asset, after taking into account the estimated residual value, over its expected useful life. Components of fixed assets with different economic useful lives are depreciated over their respective useful lives. The expected useful lives of the assets are as follows:

Rigs	30 years*
Equipment and components of rigs	10-30 year*
Office equipment, cars etc.	3-10 years

* Certain elements, such as costs recognized in connection with major classification/dry-docking, have shorter useful lives and are depreciated over shorter periods.

Docking expenses are regarded as a separate part of the rig value and are classified as depreciation, with a different depreciation period than the rig. Newbuilding contracts include payments made under the contracts, capitalized interest and other costs directly associated with the newbuilding program. Capitalized value is reclassified from rigs under construction to rigs upon delivery from the yard, which is when the asset is considered available for its

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intended use and depreciation commences. The residual values and useful lives of the assets are reviewed and adjusted if appropriate at each balance sheet date.

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and at least on an annual basis. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. 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.

Impairment losses recognized in prior years are reversed and recorded in profit and loss when there is an indication that previous impairment losses recognized no longer exist or have decreased.

Financial assets

The Group classifies its financial assets into the following categories: loans and receivables, held-to-maturity investments, financial assets at fair value through profit and loss and available-for-sale assets. Financial assets are initially recognized at fair value. Subsequent remeasurement of financial assets is determined by their designation that is reviewed annually.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purposes of selling in the short term or if so designated by management. Derivative financial instruments are initially recorded at fair value and thereafter revalued at each balance sheet date. Changes in fair value are recorded in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in income when the loans and receivables are de-recognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. Subsequent to initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of equity until the investment is derecognized, at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques.

Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Cash, cash equivalents and cash flow statement

Cash represents cash on hand and deposits with banks 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. The cash flow statement is prepared using the indirect method.

Long-term interest-bearing debt

All borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss. First year installments of long-term debt are classified as current liabilities. Borrowing costs are capitalized and then amortized 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. Other borrowing costs are recognized as an expense when incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Inventory

Inventories consist of spare parts, materials and supplies held for consumption and are stated at the lower of cost or net realizable value.

Pension and other post-employment benefits

The present value of the pension liabilities under defined benefit pension plans has been calculated based on actuarial principles. The present value of the pension plan liabilities and assets is recorded net and classified as either long-term liabilities or long-term assets. The change in net pension liabilities is expensed in the profit and loss account as personnel expenses. The effect of changes in estimates, change in pension plans and actuarial gains and losses are recognized as income or expense over the average remaining service period.

Net pension expenses include the present value of pension earnings for the period, interest expense on pension obligations incurred, expected return on the pension funds and the amortized effect of changes in estimates and plans.

Share-based transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for share appreciation rights with cash settlement.

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The cost of the share-based incentive plan is measured, at each balance sheet date, by reference to the fair value at the date which they are granted. The fair value is determined by an external valuer using an option pricing model (Black & Scholes). The cost of the share-based payment is recognized, together with a corresponding accrual, over the vesting period. The cumulative expense recognized for equity settled transaction at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best available estimate of the number of equity instruments that will ultimately vest.

Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible non-cumulative redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares to ordinary shares.

Taxes

Income tax payable for the current and prior periods is measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Segment information

Segment information is prepared in conformity with the accounting policies adopted for the Group's consolidated financial statement. There have not been any transactions between the segments.

Changes in IFRS that may effect the Group after December 31, 2007

The following new standards and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after January 1, 2008 or later periods but that the group has not early adopted:

A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. As the Group is already capitalizing borrowing cost in accordance with the current IAS 23, the revised standard will have no effect on the Group accounts.

IAS 1 (revised), Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009).

The revised IAS 1 will result in changes in the presentation of the basic statements, in particular statement of equity. The Group will adopt IAS 1 (revised) from January 1, 2009.

IFRS 3 (revised), Business combinations

The revised IFRS 3 will provide additional guidance in how to apply the purchase method. The Group will adopt IFRS 3 (revised) from January 1, 2010.

IFRS 8 Segment reporting (effective for annual periods beginning on or after January 1, 2009).

The standard introduces new requirements for segment reporting compared with the existing standard IAS 14 Segment reporting. The group will apply IFRS 8 from January 1, 2009, but it is not expected to have any impact on the group's accounts except for additional disclosures.

IAS 27 (revised) Consolidated and separate financial statements

The revised IAS 27 provides additional guidance to accounting of changed ownership or sale of subsidiaries. The revised standard does also change the current rules on how to allocate loss between majority and minority interests. The Group will apply IAS 27 (revised) from January 1, 2010, but does not expect it to have material impact on the Group.

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Group will adopt IFRIC 14 from January 1, 2008.

Notes Awilco Offshore group

Note 3. Business combinations

On November 16, 2006, Awilco Offshore increased its investment in the voting shares of Awilco Offshore Semi AS (formerly OffRig Drilling ASA) from 43.2 % to 69.2 %, gaining control of the company. At December 31, 2006, Awilco Offshore's investment in the company was 89.4 %. On January 8, 2007, Awilco Offshore, having reached an ownership in the voting shares of OFRD of 91.2 %, announced plans to initiate a compulsory acquisition of the remaining outstanding shares of OFRD in accordance with the regulations of the Norwegian Public Limited Companies Act § 4-25. The fair value of identifiable assets and liabilities of OFRD as of the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

in USD thousands	Provisional fair value	Adjustments	Fair value	Carrying amount
Semi submersible drilling rigs	293 674	1 366	295 040	192 454
Other assets	113 792		113 792	113 792
Cash and cash equivalents	25 080		25 080	25 080
Total assets	432 546	1 366	433 912	331 326
Minority interests	-21 171		-21 171	-
Financial liabilities	-199 446		-199 446	-195 546
Other liabilities	-6 345		-6 345	-6 345
Deferred income tax liability	-27 250	-299	-27 548	-
Total liabilities	-233 041	-299	-233 340	-201 891
Net assets	178 334	1 067	179 401	129 435
Cost	2006	2007	Total	
AWO shares issued	90 848	-	90 848	
Consideration paid in prior year	70 723	-	70 723	
Cash paid	16 763	1 067	17 830	
Total	178 334	1 067	179 401	
Cash outflow on acquisition	2006	2007	Total	
Net cash acquired with the subsidiary	25 080	-	25 080	
Cash paid	-16 763	-1 067	-17 830	
Net cash outflow	8 317	-1 067	7 250	

If the combination had taken place at the beginning of the year 2006, the 2006 net loss for the Group would have been USD 1 108 thousand and 2006 revenue would have remained USD 70 519 thousand. The Group's 2006 share of profit since the acquisition date included in the the profit and loss statement was USD 263 thousand. The cost of the acquisition of OFRD was increased by USD 1 067 thousand in 2007 as a consequence of a settlement relating to OFRD's option program.

In January 2007, the Group made a compulsory acquisition of the outstanding shares in OffRig Drilling ASA. The acquisition was made in accordance with the regulations of the Norwegian Public Limited Companies Act § 4-25. Some of the minority shareholders (who owned 8.1 % of OffRig) disagree with the valuation and the price paid per share. The process has been initiated to settle this issue through the legal system. In the opinion of the Group the price paid, NOK 27.50 per share, reflects the value of the shares at the time of acquisition.

Note 4. Segment information

The primary segment reporting format is business segments, since the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

The segment for accommodation rigs comprises of two units, Port Rigmar and Port Reval. These units are two of only four units in the world that are approved for work on the Norwegian continental shelf. The segments for jack-up drilling rigs contains three delivered rigs as of December 31, 2007, five contracted rigs. The segments for semi submersible rigs contains three contracted rigs and one option. There have not been any transactions between the segments.

Segment information 2007

in USD thousands	Accommodation rigs	Jack-up drilling rigs	Semi submersible drilling rigs	Other	Total
Contract services	67 226	122 576	-	-	189 802
Reimbursables	9 239	2 231	-	-	11 470
Other	2 159	-	8	85	2 252
Total revenues	78 624	124 807	8	85	203 524
Rig operating expenses	37 136	30 828	-	-	67 964
Reimbursables	8 787	1 864	-	-	10 651
General and administrative expenses	214	9 535	10 684	8 509	28 941
Depreciation	9 171	13 744	-	192	23 107
Share of loss from joint venture	-	2 517	-	-	2 517
Total operating expenses	55 308	58 488	10 684	8 700	133 179
Operating profit /-loss	23 316	66 319	-10 676	-8 615	70 345
Assets	107 789	788 219	677 326	1 058	1 574 392
Segment trade and other payables ⁽¹⁾	4 142	31 152	9 765	24 719	69 779
Mortgage debt (incl. current portion)	103 585	553 171	475 640	-	1 132 396
Investments (note 6)	42 977	278 055	334 463	680	656 175
Investments in joint venture	-	-7 601	-	-	-7 601
Share-based payment expense	-	-	-	2 775	2 775

(1) Includes USD 2.7 million, USD 5.8 million and USD 5.6 million to Awilco AS for 2007, 2006 and 2005, respectively. Awilco AS is the major shareholder of Awilco Offshore ASA and is a wholly owned subsidiary of AWILHELMESEN.

Notes Awilco Offshore group

Segment information 2006

in USD thousands	Accommodation rigs	Jack-up drilling rigs	Semi submersible drilling rigs	Other	Total
Contract services	61 088	8 496	-	-	69 585
Reimbursables	5 534	-	-	-	5 534
Other	374	-	-	193	567
Total revenues	66 997	8 496	-	193	75 686
Rig operating expenses	25 795	2 187	-	-	27 982
Reimbursables	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 associate	-	-	-	53	53
Total operating expenses	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
Segment trade and other payables ⁽¹⁾	4 249	476	52 491	17 164	74 380
Mortgage debt (incl. current portion)	82 905	211 164	199 975	98 167	592 211
Investments (note 6)	4 816	321 105	49 189	135	375 246
Investments in joint venture	-	-5 055	-	-	-5 055
Share-based payment expense	-	-	-	4 279	4 279

Segment information 2005

Contract services	42 044	-	-	-	42 044
Reimbursables	1 880	-	-	-	1 880
Other	-	-	-	34	34
Total revenues	43 924	-	-	34	43 958
Rig operating expenses	21 551	-	-	-	21 551
Reimbursables	1 876	-	-	-	1 876
General and administrative expenses	422	844	-	5 565	6 830
Depreciation	7 172	-	-	52	7 223
Share of loss from joint venture	-	1 073	-	-	1 073
Total operating expenses	31 020	1 916	-	5 617	38 553
Operating profit /-loss	12 904	-1 916	-	-5 583	5 405
Assets	76 807	205 037	-	248	282 091
Segment trade and other payables ⁽¹⁾	3 897	400	-	7 859	12 155
Mortgage debt (incl. current portion)	71 429	52 166	-	-	123 595
Investments (note 6)	8 775	183 016	-	299	192 090
Investments in joint venture	-	2 049	-	-	2 049
Share-based payment expense	-	-	-	2 141	2 141

(1) Includes USD 2.7 million, USD 5.8 million and USD 5.6 million to Awilco AS for 2007, 2006 and 2005, respectively. Awilco AS is the major shareholder of Awilco Offshore ASA and is a wholly owned subsidiary of AWILHELMSEN.

The geographical split of operating income refers to which continental shelf the rigs were employed during the reporting period. As the rigs are moveable they may be employed in different jurisdictions during a reporting period. Therefore, depreciation is not split by geographical area. The same applies for administrative expenses, fixed assets and investments.

Segment information 2007

in USD thousands

	UK	Norway	Saudi Arabia	Australia	Vietnam	Unallocated	Total
Contract services	17 295	49 931	24 911	70 028	27 637	-	189 802
Reimbursables	3 475	5 764	-	1 875	356	-	11 470
Other	1 672	487	-	-	-	93	2 252
Total revenue	22 442	56 182	24 911	71 903	27 993	93	203 524
Rig operating expenses	11 537	25 599	803	21 544	4 519	3 961	67 964
Reimbursables	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					2 517	2 517	
Total operating expenses						58 526	133 179
Operating profit							70 345

Segment information 2006

Contract services	20 804	40 285	8 496	-	-	-	69 585
Reimbursables	3 843	1 691	-	-	-	-	5 534
Other	374	-	-	-	-	193	567
Total revenue	25 021	41 976	8 496	-	-	193	75 686
Rig operating expenses	9 285	16 510	935	-	-	1 251	27 982
Reimbursables	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 associate						53	53
Total operating expenses						30 953	62 851
Operating profit							12 835

Segment information 2005

Contract services	11 976	30 068	-	-	-	-	42 044
Reimbursables	309	1 571	-	-	-	-	1 880
Other			-	-	-	34	34
Total revenue	12 284	31 640	-	-	-	34	43 958
Rig operating expenses	4 893	16 657	-	-	-	-	21 551
Reimbursables	309	1 567	-	-	-	-	1 876
General and administrative expenses						6 830	6 830
Depreciation						7 223	7 223
Share of loss from joint venture					1 073	1 073	
Total operating expenses						15 126	38 553
Operating profit							5 405

Notes Awilco Offshore group

Note 5. Specification of expenses

in USD thousands

Rig operating expenses

	2007	2006	2005
Crewing expenses	41 050	15 578	11 370
Repair and maintenance	5 394	1 789	2 134
Spare parts and stores	3 331	2 435	3 256
Damages	1 295	250	-
Insurance	4 368	1 735	1 070
Other operating expenses	12 526	6 196	3 720
Total	67 964	27 982	21 551

General & administrative expenses

Employee benefits expense (note 12)	12 252	7 298	3 961
Management fees from related parties (note 26)	1 656	1 449	1 505
Other administrative expenses	15 033	3 880	1 364
Total	28 941	12 626	6 830

Fees to the auditors are included in general and administrative expenses and are shown below:

Audit fees (excluding VAT)	373	128	21
Audit related fees (excluding VAT)	3	22	62
Tax related fees	155	14	-
Other	3	21	-
Total	534	186	83

