

SECOND QUARTER 2008



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

UPDATE

- In July China Oilfield Services Limited (COSL) announced that it had reached an agreement with Awilco Offshore ASA to launch a recommended voluntary cash tender offer at NOK 85 per share for 100% of the shares of AWO. On 15 August the acceptance period for the offer expired and COSL had reached an acceptance level of 98.8 % of the total number of shares. COSL will hold its extraordinary general meeting on 26 August and will thereafter file for the last approval necessary to meet all conditions in the offer from the China Securities Regulatory Commission. COSL expects the transaction to be completed by late September/ early October.
- In August Awilco Offshore, through Premium Drilling, received a Letter of Intent for the jack-up drilling rig WilForce. The firm period of the work is estimated to 180 days with a contract value of about USD 36.5 mill. Operation is offshore Libya and is scheduled to commence in direct continuation of the rig's present commitment with Repsol Exploration Murzuq S.A, also offshore Libya. The firm part of these programs is expected to employ WilForce until July 2009.
- In August Awilco Offshore, through Premium Drilling, received a Letter of Intent for the jack-up drilling rig WilCraft offshore Indonesia. The firm period of the program is estimated to 90 days with a contract value of approximately USD 17.5 mill. Operation of this program will start when the rig has finished its current program of 17 wells with Peak Group Asia Pacific Pty Ltd offshore Australia. The firm part of these programs is expected to employ WilCraft through to January/February 2009.
- In June it was announced that on completion of the present program with Premier in Vietnam, WilBoss will be assigned for 2 firm plus 2 optional wells to Nido Petroleum Philippines Pty Ltd. The firm period of the contract is expected to employ WilBoss through to December 2008.
- In June Awilco Offshore ASA reached an agreement with ConocoPhillips Skandinavia to extend the contracts for the accommodation units Port Rigmar and Port Reval for an accumulated period of approximately five years. The gross contract value is approximately USD 375 million. The firm period of the contract employs Port Rigmar until October 2012 and Port Reval until July 2011.

RESULTS

Main Figures Second Quarter 2008

At the end of June 2008 Awilco Offshore had 6 rigs in operation and 1 under mobilization. By 2010, when the current building program is completed, 13 units will be in operation.

Revenue

Total revenues for the quarter were MUSD 105.3. Operating revenues, excluding reimbursable revenues and other income were MUSD 99.6 of which MUSD 77.4 was related to the jack-up drilling rigs and MUSD 22.2 was related to accommodation units. This is an increase of MUSD 19.9 compared to Q1 2008, which relates to WilBoss receiving dayrate through the whole quarter and WilForce being on mobilization rate since mid-May.

Operating expenses

Rig operating expenses in the quarter were MUSD 35.3. MUSD 23.7 was related to the jack-up drilling rigs, MUSD 10.3 was related to the accommodation units and MUSD 1.3 was pre-operational cost for the semi submersible rigs. Rig operating cost for the jack-up drilling rigs includes MUSD 2.9 in management fees to Premium Drilling and MUSD 1.7 in other build-up cost.

Rig operating cost for the accommodation units includes MUSD 0.5 in project cost for Port Rigmar which is paid by ConocoPhillips.

Compared to Q1 2008, rig operating cost increased with MUSD 6.2. The major part of this relates to operating cost from WilBoss and WilForce.

Total administrative expenses in the quarter amounted to MUSD 13.3 including share-based payments of MUSD 8.5. Adjusted for share-based payments, total administrative expenses during the quarter were at the same level as the previous quarter.

EBITDA and net results

Operating profit before depreciation and amortization (EBITDA) was MUSD 50.6 in Q2 2008. EBITDA excluding non-cash elements (share-based payments and joint venture result) was MUSD 60.5.

Net financial items show an expense of MUSD 5.4 in the quarter.

Profit before tax was MUSD 34.9 and net profit was MUSD 25.8. Earnings per share was USD 0.17.

Balance Sheet

As of 30 June 2008, total assets were MUSD 2,083.

Awilco Offshore had MUSD 31.0 in cash and cash equivalents at the end of the second quarter.