Interest expenses

Bank loans	20 926	4 504	4 292
Senior unsecured bonds	2 604	8 194	-
Other loans	794	315	-
Related parties	50	9	484
Other	17	31	-
Total	24 392	13 054	4 776

Note 6. Rigs and equipment

2007

in USD thousands	Accommodation rigs	Jack-up rigs	Jack-up rigs under construction	Semi-submersible rigs under construction	Other	Total
Acquisition cost at January 1, 2007	100 197	258 629	267 513	342 863	691	969 893
Newbuilding, upgrades and reconstruction	42 977	8 081	269 974	333 097	680	654 809
Transfer from under construction	-	134 062	-134 062	-	-	-
Acquisition of a subsidiary (note 3)	-	-	-	1 366	-	1 366
Disposals	-	-	-	-	-	-
Acquisition cost at December 31, 2007	143 174	400 771	403 425	677 326	1 371	1 626 068
Accumulated depreciation at January 1, 2007	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	-	-	313	51 676
Net carrying value at December 31, 2007	107 789	384 793	403 425	677 326	1 058	1 574 392
Specification of capitalization during the period:						
Installments to the shipyards	-	-	225 837	266 911	-	492 748
Acquisitions, reconstruction, capitalized costs	42 977	8 081	27 018	44 922	680	123 679
Capitalized borrowing costs	-	-	17 119	22 629	-	39 749
Transfer from under construction	-	134 062	-134 062	-	-	-
Total capitalized during the year	42 977	142 143	135 912	334 463	680	656 175

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2006

in USD thousands	Accommodation rigs	Jack-up rigs	Jack-up rigs under construction	Semi-submersible rigs under construction	Other	Total
Acquisition cost at January 1, 2006	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
Accumulated depreciation at January 1, 2006	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
Net carrying value at December 31, 2006	73 983	256 395	267 513	342 863	569	941 323
Specification of capitalization during the period						
Installments to the shipyards	-	-	294 893	-	-	294 893
Acquisitions, reconstruction, capitalized costs	4 816	-	21 273	342 863	421	369 373
Capitalized borrowing costs	-	-	4 939	-	-	4 939
Transfer from under construction	-	258 629	-258 629	-	-	-
Total capitalized during the year	4 816	258 629	62 476	342 863	421	669 205

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2005

in USD thousands	Accommodation rigs	Jack-up rigs	Jack-up rigs under construction	Semi- submersible rigs under construction	Other	Total
Acquisition cost at January 1, 2005	86 606	-	22 021	-	-	108 627
Newbuilding, upgrades and reconstruction	8 775	-	183 016	-	299	192 090
Acquisition cost at December 31, 2005	95 381	-	205 037	-	299	300 717
Accumulated depreciation at January 1, 2005	11 403	-	-	-	-	11 403
Depreciation	7 172	-	-	-	52	7 223
Accumulated depreciation at December 31, 2005	18 574	-	-	-	52	18 626
Net carrying value at December 31, 2005	76 807	-	205 037	-	248	282 091
<i>Specification of capitalization during the period:</i>						
Installments to the shipyards	-	-	170 395	-	-	170 395
Acquisitions, reconstruction, capitalized costs	8 775	-	7 122	-	299	16 196
Capitalized borrowing costs	-	-	5 499	-	-	5 499
Total capitalized during the year	8 775	-	183 016	-	299	192 090

Assets are depreciated on a straight-line basis over their expected lives as follows:

Rigs	30 years *
Equipment, components of the rigs	10 - 30 years *
Office equipment, cars, etc.	3 -10 years

* Certain components, such as costs recognized in connection with major classification / dry-docking, have shorter useful lives.

Notes Awilco Offshore group

Note 7. Subsidiaries included in the group accounts

Subsidiaries	Registered office	Ownership interest	Voting share	Included in financial statements from
Port Rigmar AS	Norway	100 %	100 %	2005
Awilco Sea Beds AS	Norway	100 %	100 %	2005
Wilhelmsen Oil & Gas AS	Norway	100 %	100 %	2005
Awilco Sea Beds II AS	Norway	100 %	100 %	2005
Wilpower AS	Norway	100 %	100 %	2005
Wilcraft AS	Norway	100 %	100 %	2005
Awilco Drilling Ltd	Bermuda	100 %	100 %	2005
WilSuperior Ltd	Bermuda	100 %	100 %	2005
WilForce Ltd	Bermuda	100 %	100 %	2005
WilPower Ltd	Bermuda	100 %	100 %	2005
WilCraft Ltd	Bermuda	100 %	100 %	2005
WilSeeker Ltd	Bermuda	100 %	100 %	2006
WilStrike Ltd	Bermuda	100 %	100 %	2006
WilBoss Ltd	Bermuda	100 %	100 %	2006
AWO Rig Holding AS	Norway	100 %	100 %	2006
WilConfidence Pte Ltd	Singapore	100 %	100 %	2006
Awilco Offshore Semi AS	Norway	100 %	100 %	2006
Awilco Offshore Singapore Pte Ltd	Singapore	100 %	100 %	2006
WilStrike Pte Ltd	Singapore	100 %	100 %	2007
WilPioneer Pte Ltd	Singapore	100 %	100 %	2007
WilPromoter Pte Ltd	Singapore	100 %	100 %	2007
WilInnovator Pte Ltd	Singapore	100 %	100 %	2007
Offrig Drilling Singapore Pte Ltd	Singapore	100 %	100 %	2007
Wilrig AS	Norway	100 %	100 %	2007
Awilco Offshore Management AS	Norway	51 %	51 %	2007

Note 8. Investment in joint venture

In June 2005, Awilco Offshore ASA and Sinvest ASA established a jointly owned entity, Premium Drilling, to manage the operation of the companies' fleet of jack-up drilling rigs. The joint venture is accounted for using the equity method.

Premium Drilling is a private entity that is not listed on any public exchange. Therefore, no published quotation price for the fair value of the investment is available. The reporting date of Premium Drilling follows the calendar year.

Company	Registered office	Ownership interest	Voting share
Premium Drilling AS	Norway	50 %	50 %

The effective share of assets, liabilities, revenues and expenses of the jointly controlled entity at end of period, are as follows:

in USD thousands	2007	2006	2005
Operating revenue	12 578	2 169	-
Operating expenses	-14 879	-9 150	-1 101
Net financial items	-5	-89	28
Loss before tax	-2 305	-7 070	-1 073
Tax	-212	-	-
Net profit /-loss ⁽¹⁾	-2 517	-7 070	-1 073
Non-current assets	3 822	549	51
Current assets	15 473	4 665	2 357
Total assets	19 295	5 214	2 408
Net equity	-7 601	-5 055	2 049
Non-current liabilities	7 595	4 691	-
Current liabilities	19 301	5 578	359
Total liabilities	26 896	10 269	359
Total equity and liabilities	19 295	5 214	2 408
(1) Includes share-based payment expense of	2 594	4 379	2 141

The negative carrying values at December 31, 2007 and 2006 are classified as an other non-current liability.

Note 9. Associates

On November 16, 2006, Awilco Offshore increased its investment in Awilco Offshore Semi AS (formerly OffRig Drilling ASA) to 69.2 %, gaining control of the company. As a consequence, Awilco Offshore Semi AS is treated as a subsidiary and is no longer considered an associate. See note 3 describing the acquisition for further details.

Below is Awilco Offshore's share of profit until control was obtained:

in USD thousands	2007	2006	2005
Share of loss	-	53	-

Notes Awilco Offshore group

Note 10. Available-for-sale financial assets

Awilco Offshore has an investment in Petrojack ASA. The investment is classified as an available-for-sale investment and fair value adjustments are recorded directly to equity. Fair value equals the listed price at year end. Awilco Offshore and Sinvest ASA own 36 % of the shares in Petrojack ASA. The companies have an agreement to cooperate on their investments in Petrojack ASA.

in USD thousands, unless otherwise indicated	2007	2006	2005
Ownership interest	18.5 %	18.5 %	19.8 %
Share investment at cost	27 832	27 832	27 832
Value adjustment	11 623	12 549	11 419
Net carrying amount	39 456	40 381	39 252

Note 11. Financial investments

in USD thousands	2007	2006	2005
Forward agreements ⁽¹⁾	-	-	73 987
Short-term investments ⁽²⁾	-	82 818	-
Other	208	430	-
Total	208	83 248	73 987

(1) On December 30, 2005, Awilco Offshore entered into an agreement to acquire approximately 38 % of OffRig Drilling ASA (OFRD), formerly Offshore Rig Services ASA, for NOK 26 per share. The transaction was completed in January 2006. Because the acquisition was not finalized at December 31, 2005, the investment was recorded as a forward agreement, in accordance with IAS 39, and classified as a current asset. The assumed fair value at December 31, 2005 is deemed to be equal to the agreed acquisition price. In addition, no share of profit has been recorded for the year. At December 31, 2006, Awilco Offshore ownership in OFRD was 89.4 %. See note 3 for further details.

(2) Consists of investments in highly rated commercial paper, which are valued at market value. The Group recorded income of USD 874 thousand and USD 2 742 thousand in 2007 and 2006, respectively.

Note 12. Employee benefit expense

in USD thousands	2007	2006	2005
Salaries and social security tax	7 068	1 613	790
Bonuses	2 063	1 043	783
Pension costs, defined benefit / contribution plans	345	363	247
Share-based payment expense	2 775	4 279	2 141
Total	12 252	7 298	3 961

	2007	2006	2005
Number of employees at December 31	47	5	5

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

Notes Awilco Offshore group

2007

in USD thousands, unless otherwise indicated

Grant date	Share appreciation rights	Vesting date	Fair value	Vesting %	Cost ⁽¹⁾
February 1, 2005	250 000	February 1, 2006 ⁽²⁾	1 932	100.0 %	2 034
February 1, 2005	250 000	February 1, 2007 ⁽²⁾	1 932	100.0 %	2 034
February 1, 2005	250 000	February 1, 2008 ⁽²⁾	1 878	97.1 %	1 976
February 1, 2005	250 000	February 1, 2009 ⁽²⁾	1 408	72.8 %	1 482
March 29, 2007	225 000	July 1, 2008 ⁽³⁾	591	60.2 %	622
March 29, 2007	225 000	December 31, 2008 ⁽³⁾	422	43.1 %	445
March 29, 2007	225 000	October 31, 2009 ⁽³⁾	287	29.3 %	302
March 29, 2007	225 000	February 1, 2011 ⁽³⁾	193	19.7 %	203
December 21, 2007	212 500	July 1, 2008 ⁽³⁾	53	5.2 %	55
December 21, 2007	212 500	December 31, 2008 ⁽³⁾	27	2.7 %	28
December 21, 2007	212 500	October 31, 2009 ⁽³⁾	15	1.5 %	16
December 21, 2007	212 500	February 1, 2011 ⁽³⁾	9	0.9 %	9
	2 750 000		8 747		9 206
			Foreign exchange effect		773
			Fair value at end of period		9 979

2006

February 1, 2005	250 000	February 1, 2006 ⁽²⁾	1 880	100.0 %	2 092
February 1, 2005	250 000	February 1, 2007 ⁽²⁾	1 880	95.8 %	2 003
February 1, 2005	250 000	February 1, 2008 ⁽²⁾	1 880	63.8 %	1 335
February 1, 2005	250 000	February 1, 2009 ⁽²⁾	1 880	47.9 %	1 001
	1 000 000		7 518		6 431
			Foreign exchange effect		163
			Fair value at end of period		6 594

2005

February 1, 2005	250 000	February 1, 2006 ⁽²⁾	940	91.2 %	1 028
February 1, 2005	250 000	February 1, 2007 ⁽²⁾	940	45.6 %	514
February 1, 2005	250 000	February 1, 2008 ⁽²⁾	940	30.4 %	343
February 1, 2005	250 000	February 1, 2009 ⁽²⁾	940	22.8 %	257
	1 000 000		3 759		2 141
			Foreign exchange effect		-103
			Fair value at end of period		2 038

(1) Includes social security tax.

(2) Exercise period is from February 1, 2009 to February 1, 2010.

(3) Exercise period is from February 1, 2011 to February 1, 2012.

Notes Awilco Offshore group

Assumptions	2007	2006	2005
Dividend yield	0 %	0 %	0 %
Expected volatility	31.89 % - 40.13 %	48.4 %	41.1 %
Risk free interest rate	4.64 % - 5.98 %	3.3 %	3.3 %
Expected life of options	3.04	2.09	3.09
Strike price NOK	20.00 - 60.00	20.00	20.0
Share price at the end of the year NOK	60.80	65.00	42.4

Note 13. Pensions

The Group has various pensions plans for its employees.

Total contributions to the contribution plans were USD 89 thousand in 2007.

Awilco Offshore also has a defined benefit scheme with a life insurance company to provide pension benefits for its certain employees in Norway. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employees pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 70 % of the scheme pension-qualifying income (limited to 12G). The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years.

The Company may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations.

All pension schemes are calculated in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds, will be entered on the average remaining earnings period according to the "corridor" regulations.