Interest-bearing debt at the end of the quarter was MUSD 1,417, of which MUSD 398 was related to three outstanding bonds and the remaining part was related to bank debt. The Company's outstanding bond debt consists of a MUSD 200 bond which is secured against the two first semis and two unsecured corporate bonds; one MUSD 100 bond and one MNOK 500 bond.

During the second quarter MUSD 46.5 was invested in the jack-ups under construction and MUSD 66.8 in the semi submersible rigs under construction. Investment in the accommodation rigs in the quarter was MUSD 3.7.

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

SEGMENTS

Jack-up drilling rigs

As of 30 June, three jack-up drilling rigs were under construction. The rigs are being built in Singapore at PPL Shipyard and Keppel FELS. The construction of the rigs is progressing well, and is based upon fixed-price contracts. The next jack-up rig to be delivered is WilSeeker from PPL and the scheduled delivery is September 2008. The last two jack-up rigs to be delivered, WilStrike and WilConfidence, are both scheduled for delivery in Q2 2009 from Keppel and PPL respectively.

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

Table 1a

Name	Yard	W. depth	D. depth	Scheduled delivery	Estimated delivery cost	Next milestone
<u>Contracted rigs</u>						
WilPower	PPL	375ft	30,000ft	DELIVERED		
WilCraft	Keppel	400ft	30,000ft	DELIVERED		
WilSuperior	PPL	375ft	30,000ft	DELIVERED		
WilBoss	Keppel	400ft	30,000ft	DELIVERED		
WilForce	PPL	375ft	30,000ft	DELIVERED		
WilSeeker	PPL	375ft	30,000ft	Q308	USD 143m	Delivery, Q308
WilStrike	Keppel	400ft	30,000ft	Q209	USD 163m	Delivery, Q209
WilConfidence	PPL	375ft	30,000ft.	Q209	USD 149m	Legs erection, Q408

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

WilCraft is operating for Peak Group Asia Pacific offshore Western Australia and is now drilling its 14th well. The Operator has recently extended the contract by a further well keeping WilCraft employed through to October/November. A Letter of Intent was received in August from an International Operator, for a drilling program of three firm wells plus three optional wells for WilCraft offshore Indonesia. The firm period of the work is estimated to 90 days and the estimated value for this period is approximately USD 17.5 mill. Operation is scheduled to commence in October or November, in direct continuation of the rig's present commitment with Peak Group. The firm part of these programs is expected to employ WilCraft through to January/February 2009.

WilSuperior commenced its operations for Thang Long Joint Operating Company in September 2007 and is presently drilling a well for Troung Son Joint Operating Company. The rig is operating offshore Vietnam and the present program is estimated to be completed around December 2008.

WilBoss commenced its operations early March 2008. The rig is on a 6 months contract with Premier Oil in Vietnam. On completion of present the program with Premier in Vietnam WilBoss will be assigned for 2 firm plus 2 optional wells to Nido Petroleum Philippines Pty Ltd. The firm period of the contract is expected to employ WilBoss through to December 2008.

WilForce commenced operations with Repsol Exploration Murzuq S.A offshore Libya early August, the firm period of the contract is expected to be around 5 months. WilForce also has a letter of intent for a drilling program of two firm wells plus one optional well. The firm period of this program is estimated to 180 days. The LOI and subsequent contract is subject to approval of Libya's National Oil Company. The estimated value for the firm period of the LOI is USD 36.5 mill.

Operation is scheduled to commence between mid-December 2008 and early March 2009, in direct continuation of the rig's present commitment with Repsol Exploration Murzuq S.A . The firm part of these programs is expected to employ WilForce through to July 2009.

Semi submersible drilling rigs

Three semi submersible drilling rigs are on order at Yantai Raffles Shipyard (YRS) in China. The building of the main deck for WillInnovator and WilPromoter has been outsourced by Yantai Raffles to the Dopco yard in Dalian. Awilco Offshore has a site team at both yards and they continue to work closely with the yards' teams. Currently the site teams count 72 people in total, 56 at YRS and 16 at Dopco. This number will continue to increase as the commissioning of WilPioneer progresses.

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

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

WilPioneer

All blocks for the main deck, pontoons and columns are completed and erected and the final phase of outfitting is ongoing. Equipment installation and completion of the main deck is most efficiently carried out at ground level prior to mating. The 20.000 ton Gantry crane that will be used during the mating process between the main deck and the hull has been successfully tested and is fully operational. In comparison the weight of the main deck of WilPioneer will be 12.500 tons.

The current project plan presented by Yantai Raffles to Awilco Offshore in February 2008 has a scheduled delivery end of this year. The rate of progress, as informed in connection with the first quarter results, is continuing to slip. Further compensating measures are being considered.

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

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

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

WillInnovator

The pontoons and columns are under construction at YRS, while the construction of the main deck has been outsourced by YRS to the Dopco yard in Dalian. After completion, the main deck will be transported to YRS for mating and final commissioning of the rig.

The current project plan presented by Yantai Raffles to Awilco Offshore in February 2008 had a scheduled delivery in Q2 2009. As for WilPioneer, the rate of progress is behind plan.

The NOV drilling package for WillInnovator is completed and arrived at Yantai early April where it is stored until installation on the rig.

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

WilPromoter

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

The yard's current project plan for WilPromoter has a scheduled delivery of the rig in Q4 2009. The expected delays in delivery of WilPioneer and WillInnovator will have an effect on the delivery of WilPromoter.

Option for rig no. 4

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

Option for rig no. 5

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

The estimated delivery costs for the semi submersibles in the table below include contract prices with yard and the drilling package, projects and supervision cost and finance cost during construction. The estimated delivery costs are based on delivery dates in the table below. With reference to the Q4 2007 report, estimated delivery cost is increased with MUSD 10 per quarter the construction period has been prolonged.

Table 1b

Name	Yard	W. depth	Station Keeping	Variable Deck load	Scheduled Delivery	Estimated delivery cost
<u>Contracted rigs</u>						
WilPioneer	YRS	2,500ft	D.P./Anchors	4,000 mt	Q209 ²	USD 365m
WillInnovator ¹	YRS	2,500ft	D.P./Anchors	4,000 mt	Q309 ³	USD 380m
WilPromoter ¹	YRS	2,500ft	D.P./Anchors	4,000 mt	Q110 ⁴	USD 380m
<u>Option</u>						
YRS option 4 ⁵	YRS	Decl. by	Nov. 2008			
YRS option 5	YRS	Decl. by	Dec. 2008			

1. Modification cost in connection with the StatoilHydro contracts at Troll is not included in the numbers. The cost is expected to be approximately MUSD 30 per rig and will be paid by StatoilHydro, either through an increased day rate or as a lump sum.
2. Scheduled delivery from the yard is 4Q08, but slower than planned yard progress is exposing delivery to slip to Q209.
3. Scheduled delivery from the yard is Q209, but slower than planned yard progress is exposing delivery to slip to Q309.
4. Scheduled delivery from the yard is Q409, but slower than planned yard progress is exposing delivery to slip to Q110.
5. The contract for a fourth drilling package and certain other long lead items has been signed.

Accommodation rigs

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

Port Rigmar

Port Rigmar is the only jack-up unit capable of, and approved for, working on the NCS.

Its contract with ConocoPhillips for work on the Ekofisk Field has recently been extended till October 2012. The unit has a total bed capacity of 326 whereof 194 is in single bed cabins. During 2007 the unit underwent substantial modifications and upgrading, preparing the unit for continued operations on Ekofisk. In order to better suit the client's operational requirements an inter-field move of the unit is planned for August this summer. This will have no practical impact on the unit's operation.

Port Reval

Port Reval is a moored semi submersible unit with a total bed capacity of 358, whereof the majority (262) is in single bed cabins. The unit is employed by ConocoPhillips on the Eldfisk Field NCS on a firm contract until May 2009. A new contract with ConocoPhillips has recently been agreed whereby the unit will continue its employment on the Eldfisk field in July 2009 following the regular class work planned to be undertaken in May and June 2009. The firm period of the contract employs Port Reval until July 2011.

Organization

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

At the end of second quarter, Premium Drilling had 377 employees, which is about the same as at the end of first quarter.

PROSPECTS

Jack-up

The international market for high specification jack-up drilling units is continuing to show strength; new built units entering the market are awarded attractive contracts in an active market. With the exception of the US Gulf of Mexico most jack-up markets are experiencing close to full utilization.