Notes Awilco Offshore group

The amounts recognized are determined as follows:

in USD thousands

Pension cost	2007	2006	2005
Service cost	334	213	91
Interest cost	97	111	57
Estimated return on plan assets	-70	-87	-33
Amortization of past service cost	-979	-	-
Amortization of actuarial gains /-losses	824	92	116
Net pension cost	206	329	231
Social security tax	51	33	16
Total	256	363	247

Benefit asset /-obligation

Benefit obligation	-2 884	-3 561	-2 281
Plan assets	1 491	1 756	1 165
Funded status	-1 393	-1 805	-1 116
Social security tax	-196	-254	-157
Unamortized actuarial gain (loss), past service cost	1 105	1 722	1 090
Net asset /-obligation	-484	-337	-183

Movements in the benefit asset (liability) during the period

Benefit asset (obligation), opening balance	-337	-183	-
Benefit expense	-256	-363	-247
Contributions	161	224	64
Foreign exchange differences	-53	-15	-
Benefit asset /-obligation, ending balance	-484	-337	-183

Assumptions

Estimated return on plan assets	5.40 %	5.40 %	5.50 %
Discount rates	4.35 %	4.35 %	4.50 %
Salary increase	4.50 %	4.50 %	3.30 %
Increase of National Insurance Basic Amount (G)	4.25 %	4.25 %	3.30 %
Rate of pension increase	4.25 %	4.25 %	3.30 %
Voluntary resignations	1.31 %	0.40 %	0.74 %
Social security taxes	14.10 %	14.10 %	14.10 %

Analysis of the plan assets

The asset allocation at the end of the period is set out below:			
Debt instruments	52 %	59 %	57 %
Equity instruments	27 %	27 %	27 %
Money market and similar	9 %	3 %	6 %
Property	12 %	11 %	10 %
Total	100 %	100 %	100 %

Notes Awilco Offshore group

Notes 14. Income tax

in USD thousands

Current income tax

	2007	2006	2005
Current income tax charge, Norwegian	-2 524	-	-4 576
Current income tax charge, foreign	-5 405	-	-
Adjustments to previous years	-	-	227

Deferred income tax

Relating to origination and reversal of temporary differences	-1 947	1 787	3 916
Adjustments previous years	-	-	-
Income tax benefit /-expense	-9 876	1 787	-433

Reconciliation of total income tax expense during the year to the income tax expense at the statutory income tax rate applicable in Norway:

Profit /-loss before tax	36 054	-3 419	2 341
Tax at Norway's statutory income tax rate of 28 %	-10 095	957	-656
Non-deductible expenses or non-taxable items	499	829	-4
Valuation allowance / translation adjustments ⁽¹⁾	2 981	-	-
Adjustment to previous years	-2 248	-	227
Effect of different tax rates in other countries	-1 013	-	-
Income tax benefit /-expense	-9 876	1 787	-433

Tax effect charged to equity is as follows:

Tax effect of share issue costs	-	177	435
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Deferred income tax at December 31 relates to the following:

Deferred tax assets

Accrued liabilities, other provisions	2 303	2 135	622
Investments	-	2 631	286
Other temporary differences	136	496	2 696
Tax losses carried forward	14 598	5 934	1 857
Valuation allowance	-611	-	-
Deferred tax assets	16 425	11 196	5 461

Deferred tax liabilities

Fixed assets	-45 668	-38 893	-238
Investments	-934	-	-
Other temporary differences	-318	-	-9 106
Deferred tax liabilities	-46 920	-38 893	-9 343
Net deferred income tax asset /-(liability)	-30 495	-27 697	-3 882

Notes Awilco Offshore group

in USD thousands

Deferred tax assets	2007	2006	2005
Recovered after more than 12 months	16 425	10 907	4 839
Recovered within 12 months	-	289	622
	16 425	11 196	5 461
Deferred tax liabilities			
Recovered after more than 12 months	-45 943	-38 893	-9 343
Recovered within 12 months	-977	-	-
	-46 920	-38 893	-9 343
Net deferred income tax asset /-liability	-30 495	-27 697	-3 882
Deferred tax cost			
Deferred tax, opening balance	-27 697	-3 882	-6 294
Adjustments to previous years / translation adjustments	-851	-	-1 504
Deferred tax from acquisitions / recorded to equity	-	-25 602	-
Deferred tax, ending balance	-30 495	-27 697	-3 882
Deferred tax benefit /-expense	-1 947	1 787	3 916

(1) Includes tax effect of differences arising from foreign exchange effects to relating to the Norwegian Kroner, which is the basis for taxation of the parent company and some group companies.

The income tax rates imposed in the tax jurisdictions in which the Group conducts operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenue, statutory or negotiated deemed profits, or other bases utilized under local tax laws, rather than to net income. In addition, our rigs are frequently moved from one taxing jurisdiction to another. As a result, our consolidated effective income tax rate may vary substantially from year to year, depending on the relative components of our earnings generated in taxing jurisdictions with different tax rates.

The tax losses carried forward are available indefinitely to offset against future taxable profits. A deferred tax asset has been recognized in respect of these tax losses as they may be used to offset taxable profits by group contribution in the Norwegian tax group. The tax return of the Company and its subsidiaries are routinely examined by relevant tax authorities, and in the ordinary course of business, certain items in the tax returns are questioned or challenged. The Company believes that adequate tax provisions have been made for open years.

Notes Awilco Offshore group

Note 15. Cash and cash equivalents

Cash and cash equivalents denominated in the following currencies at the end of the period:

in USD thousands	2007	2006	2005
US dollar	105 304	22 970	25 524
Norwegian kroner	-49 312	44 675	10 145
Singapore dollar	277	-	-
Euro	-20 896	96	84
Total	35 372	67 741	35 753

Restricted cash and cash equivalents

Tax withheld from employees	1 193	901	71
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Cash deposited in banks earns interest at floating rates based on daily bank deposit rates. As of December 31, 2007, 2006 and 2005, the Company had unused credit facilities of USD 700 million, USD 402.7 million and USD 179.8 million, respectively. In July 2007, the credit facility with Nordea Bank was renegotiated. See note 17 for further details.

Note 16. Trade and other receivables

in USD thousands	2007	2006	2005
Receivables from trade customers	45 452	19 919	10 531
Receivables from related parties	3 828	9	-
Prepayments	4 923	11 245	925
Accrued revenue	13 210	-	-
Other	4 196	694	151
Total	71 608	31 867	11 607

Trade receivables are non-interest-bearing and are generally due on 30 day terms.

Note 17. Interest-bearing debt

in USD thousands				
Current	Rate	2007	2006	2005
Current portion of long-term debt		5 723	25 158	11 440
Total current		5 723	25 158	11 440
Non-current				
Bank borrowing No.1	LIBOR + 2.25 %	-	-	52 920
Bank borrowing No. 2	LIBOR + 1.25 %	719 548	246 017	59 235
Senior unsecured USD bonds	9.75 %	98 571	98 167	-
Second security priority bonds	9.75 %	199 924	199 975	-
Eksportfinans	3.20 %	17 170	22 894	-
Senior unsecured NOK bonds	NIBOR + 2.25 %	91 459	-	-
Total non-current		1 126 673	567 052	112 155
Security				
Accommodation rigs pledged		107 789	73 983	76 807
Jack up rigs / contracts pledged		788 219	523 908	205 037
Semi submersible contracts pledged		677 326	342 863	-
Total		1 573 334	940 754	281 843
Maturity non-current borrowings				
Later than one year and not later than four years		1 126 673	263 852	57 396
Five years and later		-	305 723	54 759
Total		1 126 673	569 576	112 155

Bank borrowing No. 2

In July 2007, the revolving and term loan facility agreement with a syndicate of financial institutions and with Nordea Bank Norge ASA as lead arranger and agent, was amended from USD 669 million to USD 1 085 billion with generally the same terms. The borrowing is secured by mortgages on the Group's accommodation rigs, jack up drilling rigs and semi submersibles drilling rigs. Net carrying values of these assets are specified above.

Senior unsecured NOK bond notes

In July 2007, the group issued NOK 500 million bond notes. The notes are unsecured, have three year bullet maturity, with a coupon rate of 3 months NIBOR plus 2.25 % margin p.a.

Senior unsecured USD bond notes

In February 2006, the Group issued USD 100 million bond notes. The notes are unsecured, have a five year bullet maturity and carry a fixed coupon rate of 9.75 %. The bonds are flexible in that they (1) have no change of control provisions; and (2) allow for a possible demerger of the Group in connection with possible future corporate transactions, which is pre-approved by the bond holders.

Notes Awilco Offshore group

Second security priority bond notes

In April 2006, Awilco Offshore Semi AS (formerly OffRig Drilling ASA) issued USD 200 million five year bond notes, with a second security priority mortgage in the construction contracts relating to semi-submersible rigs No. 1 and No. 2. The company incurred debt issuance costs of USD 4.5 million, which are capitalized and amortized as a component of interest expense over the term of the notes. The notes are shown net of issue costs in the balance sheet.

Eksportfinans

In August 2006, Awilco Offshore entered into a USD 28.6 million loan agreement with Eksportfinans, the Norwegian Export Credit Agency. The loan was granted based on the Company's extensive use of Norwegian suppliers in the construction of the jack-up drilling rig, WilPower. In return, the loan provides a favorable fixed interest rate of 3.2 %. The loan is to be repaid in semi-annual installments beginning six months after the loan date.

Proceeds from the loan were USD 28.6 million, which were deposited in an account with the agent bank, DnB NOR serve as a security for the loan and are classified as a loan pledge in the balance sheet. As of December 31, 2007, the amount deposited was USD 22 893 thousand.

Covenants

The main covenants related to the Group's loans and credit facilities are related to the following ratios:

- Minimum working capital (as measured by current assets less current liabilities)
- Minimum cash
- Minimum interest coverage ratio
- Market adjusted equity ratio
- Maximum total debt / total value adjusted assets ratio

Covenants also include certain restrictions on disposal of assets and distributions to shareholders. The Group was in compliance with the loan covenants as of December 31, 2007.

Note 18. Commitments, contingencies and guarantees

Capital commitments contracted for at the balance sheet date, but not recognized in the financial statements are as follows:

Rigs under construction

Jack-up drilling rigs	Yard	Delivery	Delivered cost ⁽¹⁾	Remaining expenditures
WilBoss	Keppel	1Q08	USDm 134	USDm 24
WilForce	PPL	1Q08	USDm 144	USDm 21
WilSeeker	PPL	3Q08	USDm 143	USDm 78
WilStrike	Keppel	2Q09	USDm 163	USDm 99
WilConfidence	PPL	2Q09	USDm 149	USDm 108

Semi submersible drilling rigs	Yard	Delivery	Delivered cost ⁽²⁾	Remaining expenditures
WilPioneer	Yantai Raffles	4Q08	USDm 345	USDm 136
WillInnovator	Yantai Raffles	2Q09	USDm 370	USDm 195
WilPromoter	Yantai Raffles	4Q09	USDm 370	USDm 232
Drilling package 4 ⁽³⁾			USDm 225	USDm 173

(1) Includes yard contract prices, newbuilding supervision, owner furnished equipment, spares, financing costs during construction and other project expenses.

(2) Includes contract prices with the yard, drilling package, project and supervision costs and finance costs during construction. Modification cost in connection with the StatoilHydro contracts at Troll are not included in the numbers. The cost is expected to be approximately MUS\$ 30 per rig and will be paid by StatoilHydro, either through an increased day rate or a lump sum.

(3) Drilling package and long lead items.

Operating lease commitments – Company as lessor

The Company has entered into time charter and bareboat leases on several jack-up drilling rigs and the accommodation rigs. These leases has an average life of between one and five years.

Future minimum rentals receivable under operating leases as of December 31 are as follows:

	2007	2006
Within one year	302 952	193 900
After one year but not more than five years	1 550 269	282 200
More than five years	1 022 000	-
Total	2 875 221	476 100

The Group has obtained a bank guarantee in connection with the charter agreement for WilSuperior. The Group has also issued a performance guarantee in connection with the bare boat charter agreement for WilPower. The same applies for the charter agreement for WillInnovator and WilPioneer (charter not yet commenced).

In addition, Awilco Offshore has issued a parent company guarantee for its subsidiary's payment obligations in connection with the construction of drilling rig WillInnovator.

Notes Awilco Offshore group

Note 19. Other non-current liabilities

in USD thousands	2007	2006	2005
Share-based payment (note 12)	9 979	6 593	2 038
Negative investment in joint venture (note 8)	7 601	5 055	-
Total	17 579	11 648	2 038

Note 20. Trade and other payables

in USD thousands	2007	2006	2005
Trade payables	24 810	47 911	39
Accrued interest	23 002	8 983	1 062
Payables to related parties	9 337	5 802	5 330
Accrued payroll and related costs	4 953	2 627	771
Accrued expenses	2 663	1 461	1 305
Other	4 880	7 595	3 648
Total	69 646	74 379	12 155

Note 21. Derivative financial instruments

Cross currency interest rate swap

During 2007 the Group entered into a cross currency interest swap agreement relating to the NOK 500 million bond notes. See note 18 for further details regarding the bonds. This swap receives NOK and pays USD, is for a total amount of USD 250 million and has maturity July 6, 2010 (matching the maturity of the underlying bond).

In addition, part of the NOK bond (NOK 250 million), subject to a rate of 3 month NIBOR + 2.25 %, has been swapped with 3 months US LIBOR + 2.40 %. This swap agreement has been entered into to minimize the exposure to fluctuations in the USD/ NOK exchange rate.

During 2007, the Group has recognized a fair value gain from this agreement amounting to USD 3 441 thousand.

Interest rate swap

The Group also entered into an interest swap agreement for a total of USD 500 million of its total borrowings. Reference is made to note 18. This interest rate swap receives floating interest based on 3 month LIBOR, pays floating rate of interest based on 1 month LIBOR and has maturity April 15, 2008. The swap was done to reduce the Group's funding cost on a 3 month basis.

During 2007, the Group has recognized a fair value loss from this agreement amounting to USD 104 thousand. The Group does not apply hedge accounting. See note 28 for further details regarding risk management.

in USD thousands	Assets	2007	Liabilities
Forward foreign exchange contract	3 441		-
Interest rate swap	-		104
Total	3 441		104
Non-current	3 441		-
Current	-		104

Note 22. Provisions and contingent liabilities

In 2006, Awilco Offshore signed a Management Agreement with Polycrest AS for the operation and management of the semi submersible drilling rigs on the Norwegian Continental Shelf.

During 2007, the Group decided that the company itself should operate and manage the semi submersible drilling rigs. Awilco Offshore and Polycrest are therefore in negotiations on how to terminate this Management Agreement and different alternatives are being discussed.

In accordance with IAS 37, Awilco Offshore has a contingent liability to Polycrest AS in connection with Polycrest's previous planned role as Manager for Group's semi submersible drilling units.