The demand for drilling services is strong and we expect the market for high specification jack-up units to remain strong.

Awilco Offshore's modern, safe and efficient fleet of high specification drilling jack-up rigs, together with Premium Drilling's acknowledged operational experience, means Awilco Offshore is well positioned to continue benefiting from the strength of the market.

Semi submersible

The market for semi submersible drilling rigs remains strong within all segments and all regions. An increasing number of areas are now contracting rigs for start-up in 2012 and forward. This drives the rates upwards and increases the pressure on yards, equipment suppliers, and personnel.

The mid-water segment continues to be strong on the Norwegian continental shelf with recent tendered rates fixtures above USD 500.000 /day for 3 year contracts for the mid water segment and above USD 650.000/day for the deep water segment. Recent international fixtures in the mid-water segment are strong, with rates around USD 400.000/ day for 3 year contracts.

Awilco Offshore is still the only drilling operator with a newbuilding program in the mid-water segment. Several oil companies are showing interest in the two optional rigs Awilco Offshore has at Yantai Raffles Shipyard both for work on the Norwegian continental shelf and internationally.

Accommodation

The North Sea accommodation market remains tight and operators secure capacity at record rate level. We expect additional contracts to be awarded soon, however we see delays on some major projects previously announced. As per date two units operating on the UK sector are uncommitted for the entire 2009.

Statement from the Board of Directors

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008 which has been prepared in accordance with IAS 34 – Interim Financial statements gives a true and fair view of the Company’s consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian securities trading act section 5-6 forth paragraph.

Oslo, August 21, 2008

The Board of Directors of Awilco Offshore ASA

Company background

Awilco Offshore was incorporated in January 2005. Awilco Offshore was listed on the Oslo Stock Exchange in May 2005. Awilco Offshore has offices in Norway and Singapore.

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

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

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

www.awo.no

Forward Looking Statements

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

Condensed income statement

in USD thousands, except earnings per share

	Notes	Q2 2008 (unaudited)	Q2 2007* (unaudited)	YTD Q2 2008 (unaudited)	YTD Q2 2007* (unaudited)
Contract revenue		99 646	45 069	179 340	67 455
Reimbursables		5 196	4 203	10 435	4 203
Other		506	1 751	2 975	1 751
	7	105 348	51 023	192 750	73 409
Rig operating expenses		35 316	17 300	64 428	30 601
Reimbursables		4 740	3 825	9 687	3 825
General and administrative expenses		13 300	5 734	16 850	9 354
Depreciation		10 311	4 898	18 503	9 794
Share of loss from joint venture		1 357	1 531	1 358	2 237
		65 024	33 288	110 827	55 811
Operating profit/ (loss)		40 323	17 735	81 923	17 598
Interest income		497	(1 133)	1 128	832
Interest expense		(6 249)	(3 601)	(14 357)	(9 428)
Other financial items		325	(1 429)	(5 828)	(2 129)
Net financial items		(5 426)	(6 163)	(19 058)	(10 724)
Profit before tax		34 897	11 572	62 865	6 873
Tax benefit/ (expense)		(9 073)	(3 510)	(16 345)	(2 257)
Net profit/ (loss)		25 824	8 062	46 520	4 617
Basic and diluted earnings per share		0,17	0,05	0,31	0,03

* As of January 1, 2008, management fees to Premium Drilling, other build up cost and pre operational costs for the semi submersibles are presented as part of rig operating expenses. Previously these expenses were presented as part of general and administrative expenses. The expenses have been reclassified from general and administrative expenses to rig operating expenses for Q2 2007 and YTD Q2 2007 for comparison purposes.