Due to the nature of the different solutions being discussed it is difficult to give an expected value and describe the possible accounting treatments of this contingent

Notes Awilco Offshore group

Note 23. Shares and shareholders

The Company's 20 largest shareholders at December 31, 2007:

	Shares	Ownership
Awilco AS	56 625 630	37.90 %
UBS AG, London branch	10 266 400	6.87 %
Folketrygdfondet	7 302 300	4.89 %
Lehman Brothers Inc	5 148 947	3.45 %
Deutsche Bank (Suisse) S.A.	4 689 761	3.14 %
Aweco Holding AS	3 300 000	2.21 %
Pictet & Cie Banquiers	3 026 066	2.03 %
Verdipapirfond Odin Norden	2 007 387	1.34 %
Orkla ASA	2 000 000	1.34 %
SIS Segaintersettle AG	1 157 448	0.77 %
Euroclear Bank S.A./N.V. ('BA')	1 154 124	0.77 %
Nordea Securities AB	1 149 000	0.77 %
Watrium AS	1 100 000	0.74 %
Morgan Stanley & Co Inc	1 098 068	0.73 %
Verdipapirfondet KLP Aksjenorge	985 000	0.66 %
Pensjonskassen StatoilHydro	976 200	0.65 %
Clearstream Banking S.A.	964 710	0.65 %
Miami AS	950 000	0.64 %
ODIN Offshore	850 000	0.57 %
Vital Forsikring ASA	842 692	0.56 %
Total 20 largest shareholders	105 593 733	70.67 %
Other shareholders	43 821 754	29.33 %
Total number of shares	149 415 487	100.00 %

Awilco AS and Aweco Holding AS are associated companies and together hold 40.11 % of the Company.

Shares owned by Board members and senior management as of December 31, 2007

Sigurd E. Thorvildsen, Chairman	-
Arne Alexander Wilhelmsen, Director ⁽¹⁾	3 300 000
Marianne H. Blystad, Director	-
Tor Bergstrøm, Director	-
Heidi Marie Petersen, Director	-
Henrik Fougner, CEO	5 000

(1) Equals the shareholding for Aweco Holding AS, a holding company controlling approximately 60.6 % of the main shareholder Awilco AS. Mr. Wilhelmsen controls 32.9 % of Aweco Holding AS.

Note 24. Issued capital

in USD thousands, unless otherwise indicated Issued capital	Number of shares	Share capital	Paid-in premium
Share issue, January and February 2005	61 133 350	94 051	9 402
Share issue, February 2005	50 000 000	80 000	80 000
Share issue, May 2005	3 000 000	4 724	5 669
Share issue, August 2005	4 396 983	6 924	16 549
Share issue, December 2005 ⁽¹⁾	11 747 547	17 356	55 538
Share issue costs (net of tax effect)	-	-	-4 323
Reclassification of paid in premium to other equity	-	-	-82 852
Balance at December 31, 2005	130 277 880	203 056	79 983
Adjustment to share premium	-	-	-153
Share issue, April 2006	9 500 000	15 323	70 484
Share issue, November 2006	8 974 293	13 946	69 730
Share issue costs (net of tax effect)	-	-1 622	-
Balance at December 31, 2006	148 752 173	232 324	218 423
Share issue, January 2007 ⁽²⁾	663 314	1 042	5 629
Balance at December 31, 2007	149 415 487	233 367	224 052

All issued shares have a par value of NOK 10 and are of equal rights. Awilco Offshore ASA is incorporated in Norway and the share capital is denominated in NOK. In the table above, the share capital and paid-in premium is translated to USD at the foreign exchange rate in effect at the time of each share issue.

(1) The share issue was resolved by a Board of Directors' meeting held on December 27, 2005, and was registered with the Register of Business Enterprises in January 2006.
(2) Share issue in connection with the acquisition of minority interests in OFRD, which were exchanged for shares in OFRD.

Note 25. Earnings per share

The Group has no dilutive potential ordinary shares at the moment. Therefore, diluted earnings per share is the same as basic earnings per share.

in USD thousands, unless otherwise indicated	2007	2006	2005
Net profit /-loss attributable to equity holders of the parent	26 177	-1 664	1 908
Number of shares outstanding	149 415 487	148 752 173	130 277 880
Weighted average number of ordinary shares outstanding	149 400 949	134 370 096	107 351 377
Basic and diluted earnings per share	0.18	-0.01	0.02

Notes Awilco Offshore group

Note 26. Related parties

In the normal course of its business, Awilco Offshore enters into a number of transactions with related parties. The Group purchases certain administrative and management services (such as, budgeting, reporting, accounting, legal, etc.) from AWILHELMSSEN, which is a major shareholder through its wholly owned subsidiary Awilco AS.

All transactions with related parties have been made on an arms length basis and are settled on a regular basis. The table below provides the total amount of transactions, which have been entered into with related parties for the relevant financial year. Sales and purchases from related parties relates to services rendered under the above mentioned management agreements.

in USD thousands	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
AWILHELMSSEN	2007	85	1 656	-	2 683
Premium Drilling	2007	-	-	3 828	6 654
AWILHELMSSEN	2006	190	1 449	9	5 802
Premium Drilling	2006	-	-	173	-
AWILHELMSSEN	2005	17	1 505	-	5 330

Entity with significant influence over the Group:

Awilco AS, which is a wholly owned subsidiary in the AWILHELMSSEN, owned 37.9 %, 38.1 % and 45.6 % of the shares in Awilco Offshore ASA as of December 31, 2007, 2006 and 2005, respectively.

in USD thousands

Remuneration to the Board of Directors

	2007	2006	2005
Sigurd E. Thorvildsen, Chairman	148	-	-
Other board members	222	62	59
Total	370	62	59

Remuneration expense to the CEO, Henrik Fougner

	2007	2006	2005
Salary	420	239	205
Bonus	517	312	222
Share-based payment	200	1 284	611
Pension	25	56	41
Other	5	30	23
Total	1 167	1 922	1 101

Remuneration expense to the CFO, Arnstein Hernes ⁽¹⁾

	2007
Salary	261
Bonus	185
Share-based payment	385
Pension	-
Other	3
Total	833

(1) Mr. Hernes joined Awilco Offshore as CFO in 2007.

The Group has not issued any loans or security for loans to board members or executive employees. Bonuses to the CEO and CFO are based on an annual evaluation performed by the Board.

The CEO has no contractual right to termination payments on voluntary termination of employment. In the case of forced termination, the CEO is entitled to a maximum of 12 months of salary.

During 2007, the CEO and CFO were awarded 300,000 and 250,000 share appreciation rights, respectively. See note 12 for further details regarding the share incentive plan. As of December 31, 2007, none of the share appreciation rights have been exercised. Total share appreciation rights awarded to the CEO and CFO as of December 31, 2007, are as follows:

CEO, Henrik Fougner			CFO, Arnstein Hernes		
Grant date	Share appreciation rights	Vesting date	Grant date	Share appreciation rights	Vesting date
February 1, 2005	75 000	February 1, 2006 ⁽¹⁾	March 29, 2007	50 000	July 1, 2008 ⁽²⁾
February 1, 2005	75 000	February 1, 2007 ⁽¹⁾	March 29, 2007	50 000	December 31, 2008 ⁽²⁾
February 1, 2005	75 000	February 1, 2008 ⁽¹⁾	March 29, 2007	50 000	October 31, 2009 ⁽²⁾
February 1, 2005	75 000	February 1, 2009 ⁽¹⁾	March 29, 2007	50 000	February 1, 2011 ⁽²⁾
December 21, 2007	75 000	July 1, 2008 ⁽²⁾	December 21, 2007	12 500	July 1, 2008 ⁽²⁾
December 21, 2007	75 000	December 31, 2008 ⁽²⁾	December 21, 2007	12 500	December 31, 2008 ⁽²⁾
December 21, 2007	75 000	October 31, 2009 ⁽²⁾	December 21, 2007	12 500	October 31, 2009 ⁽²⁾
December 21, 2007	75 000	February 1, 2011 ⁽²⁾	December 21, 2007	12 500	February 1, 2011 ⁽²⁾
	600 000			250 000	

(1) Exercise period is from February 1, 2009 to February 1, 2010.

(2) Exercise period is from February 1, 2011 to February 1, 2012.

Note 27. Minority interests

The percentage of shares owned by minorities and their share of net profit in the subsidiaries of the Group in 2007, 2006 and 2005, are as follows:

in USD thousands, unless otherwise indicated

2007	Minority interest	Share of profit
Awilco Offshore Management AS	49 %	1
2006		
Awilco Offshore Semi AS (formerly OffRig Drilling ASA)	11 %	31

There were no minority interests in 2005.

Note 28. Financial instruments and risk management

Risk Management Overview

The Group is exposed to a number of different financial market risks arising from our normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities or future cash flows.

To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks. Once risks are identified, appropriate action is taken to mitigate the specific risk. The primary strategy used to reduce our financial risk is the use of derivatives, where appropriate. Derivatives are used periodically in order to minimize the company's various net exposures, as well as minimizing specific exposures. Only well-understood, conventional derivatives instruments are used.

It is the management's policy to enter into derivative financial instruments with only highly rated financial institutions. Derivatives are only used for the purpose of managing risk associated with currencies and interest rates. The Group does not trade or use instruments with the sole objective of obtaining financial gain on fluctuations in currencies or interest rates.

Currency Risk

The U.S. Dollar is Group's reporting currency as well as the currency of the Group's revenues. The currency exposure related to cash flow and the net result arise mainly from administration and operating expenses, nominated in non-USD currencies, mainly NOK and AUD. Approximately 70 % of the company's administration and operating expenses (excluding depreciation) are incurred in non-USD currencies (2006: 67 %).

The newbuilding projects are also exposed to currency fluctuations for EUR and NOK. In addition, the Group has NOK 500 million in senior unsecured bonds.

Changes in the value of the U.S. Dollar relative to these currencies could expose the Group to currency risk. To minimize the impact of foreign exchange movements on the Group's results, the Group periodically enters into forward contracts for USD/NOK and USD/EUR to minimize the currency risks associated with certain firm commitments and/or forecasted exposures.

As of December 31, 2007, the Group had 8 drilling rigs under construction with options to build further two rigs. A drilling package for one of the rig options was also under construction. Approximately 77 % of the estimated committed investments at December 31, 2007 were in USD, 18 % were in NOK and 6 % in EUR. Based on the Group's future committed investments in newbuildings, an immediate 5 % depreciation of the USD exchange rate versus NOK and EUR would translate into a cost increase of about USD 13 million for the remaining investments under the newbuilding program. The Group constantly monitors its foreign exchange exposure and undertakes measures to mitigate the related risk when considered necessary.

The table below shows the profit before tax sensitivity to a reasonable possible change in the USD exchange rate, with other variables held constant. Changes in the profit before tax are due to changes in the non-USD operating costs, and changes in the fair value of the monetary liabilities.

	Increase / decrease USD rate against AUD /NOK	Effect on profit before tax
2007	+/- 5 %	+/- USD 8.8 mill.
2006	+/- 5 %	+/- USD 6.1 mill.

Interest Rate Risk. The Group's exposure to the risk of changes in the market interest rates relates primarily to the long-term debt obligations with floating interest rates. The risk management objective for interest rate risk is to minimize the variations of cash flows arising from changes in interest rates. Depending on the developments and on analysis of the interest rate market, the Group may enter into various contracts to minimize risk relating to its floating rate debt.

At December 31, 2007, approximately 66 % of the interest bearing debt was floating (2006: 32 %, 2005: 100 %). The table below shows the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's profit before tax.

	Increase / decrease in basis point on floating interest debt	Effects on profit before tax profit before tax
2007	+/- 5 %	+/- USD 1.75 mill.
2006	+/- 5 %	+/- USD 0.65 mill.

Credit Risk

The Group trades only with recognized, and what is considered to be creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. The maximum exposure is the carrying amount as shown in note 16. There is no other significant concentration of credit risk within the Group, except for those mentioned below.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, available-for-sale financial investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

In connection with the Group's rig building projects the group has made contractual milestone payments to the yards in accordance with the progress of the different projects. As the Group works with reputable yards, the risk for a significant default situation is considered small.

Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of its financial assets, projected cash flows from operations and forecasted investments in newbuildings.

The liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group maintains sufficient cash for its daily operation via cash deposits and unutilized portions of revolving credit facilities with financial institutions.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

Notes Awilco Offshore group

in USD thousands At December 31, 2007	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years
Interest-bearing loans			826 673	100 000
Other liabilities	5 012	12 002		
Trade and other payables	52 765			
At December 31, 2006				
Interest-bearing loans				567 052
Other liabilities	11 686	5 799		
Trade and other payables	56 894			
At December 31, 2005				
Interest-bearing loans			112 155	
Other liabilities	5 724	5 330		
Trade and other payables	1 101			

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors its capital structure using an equity ratio, which is total equity divided by total assets. The Group's policy is to maintain an acceptable equity ratio in the long run, well within the level required by loan covenants. As of December 31 2007, the equity ratio was 28 % (2006: 41 %, 2005: 68 %).

	2007	2006	2005
Total equity	496 124	487 309	300 220
Total assets	1 754 269	1 193 581	444 740
Equity ratio	28 %	41 %	68 %

Financial Instruments

Fair value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair value of the Group's financial instruments that are included in the financial statements. The following estimated fair value amounts of the Group's financial instruments have been determined by the Group, using appropriate market information and valuation methodologies. The carrying amount of cash and cash equivalents and loans payable to banks are a reasonable estimate of their fair value. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

in USD thousands	Notes	31.12.2007		31.12.2006		31.12.2005	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets							
Bank deposits	15	35 372	35 372	67 741	67 741	35 753	35 753
Available-for-sale financial assets	10	39 456	39 456	40 381	40 381	39 252	39 252
Derivate financial instruments	21	3 441	3 441	-	-	-	-
Loan Pledge (non-current)		17 170	17 170	22 894	22 894	-	-
Loan Pledge (current)		5 723	5 723	5 723	5 723	-	-
Financial Liabilities							
Current interest-bearing liabilities	17	5 723	5 723	-	-	-	-
Non-current interest-bearing loans:							
Bank Borrowing No.1	17	-	-	-	-	52 920	52 920
Bank Borrowing No.2	17	719 548	719 548	246 017	246 017	59 235	59 235
Senior unsecured USD bond	17	98 571	100 000	98 167	100 000	-	-
Senior security priority bond	17	199 924	204 000	199 975	205 000	-	-
Ekspost Finans	17	17 170	17 170	22 894	22 894	-	-
Senior unsecured NOK bond	17	91 459	90 544	-	-	-	-
Derivative financial instruments	21	104	104	-	-	-	-

Note 29. Subsequent events

In January 2008, Awilco Offshore signed a MUSD 335.6 loan agreement for its third semi rig WilPromoter. The loan agreement is with Citibank, Ekspostfinans/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 2008, WilForce received a Notice of Tender Award from Repsol Exploration Murzuq S.A. for an estimated 5 month drilling program offshore Libya. Expected start-up of this program is 3Q 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. The rig commenced on its 6 month contract with Premier Oil Vietnam Offshore BV offshore Vietnam early March 2008.

In March 2008, Awilco Offshore took delivery of its fifth high specification jack-up drilling rig, WilForce. The rig was delivered from PPL Shipyard in Singapore and is expected to start on its work with Respol offshore Libya during 3Q 2008.





Financial Statements

Awilco Offshore parent company

Income Statement Awilco Offshore parent company

in NOK thousands, except earnings per share	Notes	2007	2006
Operating revenues	3	9 416	10 152
Gain on disposal of fixed assets		-	20
Operating revenues		9 416	10 171
General and administrative expenses	4	46 735	61 799
Depreciation	5	472	450
Operating expenses		47 207	62 249
Operating profit /-loss		-37 792	-52 077
Interest income		268 965	83 017
Interest expense		-235 484	-58 744
Dividend / group contribution from subsidiaries		305 020	-
Net foreign exchange gain /-loss		-172 984	-54 715
Other financial items		15 880	-5 851
Net financial items		181 398	-36 293
Profit /-loss before taxes		143 606	-88 371
Tax benefit /-expense	11	-40 241	24 570
Net profit /-loss		103 365	-63 801
Basic and diluted earnings per share	17	0.69	-0.47

Balance Sheet Awilco Offshore parent company

in NOK thousands

Assets

Non-current assets

	Notes	2007	2006
Deferred tax asset	11	8 155	36 154
Property, plant and equipment	5	1 222	1 648
Shares in subsidiaries	6	1 889 221	1 738 953
Investment in joint venture	7	19 500	19 500
Other investments	8	176 979	176 979
Derivative financial instruments	9	18 617	-
Loans to joint venture	18	879	1 024
Loans to group companies	18	5 236 271	2 274 157
Total non-current assets		7 350 845	4 248 414

Current assets

Prepayments		6 048	1 988
Loans to group companies	18	1 871 415	123 370
Loans to related party companies	18	-	57
Loans to joint venture	18	20 711	60
Other investments		-	2 252
Cash and cash equivalents	12	90 398	90 135
Total current assets		1 988 572	217 861
Total assets		9 339 416	4 466 276

Equity and liabilities

Equity

Share capital	16	1 494 155	1 487 522
Share premium reserve	16	1 436 441	1 400 622
Other equity	16	572 982	469 617
Total equity		3 503 578	3 357 760

Non-current liabilities

Long-term interest-bearing debt	13	4 921 729	614 042
Net pension liabilities	10	2 621	2 107
Loans from group companies	18	686 962	334 648
Other non-current liabilities	4	44 519	41 239
Total non-current liabilities		5 655 831	992 036

Current liabilities


Trade and other payables		4 009	3 799
Debt from group companies	18	45 912	9 119
Debt from related party companies	18	14 516	36 293
Derivative financial instruments	9	561	-
Other current liabilities	14	114 670	67 269
Income tax payable		339	-
Total current liabilities		180 008	116 480
Total equity and liabilities		9 339 416	4 466 276

Oslo, March 27, 2008


 Sigurd E. Thorviltsen, Chairman


 Tor Bergström


 Arne Alexander Wilhelmssen


 Heidi M. Petersen


 Marianne H. Blystad


 Henrik Fougner, Managing Director

Statement of Cash Flow Awilco Offshore parent company

in NOK thousands	2007	2006
Profit /-loss before tax	143 606	-88 371
Adjustments for:	-	-
Depreciation	472	450
Gain on disposal of fixed assets	-	-20
Net fair value gains derivative financial instruments	-18 056	-
Unrealized foreign exchange gains	180 214	60 351
Difference between pension cost and pension premium paid	514	867
Net change in working capital	37 741	46 361
Net cash flow from (used in) operating activities	344 492	19 638
Investments in tangible fixed assets	-46	-403
Investments in shares in subsidiaries	-107 816	-104 856
Other share investments	-	-8 164
Net cash flow used in investing activities	-107 862	-113 423
Change in loans to group companies	-4 789 344	-926 604
Change in loans to related party companies	-42 710	-
Change in interest-bearing debt, net	4 604 070	614 042
Proceeds from issuance of shares, net	-	518 035
Net cash flow from financing activities	-227 984	205 473
Effect on cash balances from currency exchange rate fluctuations	-8 383	-30 572
Net change in cash and cash equivalents	262	81 117
Cash and cash equivalents at beginning of period	90 135	9 019
Cash and cash equivalents at end of period	90 398	90 135

Statement of Changes in Equity Awilco Offshore parent company

in NOK thousands	Issued capital	Share premium	Other equity	Total
Equity at December 31, 2005	1 302 779	524 962	533 418	2 361 159
Share issue No. 1	95 000	437 000	-	532 000
Share issue No. 2	89 743	448 715	-	538 458
Share issue costs	-	-10 055	-	-10 055
Net loss	-	-	-63 801	-63 801
Equity at December 31, 2006	1 487 522	1 400 622	469 617	3 357 760
Share issue No. 1	6 633	35 819	-	42 452
Net profit	-	-	103 365	103 365
Equity at December 31, 2007	1 494 155	1 436 441	572 982	3 503 578

Note 1. Corporate information

Awilco Offshore ASA is a public limited liability company incorporated and domiciled in Norway. The address of the main office is Beddingen 8, 0118 Oslo, Norway.

The consolidated financial statements for the year ended December 31, 2007, were approved by the Board of Directors on March 27, 2008.

The principal activity of Awilco Offshore ASA and its subsidiaries is the investment in and operation of jack-up drilling rigs, semi submersible drilling rigs and accommodation rigs.

Note 2. Significant accounting policies

General

The parent company's accounts are prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Reporting currency

The parent company's, Awilco Offshore ASA, reporting currency is the Norwegian kroner (NOK).

Recognition of revenues and expenses

Revenues are recognized as earned. Costs are expensed in the same period as related revenue.

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 ownership or use are classified as fixed assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as long-term liabilities. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Pensions

The present value of the pension liabilities under defined benefit pension plans has been calculated based on actuarial principles. The present value of the pension liabilities and the pension plan assets is included under long term liabilities and long term assets, respectively. The change in net pension liabilities is expensed in the profit and loss account as personnel expenses. The effect of changes in estimates, change in pension plans and actuarial gains and losses are recognized as income or expense over the average remaining service period.

Net pension expenses include the present value of pension earnings for the period, interest expense on pension obligations incurred, expected return on the pension funds and the amortized effect of changes in estimates and plans.

Fixed assets

Fixed assets are stated at acquisition cost less cumulative amortization, depreciation and write-downs. Assets are amortized or depreciated on a straight-line basis over their estimated economically useful lives. Write downs are made if the fair value of a fixed asset is lower than its book value and if the reduction is not deemed temporary. A write down is reversed to the extent that the basis for the write-down is no longer present.

Notes Awilco Offshore parent company

Share-based transactions

Employees receive remuneration in the form of share based payment transactions, whereby employees render services in exchange for share appreciation rights with cash settlement.

The cost of the share-based incentive plan is measured, at each balance sheet date, by reference to the fair value at the date which they are granted. The fair value is determined by an external valuer using an option pricing model (Black & Scholes). The cost of the share-based payment is recognized, together with a corresponding accrual, over the vesting period. The cumulative expense recognized for equity settled transaction at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best available estimate of the number of equity instruments that will ultimately vest.

Tax cost

Taxes are calculated based on the financial result and consists of taxes payable and deferred taxes. Deferred tax is calculated on the basis of temporary differences between book and tax values that exist at the end of the financial period, and based on the nominal value calculation.

Shares in subsidiaries and other shares

Investments in subsidiaries are recorded at historic cost in the balance sheet. The same applies for other share investments. A write down is recorded if the underlying market value is estimated to be lower than recorded book value.

Monetary items in foreign currency

Monetary items in foreign currency are translated at year end exchange rates. Realized currency gains and losses are taken to the profit and loss account when an installment is paid.

Cash, cash equivalents and cash flow statement

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. The cash flow statement is prepared using the indirect method.

Note 3. Operating revenue

Operating revenue

Operating revenue is mainly related to services performed for other group companies. The company also recorded a supervisory technical management fee that was invoiced to a company in AWILHELMOSEN, which is the main shareholder of Awilco Offshore ASA.

in NOK thousands	2007	2006
Management fee from subsidiaries	8 928	8 934
Management fee from other related parties	488	1 218
Total operating income	9 416	10 152

Note 4. General and administrative expenses

in NOK thousands

Employee related expenses	2007	2006
Salaries and social security tax	11 354	9 155
Bonuses	7 860	6 691
Pension costs, defined benefit/contribution plan	1 387	2 268
Share-based payments	3 059	27 446
Total	23 660	45 560
Number of employees at December 31	6	5
Other administrative expenses		
Accrued board of directors fees	3 600	400
Stock listing fees	-	1 258
Lawyer fees	4 185	2 668
Management fees	8 600	9 290
Other	6 690	2 623
Total	23 075	16 238
Total general and administrative expenses	46 735	61 799

The company 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 4 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 NOK thousands, unless otherwise indicated

Fair value at December 31, 2007

Grant date	Share appreciation rights	Vested	FV call	Fair value	Vesting %	Accrued Value ⁽¹⁾
February 1, 2005	250 000	February 1, 2006 ⁽²⁾	41.82	10 456	100.0 %	11 930
February 1, 2005	250 000	February 1, 2007 ⁽²⁾	41.82	10 456	100.0 %	11 930
February 1, 2005	250 000	February 1, 2008 ⁽²⁾	41.82	10 160	97.1 %	11 592
February 1, 2005	250 000	February 1, 2009 ⁽²⁾	41.82	7 620	72.8 %	8 694
December 21, 2007	125 000	July 1, 2008 ⁽³⁾	23.50	167	5.2 %	191
December 21, 2007	125 000	December 31, 2008 ⁽³⁾	23.50	86	2.7 %	98
December 21, 2007	125 000	October 31, 2009 ⁽³⁾	23.50	48	1.5 %	54
December 21, 2007	125 000	February 1, 2011 ⁽³⁾	23.50	28	0.9 %	30
	1 500 000			39 020		44 519

Notes Awilco Offshore parent company

in NOK thousands, unless otherwise indicated

Fair value at December 31, 2006

Grant date	Share appreciation rights	Vested	FV call	Fair value	Vesting %	Accrued Value ⁽¹⁾
February 1, 2005	250 000	February 1, 2006 ⁽²⁾	47.03	11 757	100.0 %	13 414
February 1, 2005	250 000	February 1, 2007 ⁽²⁾	47.03	11 757	95.8 %	12 845
February 1, 2005	250 000	February 1, 2008 ⁽²⁾	47.03	11 757	63.8 %	8 563
February 1, 2005	250 000	February 1, 2009 ⁽²⁾	47.03	11 757	47.9 %	6 422
	1 000 000			47 026		41 244

(1) includes social security tax.

(2) Exercise period is from February 1, 2009 to February 1, 2010.

(3) Exercise period is from February 1, 2011 to February 1, 2012.

Assumptions	2007	2006
Dividend yield	0 %	0 %
Expected volatility	31.9 % - 40.1 %	48.4 %
Risk free interest rate	4.6 % - 6.0 %	3.3 %
Expected life of options	39 541.00	2.09
Strike price NOK	20.00 - 60.00	20.00
Share price at the end of year NOK	60.80	65.00

Fees to the Group's auditors are included in general and administrative expenses. The amounts for 2007 and 2006 are shown below:

Audit fees (excl VAT)	820	500
Audit related fees (excl VAT)	18	142
Tax related fees	637	19
Other	0	110
Total	1 475	772

Note 5. Property, plant & equipment

in NOK thousands	Vehicles	Other	Total	2006
Acquisition cost, opening balance	2 361	-	2 361	1 994
Additions	-	46	46	551
Disposals	-	-	-	-184
Acquisition cost, ending balance	2 361	46	2 407	2 361
Accumulated depreciation, opening balance	713	-	713	318
Depreciation	472	-	472	450
Disposals	-	-	-	-55
Accumulated depreciation, ending balance	1 185	-	1 185	713
Net carrying amount, ending balance	1 176	46	1 222	1 648

Assets are depreciated on straight-line basis over their expected lives, which is 5 years.