Condensed balance sheet

in USD thousands

	Notes	30.06.2008 (unaudited)	30.06.2007 (unaudited)	31.12.2007 (audited)
Rigs and equipment	2	1 883 282	1 209 891	1 574 395
Goodwill		-	1 877	-
Available-for-sale financial assets	4	35 411	43 567	39 456
Loan pledge		14 309	25 756	17 170
Other non-current assets		7 479	163	4 682
		<u>57 199</u>	<u>71 362</u>	<u>61 308</u>
Financial investments		5 944	-	5 931
Other current assets		105 450	71 180	75 671
Cash and cash equivalents		30 983	24 068	35 372
		<u>142 377</u>	<u>95 248</u>	<u>116 974</u>
Total assets		<u>2 082 859</u>	<u>1 376 502</u>	<u>1 752 677</u>
Paid in capital		457 419	457 419	457 419
Other equity		73 293	7 856	27 448
Revaluation reserves		7 579	15 734	11 623
Minority interests		-	-	10
		<u>538 291</u>	<u>481 009</u>	<u>496 500</u>
Deferred tax liability		33 059	29 873	30 495
Long-term interest-bearing debt		1 374 500	741 154	1 126 673
Other non-current liabilities		15 628	18 135	18 063
		<u>1 423 187</u>	<u>789 163</u>	<u>1 175 231</u>
Current portion of long-term debt		42 374	32 678	5 723
Income taxes payable		8 466	-	5 473
Other current liabilities		70 541	73 652	69 750
		<u>121 381</u>	<u>106 330</u>	<u>80 946</u>
Total equity and liabilities		<u>2 082 859</u>	<u>1 376 502</u>	<u>1 752 677</u>

Condensed cash flow statement

in USD thousands

	Q2 2008 (unaudited)	Q2 2007 (unaudited)	YTD Q2 2008 (unaudited)	YTD Q2 2007 (unaudited)
Cash flow from (used in) operating activities	31 677	56 147	44 069	(6 207)
Cash flow from (used in) investing activities	(114 107)	(185 543)	(324 555)	(218 621)
Cash flow from (used in) financing activities	<u>56 371</u>	<u>118 551</u>	<u>276 096</u>	<u>181 155</u>
Net change in cash and cash equivalents	(26 059)	(10 846)	(4 389)	(43 673)
Cash and cash equivalents at beginning of the period	<u>57 042</u>	<u>34 914</u>	<u>35 372</u>	<u>67 741</u>
Cash and cash equivalents at end of the period	<u><u>30 983</u></u>	<u><u>24 068</u></u>	<u><u>30 983</u></u>	<u><u>24 068</u></u>

Condensed statement of changes in equity

in USD thousands

	30.06.2008 (unaudited)	30.06.2007 (unaudited)	31.12.2007 (audited)
Attributable to equity holders of the parent, opening balance	496 490	466 107	466 107
Equity contributions	-	6 672	6 672
Revaluation reserve	(4 044)	3 186	(926)
Other equity / translation adjustments	(673)	430	957
Net profit (loss) during the period	46 520	4 616	26 177
Acquisition of minority interest in OFRD	<u>(2)</u>	<u>-</u>	<u>(2 496)</u>
Attributable to equity holders of the parent, ending balance	<u>538 291</u>	<u>481 010</u>	<u>496 490</u>
Minority interests	-	-	10
Total equity	<u><u>538 291</u></u>	<u><u>481 010</u></u>	<u><u>496 500</u></u>

Share capital details

Average number of shares during the period	149 415 487	149 386 169	149 400 949
Total number of shares at end of the period	149 415 487	149 415 487	149 415 487

Note 1**Basis of preparation**

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

Significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2007. This interim report should be read in conjunction with the audited 2007 financial statements, which include a full description of the Group's significant accounting policies.

Note 2**Rigs and equipment**

in USD thousands	Accommodation rigs	Jack-up drilling rigs	Jack-up drilling rigs under construction	Semi submersible drilling rigs under construction	Other	Total
Acquisition cost at December 31, 2006	100 197	258 629	267 513	342 863	691	969 893
Newbuilding, upgrades and reconstruction	42 977	8 081	269 974	334 463	680	656 175
Transfer from under construction	-	134 062	(134 062)	-	-	-
Acquisition cost at December 31, 2007	143 174	400 771	403 425	677 326	1 371	1 626 068
Newbuilding, upgrades and reconstruction	7 535	494	164 955	154 209	199	327 391
Transfer from under construction	-	291 359	(291 359)	-	-	-
Acquisition cost at June 30, 2008	150 709	692 625	277 021	831 535	1 570	1 953 459
Accumulated depreciation at December 31, 2006	26 214	2 234	-	-	122	28 570
Depreciation	9 171	13 744	-	-	192	23 107
Accumulated depreciation at December 31, 2007	35 385	15 978	-	-	311	51 676
Depreciation	6 781	11 545	-	-	178	18 503
Accumulated depreciation at June 30, 2008	42 166	27 522	-	-	489	70 181
Net carrying amount:						
At June 30, 2008	108 543	665 102	277 021	831 535	1 081	1 883 282
At December 31, 2007	107 789	384 793	403 425	677 326	1 058	1 574 392