Note 6. Investment in subsidiaries

The company records investment in subsidiaries at historical cost. All subsidiaries are included in the group accounts from January 1, 2006, except for OffRig Drilling ASA, which become a subsidiary of the company in December 2006. The consolidated financial statements for the year ended December 31, 2007, were approved by the Board of Directors on March 27, 2008. The principal activity of Awilco Offshore ASA and its subsidiaries is the investment and operation of accommodation and drilling rigs.

in NOK thousands, unless otherwise indicated

Country of Subsidiary	Ownership incorporation	Share interest	Net book capital	value
Port Rigmar AS	Norway	100 %	100	304 967
Awilco Sea Beds AS	Norway	100 %	110	6 537
Wilhelmsen Oil & Gas AS	Norway	100 %	1 400	231 052
Awilco Sea Beds II AS	Norway	100 %	100	7 090
WilPower AS	Norway	100 %	100	110
WilCraft AS	Norway	100 %	100	110
AWO Rig Holding AS	Norway	100 %	100	120
Awilco Offshore Semi AS	Norway	100 %	12 561	1 339 236
				1 889 221

Wholly owned companies held indirectly through subsidiaries include the following companies:

Subsidiary	Country of incorporation	Ownership interest
Awilco Drilling Ltd	Bermuda	100 %
WilSuperior Ltd	Bermuda	100 %
WilForce Ltd	Bermuda	100 %
WilPower Ltd	Bermuda	100 %
WilCraft Ltd	Bermuda	100 %
WilSeeker Ltd	Bermuda	100 %
WilStrike Ltd	Bermuda	100 %
WilBoss Ltd	Bermuda	100 %
WilConfidence Pte Ltd	Singapore	100 %
WilInnovator Pte Ltd	Singapore	100 %
WilPioneer Pte Ltd	Singapore	100 %
WilPromoter Pte Ltd	Singapore	100 %
Awilco Offshore Singapore Pte Ltd	Singapore	100 %
WilStrike Pte Ltd	Singapore	100 %
Offrig Drilling Singapore Pte Ltd	Singapore	100 %
Wilrig AS	Norway	100 %
Awilco Offshore Management AS	Norway	51 %

Notes Awilco Offshore parent company

Note 7. Investment in joint ventures

In June 2005, Awilco Offshore ASA and Sinvest ASA established a jointly owned entity, Premium Drilling, to manage the operations of the companies' fleet of jack-up drilling rigs. The investment is recorded in the parent company at historical cost.

in NOK thousands, unless otherwise indicated

Name	Country of incorporation	Ownership 31.12.07	Net book value
Premium Drilling AS	Norway	50 %	19 500

Note 8. Other investments

in NOK thousands, unless otherwise indicated

	Ownership interest	Net book value
Petrojack ASA	18.5 %	
Share investment at cost		173 362
Capitalized purchase cost		3 616
Net book value		176 979

The investment is classified as an available-for-sale investment and recorded at cost price in the parent company's financial statements. Because Awilco Offshore does not have representation on the board of Petrojack ASA, it does not have significant influence. In the group financial statements the investment is recorded at fair value.

Awilco Offshore and Sinvest ASA own approximately 36 % of the shares in Petrojack ASA. The companies have an agreement to cooperate in their investments in Petrojack ASA.

Note 9. Derivative financial instruments

Cross currency interest rate swap

During 2007 the Company entered into a cross currency interest swap agreement relating to the NOK 500 million bond notes. See note 13 for further details regarding the bonds. This swap receives NOK and pays USD, is for a total amount of USD 250 million and has maturity July 6, 2010 (matching the maturity of the underlying bond).

In addition, part of the NOK bond (NOK 250 million), subject to a rate of 3 month NIBOR + 2.25 %, has been swapped with 3 months US LIBOR + 2.40 %. This swap agreement has been entered into to minimize the exposure to fluctuations in the USD/ NOK exchange rate.

During 2007, the Company has recognized a fair value gain from this agreement amounting to NOK 18 617 thousand.

Interest rate swap

The Company also entered into an interest swap agreement for a total of USD 500 million of its total borrowings. Reference is made to note 13. This interest rate swap receives floating interest based on 3 month LIBOR, pays floating rate of interest based on 1 month LIBOR and has maturity April 15, 2008. The swap was done to reduce the Company's funding cost on a 3 month basis.

During 2007, the Company has recognized a fair value loss from this agreement amounting to NOK 561 thousand. The Company does not apply hedge accounting. See note 28 for further details regarding risk management.

in NOK thousands	Assets	2007 Liabilities
Forward foreign exchange contract	18 617	-
Interest rate swap	-	561
Total	18 617	561
Non-current	18 617	-
Current	-	561

Note 10. Pensions

The Company is required to have a pension plan for all employees which satisfy the requirements in the new law related to mandatory pension plans in Norway. The pension plan for the Company is in compliance with these official requirements.

The company covers its pensions through a collective pension scheme held at a life insurance company in accordance with IAS 19, the scheme is treated for the purposes of the accounts as a benefit plan. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employees pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 70 % of the scheme pension-qualifying income. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years.

The company may at any time make changes to the terms and conditions of the pension scheme and will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations.

All pension schemes are calculated in accordance with IAS 19. When the accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions exceed 10 % of the higher of pension benefits obligations and pension plan assets, the excess is recognized over the estimated average remaining service period.

Notes Awilco Offshore parent company

As of December 31, 2007, the plan included 6 employees. The amounts recognized are determined as follows:

in NOK thousands		2007	2006
Pension cost			
Service cost		1 806	1 330
Interest cost		524	695
Estimated return on plan assets		-379	-541
Amortization of actuarial gain/loss, past service cost		4 457	575
Net pension cost		1 112	2 059
Social security tax		275	209
Total		1 387	2 268
Benefit asset /-obligation			
Benefit obligation		-15 604	-22 272
Plan assets		8 067	10 985
Funded status		-7 537	-11 287
Social security tax		-1 063	-1 591
Unamortized actuarial loss/gain, past service cost		5 978	10 772
Net obligation		-2 621	-2 107
Movements in the benefit asset /-liability during the year			
Benefit asset /-obligation per opening balance		-2 107	-1 240
Benefit expense		-1 387	-2 268
Contributions		873	1 401
Benefit asset /-obligation per ending balance		-2 621	-2 107
Assumptions			
Estimated return on plan assets		5.40 %	5.40 %
Discount rate		4.35 %	4.35 %
Salary increase		4.50 %	4.50 %
Increase of national Insurance Basic Amount (G)		4.25 %	4.25 %
Rate of pension increase		4.25 %	4.25 %
Voluntary resignations		0.40 %	0.40 %
Social security tax		14.10 %	14.10 %

The company employed the offshore group of AWILHELMOSEN, in this context the company assumed the obligations and benefits under the pension scheme already established by previous employer. The past service cost is amortized over the remaining service period.

Analysis of the plan assets

The defined benefit scheme is financed through an insurance contract with Storebrand Livsforsikring AS. The asset allocation is set out below:

Debt instruments	52 %	59 %
Equity instruments	27 %	27 %
Money market and similar	9 %	3 %
Property	12 %	11 %
Total	100 %	100 %

Note 11. Income tax

in NOK thousands

Current income tax 2007 2006

Current income tax charge	-12 242	0
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Deferred income tax

Relating to origination and reversal of temporary differences	-27 998	24 570
Income tax benefit /-expense	-40 241	24 570

Reconciliation of total income tax expense during the year to the income tax expense at the statutory income tax rate applicable in Norway:

Profit before tax	143 606	-88 371
Tax at Norway's statutory income tax rate of 28 %	-40 210	24 744
Non-deductible expenses	-31	-174
Income tax expense /-benefit	-40 241	24 570

Tax effect charged to equity is as follows:

Tax effect of share issue costs	0	-3 910
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Deferred income tax at December 31 relates to the following:

Deferred tax assets

Accelerated depreciation for tax purposes	12	0
Accrued liabilities, other provisions	13 199	12 137
Investments	0	1 622
Tax losses carried forward	0	22 430
Deferred tax assets	13 211	36 189

Deferred tax liabilities

Accelerated depreciation for tax purposes	0	-35
Other temporary differences	-5 056	0
Deferred tax liabilities	-5 056	-35

Net deferred income tax asset	8 155	36 154
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Deferred tax cost

Deferred tax opening balance	36 154	7 674
Deferred tax recorded directly to balance sheet	0	3 910

Deferred tax ending balance	8 155	36 154
Deferred tax cost	-27 998	24 570

Notes Awilco Offshore parent company

Note 12. Cash and cash equivalents

The company's cash and cash equivalents are denominated in the following currencies as of December 31:

in NOK thousands	2007	2006
US Dollar	78 545	83 860
Norwegian kroner	11 852	6 276
Total cash and cash equivalents	90 398	90 135
Restricted bank deposits (tax withheld from employees)	4 455	4 078

Cash deposited in banks earns interest at floating rates based on daily bank deposit rates. As of December 31, 2007, the Company has unused credit facilities of NOK 511.3 million.

Note 13. Interest-bearing loans and borrowings

in NOK thousand, unless otherwise indicated	Effective interest rate %	2007	2006
Current			
Current portion of long-term debt		-	-
Total current		-	-
Non-current			
Bank borrowing	LIBOR + 1.25 %	3 902 898	-
Senior unsecured bond notes (USD)	9.75 %	518 831	614 042
Senior unsecured bond notes (NOK)	NIBOR + 2.25 %	500 000	-
Total non-current		4 921 729	614 042
Security			
Shares in subsidiaries pledged		304 967	-
Assignments of loans to group companies		1 986 878	-
Total		2 291 845	-
Maturity non-current borrowings			
Later than one year and not later than four years		4 921 729	614 042
Five years and later		-	-
Total		4 921 729	614 042

Bank borrowing

In July 2007 the Company entered into a revolving and term loan facility with a syndicate of financial institutions with Nordea Bank Norge ASA as lead arranger and agent. These borrowings are secured by share pledges by the company and its subsidiaries, assignment of loans to group companies, mortgages on the subsidiaries accommodation and drilling rigs and assignment of construction contracts.

Notes Awilco Offshore parent company

Senior unsecured bond notes

In February 2006, the Group issued USD 100 million bond notes. The notes are unsecured, have a five year bullet maturity and carry a fixed coupon rate of 9.75 %. The bonds are flexible in that they (1) have no change of control provisions; and (2) allow for a possible demerger of the Group in connection with possible future corporate transactions, which is pre-approved by the bond holders.

Senior unsecured bond notes

In July 2007, the Group issued NOK 500 million bond notes. The notes are unsecured, have three year bullet maturity and a coupon rate of 3 month NIBOR plus 2.25 % margin p.a.

Covenants

The main covenants related to the Company's loans and credit facilities are related to the following ratios:

- Minimum working capital (as measured by current assets less current liabilities)
- Minimum cash
- Minimum interest coverage ratio
- Market adjusted equity ratio
- Maximum total debt/ total value adjusted assets ratio

Covenants also include certain restrictions on disposal of assets and distributions to shareholders.

The Group was in compliance with the loan covenants as per year end 2007.

Note 14. Other current liabilities

in NOK thousands	2007	2006
Accrued holiday pay, bonus, social security taxes and withheld taxes from employees	7 986	7 479
Accrued interest	104 667	50 823
Other accrued expenses	2 017	8 967
Total	114 670	67 269

Notes Awilco Offshore parent company

Note 15. Shares and shareholders

The Company's 20 largest shareholders at December 31, 2007:

	Shares	Ownership
Awilco AS	56 625 630	37.90 %
UBS AG, London branch	10 266 400	6.87 %
Folketrygdfondet	7 302 300	4.89 %
Lehman Brothers Inc	5 148 947	3.45 %
Deutsche Bank (Suisse) S.A.	4 689 761	3.14 %
Aweco Holding AS	3 300 000	2.21 %
Pictet & Cie Banquiers	3 026 066	2.03 %
Verdipapirfond Odin Norden	2 007 387	1.34 %
Orkla ASA	2 000 000	1.34 %
SIS Segaintersettle AG	1 157 448	0.77 %
Euroclear Bank S.A./N.V. ('BA')	1 154 124	0.77 %
Nordea Securities AB	1 149 000	0.77 %
Watrium AS	1 100 000	0.74 %
Morgan Stanley & Co Inc	1 098 068	0.73 %
Verdipapirfondet KLP Aksjenorge	985 000	0.66 %
Pensjonskassen StatoilHydro	976 200	0.65 %
Clearstream Banking S.A.	964 710	0.65 %
Miami AS	950 000	0.64 %
ODIN Offshore	850 000	0.57 %
Vital Forsikring ASA	842 692	0.56 %
Total 20 largest shareholders	105 593 733	70.67 %
Other shareholders	43 821 754	29.33 %
Total number of shares ⁽¹⁾	149 415 487	100.00 %

Awilco AS and Aweco Holding AS are associated companies and together hold 40.11 % of the Company.

Shares owned by board members and senior management as of December 31, 2007:

	Number of Shares
Sigurd E Thorvildsen, Chairman of the Board	-
Arne Alexander Wilhelmsen, Director ⁽²⁾	3 300 000
Heidi M Petersen, Director	-
Marianne H. Blystad, Director	-
Tor Bergstrøm, Director	-
Henrik Fougner, CEO	5 000

(1) Includes an issuance of 663 314 shares in February 2007.

(2) Equals the shareholding for Aweco Holding AS, a holding company controlling approximately 60.6 % of the main shareholder Awilco AS. Mr. Arne Alexander Wilhelmsen owns 32.9 % of Aweco Holding AS.

Note 16. Issued capital and reserves

in NOK thousands, unless otherwise indicated

Issued capital	Number of shares	Share capital	Share premium reserve	Other equity	Total
Balance at December 31, 2005	130 277 880	1 302 779	524 962	533 418	2 361 159
Share issue, April 2006	9 500 000	95 000	437 000		532 000
Share issue, November 2006	8 974 293	89 743	448 715		538 458
Share issue costs (net of tax effect)			-10 055		-10 055
Net profit				-63 801	-63 801
Balance at December 31, 2006	148 752 173	1 487 522	1 400 622	469 617	3 357 760
Share issue, January 2007	663 314	6 633	35 819	0	42 452
Net profit		0	0	103 365	103 365
Balance at December 31, 2007	149 415 487	1 494 155	1 436 441	572 982	3 503 578

All issued shares have a par value of NOK 10 and are of equal rights.

Note 17. Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on the convertible non-cumulative redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The company has no dilutive potential ordinary shares. Therefore, diluted earnings per share is the same as basic earnings per share.

in NOK thousands, unless otherwise indicated	2007	2006
Net profit /-loss attributable to equity holders of the parent	103 365	-63 801
Number of shares outstanding	149 415 487	148 752 173
Weighted average number of ordinary shares outstanding	149 400 949	134 370 096
Basic and diluted earnings per share	0.69	-0.47

Notes Awilco Offshore parent company

Note 18. Related party disclosures

In the normal course of its business, the company enters into a number of transactions with related parties. The company purchases certain administrative and management services (as such, budgeting, reporting, accounting, legal, etc.) from AWILHELMTSEN, which is a major shareholder through its wholly owned subsidiary Awilco AS.

All transactions with related parties have been made on an arms length basis, and are settled on a regular basis. The table below provides the total amount of transactions, which have been entered into with related parties for the relevant financial year. Sales and purchase from related parties relates to services rendered under the above mentioned management agreements.

Interest is calculated on inter-company loans based on market interest rates. Terms for repayment of the loans have not been negotiated.

in NOK thousand, unless otherwise indicated	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts to related parties
Subsidiaries	2007	8 928	-	7 107 687	732 874
<i>Entity with significant influence over the Group:</i>					
AWILHELMTSEN (including Awilco AS)	2007	488	8 600	-	14 516
<i>Joint venture:</i>					
Premium Drilling AS	2007	-	-	21 590	-
Subsidiaries	2006	8 934	-	2 397 527	343 767
<i>Entity with significant influence over the Group:</i>					
AWILHELMTSEN (including Awilco AS)	2006	1 218	9 290	57	36 293
<i>Joint venture:</i>					
Premium Drilling AS	2006	-	-	1 083	-

Entity with significant influence over the Group:

Awilco AS, a wholly owned subsidiary in AWILHELMTSEN, owns 37.9 % of the shares in Awilco Offshore ASA as of December 31, 2007.

Joint venture:

Awilco Offshore has a 50 % interest in Premium Drilling AS.

Parent company guarantees

The Company has issued a parent company guarantee for its subsidiary's payment obligations in connection with the construction of drilling rig WillInnovator. The company has also issued parent company performance guarantees in connection with the charter agreements for the drilling rigs WilPower, WillInnovator (charter not yet commenced) and WilPioneer (charter not yet commenced).

Notes Awilco Offshore parent company

in NOK thousands

Compensation to senior management and the board of directors

	2007	2006
Remuneration to the board of directors:		
Sigurd E. Thorvildsen (Chairman of the Board)	800	-
Other board members	1 200	400
Total	2 000	400
Remuneration to the CEO, Henrik Fougner:		
Salary	2 275	1 536
Bonus	2 800	2 000
Other salary related expenses	27	195
Share-based payment	1 084	8 747
Pension premium expense	133	359
Total	6 319	12 837

The company has not issued any loans or security for loans to board members or executive employees. Bonuses to the CEO are based on an annual evaluation performed by the Board.

The CEO has no contractual right to termination payments on voluntary termination of employment. In the case of forced termination, the CEO is entitled to a maximum of 12 months of salary.

During 2007, the CEO was awarded 300,000 share appreciation rights. See note 4 for further details regarding the share incentive plan. As of December 31, 2007, none of the share appreciation rights have been exercised. Total share appreciation rights awarded to the CEO as of December 31, 2007, are as follows:

CEO, Henrik Fougner Grant date	Share appreciation rights	Vesting date
February 1, 2005	75 000	February 1, 2006 ⁽¹⁾
February 1, 2005	75 000	February 1, 2007 ⁽¹⁾
February 1, 2005	75 000	February 1, 2008 ⁽¹⁾
February 1, 2005	75 000	February 1, 2009 ⁽¹⁾
December 21, 2007	75 000	July 1, 2008 ⁽²⁾
December 21, 2007	75 000	December 31, 2008 ⁽²⁾
December 21, 2007	75 000	October 31, 2009 ⁽²⁾
December 21, 2007	75 000	February 1, 2011 ⁽²⁾
	600 000	

(1) Exercise period is from February 1, 2009 to February 1, 2010.

(2) Exercise period is from February 1, 2011 to February 1, 2012.

Notes Awilco Offshore parent company

Note 19. Financial risk management objectives and policies

Risk Management Overview

The Company is exposed to a number of different financial market risks arising from our normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities or future cash flows.

To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks. Once risks are identified, appropriate action is taken to mitigate the specific risk. The primary strategy used to reduce our financial risk is the use of derivatives, where appropriate. Derivatives are used periodically in order to minimize the company's various net exposures, as well as minimizing specific exposures. Only well-understood, conventional derivatives instruments are used.

It is the management's policy to enter into derivative financial instruments with only highly rated financial institutions. Derivatives are only used for the purpose of managing risk associated with currencies and interest rates. The company does not trade or use instruments with the sole objective of obtaining financial gain on fluctuations in currencies or interest rates.

Currency Risk

The Company is exposed to currency risk at the reporting currency is NOK, while the groups reporting currency is U.S. dollar, and through a number of financial market risk arising from The Groups normal business activities.

In addition, the company has NOK 500 million in senior unsecured bonds.

Changes in the value of the U.S. Dollar relative to these currencies could expose the Company / Group to currency risk. To minimize the impact of foreign exchange movements on the company and Group's results, the company periodically enters into forward contracts for USD/NOK and USD/EUR to minimize the currency risks associated with certain firm commitments and/or forecasted exposures.

As of December 31, 2007, the Group had 8 drilling rigs under construction with options to build further two rigs. A drilling package for one of the rig options was also under construction. Approximately 77 % of the estimated committed investments at December 31, 2007 were in USD, 18 % were in NOK and 6 % in EUR. Based on the Group's future committed investments in newbuildings, an immediate 5 % depreciation of the USD exchange rate versus NOK and EUR would translate into a cost increase of about USD 13 million for the remaining investments under the newbuilding program. The Group constantly monitors its foreign exchange exposure and undertakes measures to mitigate the related risk when considered necessary.

The table below shows the profit before tax sensitivity to a reasonable possible change in the USD exchange rate, with other variables held constant. Changes in the profit before tax are due to changes in the non-USD operating costs, and changes in the fair value of the monetary liabilities.

	Increase / decrease USD rate against AUD /NOK	Effect on profit before tax
2007	+/-5 %	+/- USD 8.8 mill.
2006	+/-5 %	+/- USD 6.1 mill.

Interest Rate Risk

The Company's exposure to the risk of changes in the market interest rates relates primarily to the long-term debt obligations with floating interest rates. The risk management objective for interest rate risk is to minimize the variations of cash flows arising from changes in interest rates. Depending on the developments and on analysis of the interest rate market, the company may enter into various contracts to minimize risk relating to its floating rate debt.

At December 31, 2007, approximately 66 % of the interest bearing debt was floating (2006: 32 %, 2005: 100 %). The table below shows the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's profit before tax.

	Increase / decrease in basis point on floating interest debt	Effects on profit before tax
2007	+/- 5 %	+/- USD 1.75 mill.
2006	+/- 5 %	+/- USD 0.65 mill.

Credit Risk

The Company trades only with recognized, and what is considered to be creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. The maximum exposure is the carrying amount as shown in note 16. There is no other significant concentration of credit risk within the Group, except for those mentioned below.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, available-for-sale financial investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

In connection with the Group's rig building projects the group has made contractual milestone payments to the yards in accordance with the progress of the different projects. As the Group works with reputable yards, the risk for a significant default situation is considered small.

Liquidity Risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of its financial assets, projected cash flows from operations and forecasted investments in newbuildings.

The liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the company maintains sufficient cash for its daily operation via cash deposits and unutilized portions of revolving credit facilities with financial institutions.

Notes Awilco Offshore parent company

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Financial Instruments

Fair value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair value of the company's financial instruments that are included in the financial statements. The following estimated fair value amounts of the company's financial instruments have been determined by the company, using appropriate market information and valuation methodologies. The carrying amount of cash and cash equivalents and loans payable to banks are a reasonable estimate of their fair value. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

in USD thousands	Notes	31.12.2007		31.12.2006		31.12.2005	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets							
Bank deposits	15	35 372	35 372	67 741	67 741	35 753	35 753
Available-for-sale financial assets	10	39 456	39 456	40 381	40 381	39 252	39 252
Derivate financial instruments	21	3 441	3 441				
Loan Pledge (non-current)			17 170	17 170	22 894	22 894	
Loan Pledge (current)				5 723	5 723	5 723	5 723
Financial Liabilities							
Current interest bearing liabilities	17	5 723	5 723				
<i>Non-current interest bearing loans:</i>							
Bank Borrowing No.1	17					52 920	52 920
Bank Borrowing No. 2	17	719 548	719 548	246 017	246 017	59 235	59 235
Senior unsecured USD bond	17	98 571	100 000	98 167	100 000		
Senior security priority bond	17	199 924	204 000	199 975	205 000		
Ekspert Finans	17	17 170	17 170	22 894	22 894		
Senior unsecured NOK bond	17	91 459	90 544				
Derivative financial instruments	21	104	104				

Note 20. Events after the balance sheet date

In January 2008, 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 2008, WilForce received a Notice of Tender Award from Repsol Exploration Murzuq S.A. for an estimated 5 month drilling program offshore Libya. Expected start-up of this program is 3Q 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. The rig commenced on its 6 month contract with Premier Oil Vietnam Offshore BV offshore Vietnam early March 2008.

In March 2008, Awilco Offshore took delivery of its fifth high specification jack-up drilling rig, WilForce. The rig was delivered from PPL Shipyard in Singapore and is expected to start on its work with Respol offshore Libya during 3Q 2008.

Auditor's Report



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To the Annual Shareholders' Meeting of
Awilco Offshore ASA

Auditor's report for 2007

We have audited the annual financial statements of Awilco Offshore ASA as of 31 December 2007, showing a profit of TNOK 103 365 for the Parent Company and a profit of TUSD 26 178 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 18 April 2008
ERNST & YOUNG AS

Sondre Kvaalen
State Authorised Public Accountant (Norway)
(sign)
Note: The translation to English has been prepared for information purposes only.

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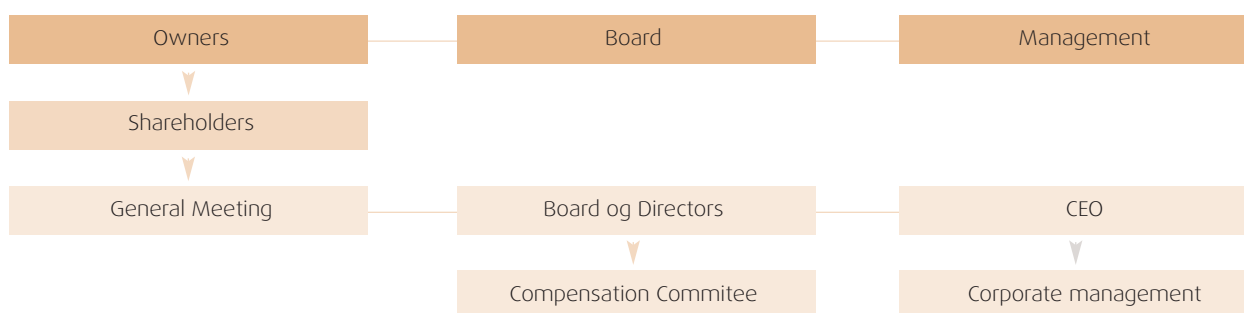
Corporate Governance

in Awilco Offshore

Corporate Governance in Awilco Offshore

Awilco Offshore ASA was incorporated under the laws of Norway in January 2005. The Company is organized on a clear and simple model in order to achieve the highest possible efficiency, a clear division of responsibility and the benefits of measurable corporate synergies within its organization and business areas.

The Board of Directors of Awilco Offshore manages business risks by fostering proper controls, though without discouraging innovation and entrepreneurship.



As a listed company on the Oslo Stock Exchange the Company is subject to Norwegian securities legislation and stock exchange regulations. The board of Awilco Offshore has decided to provide its statements on the company's corporate governance practice benchmarked against the Norwegian Code of Practice for Corporate Governance, dated December 7, 2004 and latest revised on November 28, 2006.

The Norwegian Code of Practice is based on company-, accounting-, stock exchange- and securities legislation in Norway. However, the Code of Practice includes provisions and guidance that in part elaborate on existing legislation and in part cover areas that are not addressed by legislation. As a result, the adherence to the Code of Practice is based on the "comply or explain" principle whereby companies are expected to either comply with the Code of Practice or explain the history or rationale of existing structures.

Articles of association for Awilco Offshore ASA

§1 Company

The name of the Company is Awilco Offshore ASA. The Company is a public limited-liability company.

§2 Registered offices

The Company's registered offices are in the municipality of Oslo.

§3 Activities

The activities of the Company are to run offshore operations and associated business, including shipping. The objectives also include undertaking acquisition, administration and sale of capital assets within offshore and shipping, as well as investment in shares, bonds and partnership contributions of any nature, and participating with ownership interests in other companies as well as naturally associated operations.

§4 Share capital

The Company's share capital is NOK 1 494 154 870 divided into 149 415 487 shares, each with a nominal value of NOK 10.

§5 Management

The Company's Board of Directors comprises 3-6 directors in accordance with the general meeting's further resolution. The Chairman of the Board signs for the Company. The Board of Directors may grant powers of procurator. The Company shall have a chief executive officer.

§6 General meeting

The annual meeting shall consider:

1. Approval of the financial statements for the year and the annual report, including distribution of a dividend.
2. Other matters that according to law or to the Articles of Association are appropriate to the general meeting.

Corporate Governance in Awilco Offshore

The Norwegian Recommendation

The following is a discussion on how Awilco Offshore adheres to each section of the Code of Practice. Any departures from the recommendations have been commented.