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

Jack-up drilling rigs	Yard	Scheduled Delivery	Estimated Delivery Cost
Contracted rigs			
WilSeeker	PPL	3Q08	USD 143m
WilStrike	Keppel	2Q09	USD 163m
WilConfidence	PPL	2Q09	USD 149m

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

Semi submersible drilling rigs	Yard	Scheduled Delivery	Estimated Delivery Cost
Contracted rigs			
WilPioneer	YRS	2Q09 ⁽²⁾	USD 365m
WilInnovator ⁽¹⁾	YRS	3Q09 ⁽³⁾	USD 380m
WilPromoter ⁽¹⁾	YRS	1Q10 ⁽⁴⁾	USD 380m
Option			
YRS option 4 ⁽⁵⁾	YRS		
YRS option 5	YRS		

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

(2) Scheduled delivery from the yard is 4Q08, but slower than planned yard progress is exposing delivery to slip to 2Q09.

(3) Scheduled delivery from the yard is 2Q09, but slower than planned yard progress is exposing delivery to slip to 3Q09.

(4) Scheduled delivery from the yard is 4Q09, but slower than planned yard progress is exposing delivery to slip to 1Q10.

(5) The contract for a forth drilling package and certain other long lead items has been signed.

Note 3**Investment in joint venture**

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

in USD thousands	30.6.2008	30.6.2007	31.12.2007
NBV per opening balance	(7 601)	(5 055)	(5 084)
Share of loss in joint venture	(1 358)	(2 237)	(2 517)
Translation adjustment	-	-	-
NBV per ending balance	(8 958)	(7 292)	(7 601)

Note 4**Available-for-sale financial assets**

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

in USD thousands	30.6.2008	30.6.2007	31.12.2007
Net carrying amount per opening balance	39 456	40 381	40 381
Fair value adjustment during the period	(4 044)	3 186	(926)
Net carrying amount per ending balance	35 411	43 567	39 456

Note 5**Share-based payment**

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

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

in USD thousands	30.6.2008	30.6.2007	31.12.2007
Fair value per opening balance	9 979	6 594	6 594
Expensed during the period	7 447	3 501	2 775
Translation adjustment	535	392	610
Fair value per ending balance	17 962	10 486	9 979

Note 6**Related party transactions**

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

Transactions with AWILHELMSSEN are specified as follows:

in USD thousands	30.6.2008	30.6.2007	31.12.2007
Sales	53	41	85
Purchases	837	786	1 656
Receivables	-	29	-
Payables	516	1 184	2 683

Note 7**Segment information****BUSINESS SEGMENTS****YTD 2 2008**

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	44 762	134 578	-	-	179 340
Reimbursable	3 485	6 942	9	-	10 435
Other	2 922	-	-	53	2 975
	51 168	141 520	9	53	192 750
Rig operating expenses	19 418	41 633	3 377	-	64 428
Reimbursable	3 487	6 200	-	-	9 687
General and administrative expenses	243	2 010	8 226	6 372	16 850
Depreciation	6 781	11 545	-	178	18 503
Share of loss from joint venture	-	1 358	-	-	1 358
	29 928	62 746	11 604	6 549	110 827
Operating profit (loss)	21 240	78 774	(11 595)	(6 497)	81 923
Assets	108 543	942 123	831 535	1 081	1 883 282
Interest-bearing debt (including current portion)	103 585	701 016	610 594	1 678	1 416 873
Investments	7 535	165 449	154 209	199	327 391