1. Implementation and reporting on corporate governance

The board of directors must ensure that the company implements sound corporate governance. The board of directors must provide a report on the company's corporate governance in the annual report. If the company does not fully comply with this Code of Practice, this must be explained in the report. The board of directors should define the company's basic corporate values and formulate ethical guidelines in accordance with these values.

Implementation of corporate governance

The Board has adopted instructions for the board itself and the CEO.

The board of Awilco Offshore has further committed itself to comment on the compliance and deviations from the recommendation annually, and to make the comments available to all shareholders. This document will be made available to all shareholders on the company's web site www.awo.no and in the annual report 2007.

Basic corporate values

The company's strategy is to develop into an international drilling contractor providing added value to shareholders through sound and safe operations. We believe that some basic values are needed to succeed with this strategy. Some of these are to give employees the chance to stay innovative and encourage entrepreneurship in a fast growing company. It is also to enable a culture where the people's safety and care of the environment are in the center. We therefore work hard and focus on making sure these values are practiced in the Company's everyday life.

Departures from the recommendation: None

2. Business

The company's business should be clearly defined in its articles of association. The company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association. The annual report should include the business activities clause from the articles of association and describe the company's objectives and principal strategies.

The definition of the company's activities appear in § 3 of the Articles of Associations, which can be found on the company's web site or in the annual report.

Awilco Offshore's main objective is clearly communicated through its presentations, web site, financial reports and through releases on Oslo Børs NewsWeb.

Departures from the recommendation: None

3. Equity and dividends

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed. Mandates granted to the board of directors to increase the company's share capital should be restricted to defined purposes and should be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the board for the company to purchase its own shares.

Corporate Governance in Awilco Offshore

Equity

At December 31, 2007, consolidated book equity came to MUSD 496.3, accounting for 28 % of total recorded assets. Financing is secured for all current rigs under construction through a combination of internal funds, cash flow from existing contracts and debt financing.

Dividend policy

The annual general meeting stipulates the dividend based on the Board's recommendation. Awilco Offshore has a large ongoing newbuilding program which is reflected in its expected capital expenditures. The current financing arrangements of this newbuilding program include limitation of dividend payments. It is however envisaged that the dividend policy will be reconsidered when the rigs are delivered and start generating revenue. The dividend payment will then be considered in light of the Company's financial position, its debt covenants, and capital requirements for additional investment.

Share capital increases

The board has regularly proposed share issue authorizations to be granted by the general assembly. This has been crucial to grow Awilco Offshore in an efficient way. However, limitations have been made on the authorization and it has never been in force for more than a year (until the next annual general meeting).

The annual general meeting on May 22, 2007, authorized the Board to undertake the issuance of possible NOK 747 077 435, which amounted to 50 % of the share capital at the date. The authorization is in force until the next annual general meeting in 2008 or latest until June 30, 2008. The Board will propose a new authorization to be issued on the next annual general meeting.

Purchase of treasury shares

The Board is currently not authorized to purchase shares in the market.

Departures from the recommendation:

The authorization given to undertake share capital increases has not been restricted to defined purposes, due to the scope of the company's business. The company believes that further consolidation of the oil service industry will take place and the company intends to take part in this consolidation process.

4. Equal treatment of shareholders and transactions with close associates

The company should only have one class of shares. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified. Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders. In the event of any not immaterial transactions between the company and shareholders, members of the board of directors, members of the executive management or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This also applies to transactions between companies in the same group where any of the companies involved have minority shareholders. The company should operate guidelines to ensure that members of the board of directors and the executive management notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

Class of shares

All issued shares of Awilco Offshore are vested with equal shareholder rights in all respect. In line with the Public Companies Act and the company's Articles of Association there is only one class of shares. The Articles of Association place no restrictions on voting rights.

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Transactions with close associates

At the establishment in 2005, Awilco Offshore entered into a management agreement with AWILHELMSSEN Management AS. AWILHELMSSEN Management AS is a group company in AWILHELMSSEN and relates to Awilco AS, which holds approximately 38 % of the shares in Awilco Offshore (and 40 % including group associated companies). In accordance with the agreement, AWILHELMSSEN Management AS has a minor part of the general administrative follow up of the company. The management fee is on market terms, for more information please see note 26 in the annual accounts.

In 2007, there were no other transactions between the company and shareholders, directors, executives, or those close to them, which might be described as significant transactions.

The management of Awilco Offshore has requested and emphasized the importance of each person's responsibility to notify if and when they have any direct or indirect interest in any business the company is involved in.

Departures from the recommendation: The pre-emption right to subscribe in share issues for existing shareholders was waived in the 2005 general annual meeting. Generally share capital issues have been used as considerations in the company's financial and industrial investments.

5. Freely negotiable shares

Shares in listed companies must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

The shares of Awilco Offshore are freely negotiable.

Departures from the recommendation: None

6. General meetings

The board of directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board. Such steps should include:

- *sending shareholders the supporting information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, no later than two weeks prior to the date of the general meeting*
- *ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting*
- *setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible*
- *ensuring that shareholders who cannot attend the meeting in person can vote by proxy*
- *ensuring that the members of the board of directors and the nomination committee and the auditor are present at the general meeting*
- *making arrangements to ensure an independent chairman for the general meeting*

Participation

All shareholders of Awilco Offshore are guaranteed participation on the annual general meeting, and it is the annual general meeting which approves the Articles of Association and any changes hereto. The annual general meeting is if possible held in May each year, but latest June 30. Notification for annual general meetings is sent out at least two weeks in advance. The deadline for registration is normally set four days before the meeting, to

assure that shareholders have as much time as possible to register. If the shareholder cannot attend the meeting in person it is possible to vote through a proxy.

The annual general meeting in 2007 was held on May 22. A total of 43.4 % of the aggregate share capital was represented. The 2008 meeting is scheduled for May 29.

Departures from the recommendation:

Sigurd E. Thorvildsen, the Chairman of the Board, was the chairman of the annual general meeting in 2007. This was announced in the notice given to shareholders about the annual general meeting on May 8, 2007 and unanimously approved by the meeting attendees on May 22, 2007.

7. Nomination committee

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration. The nomination committee should be laid down in the company's articles of association. The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive management. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the board. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election. The nomination committee should not include the company's chief executive or any other member of the company's executive management. The nomination committee's duties are to propose candidates for election to the corporate assembly and the board of directors and to propose the fees to be paid to members of these bodies. The nomination committee should justify its recommendations. The company should provide information on the membership of the committee and any deadlines for submitting proposals to the committee.

Departures from the recommendation:

Awilco Offshore has not established a nomination committee, as the Articles of Association does not include such a requirement. As the company was established in 2005, the responsibility has so far been handled by the Board itself and the management of the company. However, the Board has carefully discussed the issue and will consider introducing a nomination committee in the future.

8. Corporate assembly and board of directors: composition and independence

The composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the company's shareholders. The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body. The composition of the board of directors should ensure that it can operate independently of any special interests. At least half of the shareholder-elected members of the board should be independent of the company's executive management and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s). The board of directors should not include representatives of the company's executive management. If the board does include members of the executive management, the company should provide an explanation for this and implement consequential adjustments to the organization of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9. The chairman of the board of directors should be elected by the general meeting so long as the Public Companies Act does not require that the

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chairman shall be appointed either by the corporate assembly or by the board of directors as a consequence of an agreement that the company shall not have a corporate assembly. The term of office for members of the board of directors should not be longer than two years at a time. The annual report should provide information to illustrate the expertise and capacity of the members of the board of directors and identify which members are considered to be independent. Members of the board of directors should be encouraged to own shares in the company.

The Board comprises 3-6 directors in accordance with the Articles of Association, and currently it consists of the following five members: Sigurd E. Thorvildsen (chairman), Heidi M. Petersen, Marianne H. Blystad, Arne Alexander Wilhelmsen and Tor Bergstrøm.

A decision on the compositions of the Board requires a simple majority. Awilco AS and related companies own approximately 40 % of the company, and is therefore not in the position to control the election of the company's directors.

The Board comprises two external members independent from the main shareholder, however all board members are viewed as independent from the company's executive management and main business connections.

Directors are elected for one year at a time and can be re-elected. The last change to the Board was made at the annual general meeting in 2007 when Heidi M. Petersen replaced Jarle Roth.

Awilco Offshore has less than 200 employees and has therefore not established a corporate assembly.

Departures from the recommendation: None

9. The work of the board of directors

The board of directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. A deputy chairman should be elected for the purpose of chairing the board in the event that the chairman cannot or should not lead the work of the board. The board of directors should consider appointing board committees in order to help ensure thorough and independent preparation of matters relating to financial reporting and compensation paid to the members of the executive management. Membership of such committees should be restricted to members of the board who are independent of the company's executive management. The board of directors should provide details in the annual report of any board committees appointed. The board of directors should evaluate its performance and expertise annually.

Awilco Offshore had 19 board meetings, including telephone conferences, in 2007. The cooperation between the Board and the corporate management is considered good. The Board receives financial forecasts on every ordinary Board meeting.

The Board has adopted instructions for its own work and for the work of the managing director.

A compensation committee has existed since 2006 to safeguard matters as compensation for the managing director and the senior management. The Board of the operational management company, Premium Drilling, has established its own compensation committee.

Departures from the recommendation:

Awilco Offshore's board does not have a formally elected deputy chairman. In case of the chairman being absent one of the other board members is appointed to lead the meeting.

10. Risk management and internal control

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values and ethical guidelines. The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements. The board of directors should provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

The Board has identified and stated the various risks of Awilco Offshore in the Board of directors' report. These risks are managed through control systems which carefully handle the supervision of the construction processes, the safety reporting systems at yard and through Premium Drilling for rigs in operation, continuous cost monitoring etc. The internal control procedures are safeguarded through regular reporting and monitoring.

The Board receives updated cash flow statements in every ordinary board meeting, and has close follow-up discussions with the management between the meetings as needed. The Board can raise questions with regard to financial reporting in the annual meeting with the auditor. The audit plan is reviewed and the board goes through financial control procedures without management present.

Departures from the recommendation: None**11. Remuneration of the board of directors**

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities. The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board. Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board. The annual report should provide information on all remuneration paid to each member of the board of directors. Any remuneration in addition to normal directors' fees should be specifically identified.

None of the board members have other assignments in Awilco Offshore except for the position as being a board member. The general meeting approves the remuneration paid to the members of the Board of directors annually. None of the board members have participated in any of the company's share incentive programs, and the role of the board is therefore considered as independent. Remuneration to the Board is appropriately described in the annual accounts, please see note 26.

Departures from the recommendation: None**12. Remuneration of the executive management**

The board of directors should establish guidelines for the remuneration of the members of the executive management. These guidelines should be communicated to the general meeting for information annually. The salary and other remuneration of the chief executive should be decided by a convened meeting of the board of directors. Share option schemes and arrangements to award shares to employees should be approved in advance by the general

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meeting. Proposals on share option schemes should include details of the allocation criteria, the actual value of the option schemes, the accounting consequences for the company and the potential share dilution. The annual report should provide information on the guidelines for the remuneration of the members of the executive management. This should also apply to information on all elements of the remuneration of the chief executive and each member of the executive management.

The Board of directors have prepared a statement regarding the Managing Director's salary and other benefits together with guidelines for the company's policy regarding benefits to key employees. The remuneration of the key employees is based on a base salary, a bonus payment and the use of synthetic stock option schemes. The annual report provides detailed information on the company's remuneration and synthetic stock option schemes. The scheme has been designed to promote value creation and is a more shareholder friendly alternative to the issuance of stock options.

Departures from the recommendation: None

13. Information and communications

The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc. All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders. The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings.

Awilco Offshore has established guidelines for its investor relations politics. The Company publishes each year a Financial Calendar for its financial activities, and the calendar for 2008 was published in an announcement on Oslo Børs newsweb in December 2007. The calendar can also be found on the company's web site. When issuing press releases Awilco Offshore simultaneously publishes them on its web site. Company results and presentations are also published on the company's web site as soon as possible after their release.

Departures from the recommendation: None

14. Take-overs

The board of directors should establish guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the board of directors and management of both the party making the offer and the target company have an independent responsibility to help ensure that shareholders in the target company are treated equally, and that the target company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The board of directors should not seek to hinder or obstruct take-over bids for the company's activities or shares unless there are particular reasons for this. In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for a company's shares, the company's board of directors should issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The board's statement on a bid should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on

which specific members of the board have excluded themselves from the board's statement. The board should consider whether to arrange a valuation from an independent expert. If any member of the board or executive management, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the board should arrange an independent valuation in any case. This shall also apply if the bidder is a major shareholder. Any such valuation should be either appended to the board's statement, be reproduced in the statement or be referred to in the statement. Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

The company's Articles of Association includes no defense mechanisms against take-over bids. The guiding principles of the Board of directors in a take-over situation will be to seek to secure the best value for and the equal treatment of all shareholders. The Board of directors recognizes that the decision whether to accept or reject an offer lies with the shareholders, and will refrain from any actions which may deny the shareholders this choice. The Board of directors will seek to provide the shareholders with a recommendation as to whether shareholders should or should not accept the offer. This includes seeking external advice on valuation when appropriate.

Departures from the recommendation: None

15. Auditor

The auditor should submit the main features of the plan for the audit of the company to the board of directors annually. The auditor should participate in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company. The auditor should at least once a year present to the board of directors a review of the company's internal control procedures, including identified weaknesses and proposals for improvement. The board of directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present. The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit. The board should receive annual written confirmation from the auditor that the auditor continues to satisfy the requirements for independence. In addition, the auditor should provide the board with a summary of all services in addition to audit work that have been undertaken for the company. The board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

The auditor is present during the board meeting that deals with the annual accounts. Internal control procedures are made available to the Board upon request.

The Auditor has submitted a written statement on fulfillment of the Statutory Audit Independence and Objectivity requirement, cf. Auditing and Auditors Act. In connection with share capital increases (other than cash contribution), an independent auditor is always employed.

The Board has annually a meeting with the auditor at which neither the chief executive nor any other member from the management is present.

Departures from the recommendation: None

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