YTD Q2 2007

in USD thousands	Accommodation rigs	Jack-up drillings rigs	Semi submersible drillings rigs	Other	Total
Contract services	31 060	36 395	-	-	67 455
Reimbursable	3 666	538	-	-	4 203
Other	1 708	-	2	41	1 751
	<u>36 434</u>	<u>36 933</u>	<u>2</u>	<u>41</u>	<u>73 409</u>
Rig operating expenses	16 790	13 812	-	-	30 601
Reimbursable	3 347	478	-	-	3 825
General and administrative expenses	209	687	4 016	4 442	9 354
Depreciation	4 049	5 682	-	63	9 794
Share of loss from joint venture	-	2 237	-	-	2 237
	<u>24 395</u>	<u>22 895</u>	<u>4 016</u>	<u>4 505</u>	<u>55 812</u>
Operating profit (loss)	<u>12 039</u>	<u>14 038</u>	<u>(4 015)</u>	<u>(4 464)</u>	<u>17 597</u>
Assets	76 825	633 855	498 500	710	1 209 891
Interest-bearing debt (including current portion)	84 852	390 221	200 428	98 332	773 833
Investments	6 891	115 622	155 637	216	278 366

GEOGRAPHICAL SEGMENTS**YTD 2 2008**

in USD thousands	Norway	Saudi Arabia	Australia	Vietnam	Libya	Other, unallocated	Total
Contract services	44 762	12 422	45 830	69 813	6 514	-	179 340
Reimbursable	3 485	-	1 260	1 251	4 430	9	10 435
Other	2 922	-	-	-	-	53	2 975
	<u>51 168</u>	<u>12 422</u>	<u>47 090</u>	<u>71 064</u>	<u>10 945</u>	<u>62</u>	<u>192 750</u>
Rig operating expenses	19 418	1 649	17 137	16 932	5 703	3 589	64 428
Reimbursable	3 487	-	1 176	594	4 430	-	9 687
General and administrative expenses	-	-	-	-	-	16 850	16 850
Depreciation	-	-	-	-	-	18 503	18 503
Share of loss from joint venture	-	-	-	-	-	1 358	1 358
						<u>110 827</u>	
Operating profit		33 087	13 804	19 282			<u>81 923</u>
		13 765					
		19 322					

YTD Q2 2007

in USD thousands	UK	Norway	Saudi Arabia	Australia	Other, unallocated	Total
Contract services	17 295	13 765	12 354	24 041	-	67 455
Reimbursable	3 475	190	-	538	-	4 203
Other	1 672	37	-	-	42	1 751
	<u>22 442</u>	<u>13 992</u>	<u>12 354</u>	<u>24 578</u>	<u>42</u>	<u>73 409</u>
Rig operating expenses	11 537	5 799	1 293	11 374	598	30 601
Reimbursable	3 160	188	-	478	-	3 825
General and administrative expenses	-	-	-	-	9 354	9 354
Depreciation	-	-	-	-	9 794	9 794
Share of loss from joint venture	-	-	-	-	2 237	2 237
					<u>55 810</u>	
Operating profit						<u>17 598</u>

Note 8**Subsequent events**

In July China Oilfield Services Limited (COSL) announced that it had reached an agreement with Awilco Offshore ASA to launch a recommended voluntary cash tender offer at NOK 85 per share for 100% of the shares of AWO. On 15 August the acceptance period for the offer expired and COSL had reached an acceptance level of 98.8 % of the total number of shares. COSL will hold its extraordinary general meeting on 26 August and will thereafter file for the last approval necessary to meet all conditions in the offer from the China Securities Regulatory Commission. COSL expects the transaction to be completed by late September/ early October.

In August Awilco Offshore, through Premium Drilling, received a Letter of Intent for the jack-up drilling rig WilForce. The firm period of the work is estimated to 180 days with a contract value of about USD 36.5 mill. Operation is offshore Libya and is scheduled to commence in direct continuation of the rig's present commitment with Repsol Exploration Murzuq S.A, also offshore Libya. The firm part of these programs is expected to employ WilForce until July 2009.

In August Awilco Offshore, through Premium Drilling, received a Letter of Intent for the jack-up drilling rig WilCraft offshore Indonesia. The firm period of the program is estimated to 90 days with a contract value of approximately USD 17.5 mill. Operation of this program will start when the rig has finished its current program of 17 wells with Peak Group Asia Pacific Pty Ltd offshore Australia. The firm part of these programs is expected to employ WilCraft through to January/February 2009.