



## Seawell Limited (SEAW) - Fourth quarter and preliminary 2008 results

### Highlights

- Seawell reports EBITDA of NOK132.8 million, net income of NOK19.4 million and earnings per share of NOK0.18 for the fourth quarter of 2008
- Seawell reports EBITDA of NOK413.1 million, net income of NOK122.5 million and earnings per share of NOK1.14 for 2008
- Fourth quarter Operating Revenues and EBITDA increased 17% from the previous quarter.
- 2008 Operating Revenues increased 32 % year on year
- 2008 EBITDA increased 36% year on year
- Order backlog stands at NOK4,700 million by the end of the quarter, NOK13,000 million including contract extension options.

### Financial statements

#### *Fourth quarter results*

Consolidated revenues for the fourth quarter 2008 amounted to NOK1,187.2 million as compared to NOK740.5 million for the fourth quarter 2007. EBITDA for the fourth quarter was NOK132.8 million as compared to NOK80.4 million in the fourth quarter 2007. Operating profit for the fourth quarter was NOK93.4 million as compared to NOK65.8 million for the fourth quarter 2007.

#### *Consolidated 2008 results*

Consolidated revenues for 2008 amounted to NOK3,624.7 million as compared to NOK2,728.1 million for 2007. EBITDA for 2008 was NOK413.1 million as compared to NOK304.2 million for 2007, a 36% growth year on year. Operating profit for 2008 was NOK305.7 million as compared to NOK250.6 million for 2007. The main reason for the increase in revenues and operating profit is sound contribution from acquired companies during the year and higher activity in continued operations and projects.

### *Balance sheet*

Total assets increased from NOK2,010.3 million in the balance sheet as per December 31, 2007 to NOK3,432.8 million as of December 31, 2008. The main reason for the increase in asset is the purchase of Noble Corporation North Sea Platform division in April for NOK262 million, Peak Well Solutions AS in May for NOK410 million, TecWel AS in July for NOK168 million and the modular rig under construction as well as increase in working capital due to growth in revenues.

### *Cash flow*

At December 31 2008, cash and cash equivalents amounted to NOK 288.3 million, compared to NOK219.3 million per September 30, 2008. The increase is related to proceeds from operating activities.

### *Financing*

In the second quarter of 2008 Seawell successfully completed a private placement of 10 million shares with a contribution of NOK195 million. In addition Seawell increased its five year credit facility with NOK400 million to NOK1,500 million. The balance per December 31, 2008 after a NOK75 million installment paid in the fourth quarter is NOK1,425 million. The installment of NOK210 million due in October 2009 is included under other current liabilities in the Balance Sheet. These financing activities together with cash flow from operating activities have secured that the Company's investment activities are covered including the modular rig which is under construction. Net interest bearing debts stands at NOK1,759 million per December 31, 2008.

### *Depreciations and amortizations*

Depreciations and amortizations amounted to NOK39.4 million in the fourth quarter as compared to NOK33.8 million in the third quarter. A one off write down of research and development investments of NOK9 million in TecWel is included in the fourth quarter amortizations in accordance with US GAAP. Ordinary depreciations of drilling and well service equipment amounted to NOK58 million in 2008 as compared to NOK37 million in 2007. Amortisations of surplus values and intangible assets related to the purchase of Seadrill Well Services Division, Noble Corporation North Sea Platform Business, Peak Well Solutions AS and TecWel AS amounted to NOK49 million in 2008 as compared to NOK17 million in 2007.

### *Net financial items*

Interest expenses related to the credit facility amounted to NOK27.5 million in the fourth quarter as compared to NOK 25.8 million in the third quarter. As a result of intercompany accounts nominated in NOK a foreign exchange loss of NOK13 mill was recorded in the fourth quarter related to the financing of subsidiaries in the UK. In addition a foreign exchange loss of NOK17 million was recorded as a result of short term liabilities mainly in USD.

## **Operations**

### ***Drilling Services***

The operating revenues in the fourth quarter were NOK768.2 million compared to NOK674.0 million in the previous quarter. The operating margin (EBIT) excluding

reimbursable was 8.6% in the fourth quarter compared to 8.7% in the previous quarter.

#### *Platform drilling*

Seawell performed drilling operations on 15 fixed platforms and maintenance activities on 16 fixed platforms in the North Sea during the fourth quarter. This was in line with the previous quarter. The technical uptime on the drilling facilities operated by Seawell remained high (above 99%), sick leave among the offshore workers went down in the fourth quarter and the client feedback remained solid.

#### *Drilling facilities engineering*

The drilling facility engineering group continued work primarily related to fixed platforms where Seawell also perform drilling and maintenance operations. Offshore activities including installation and modification of drilling equipment remained high in the fourth quarter. The most significant ongoing activity is the Statfjord 2020 Late Life project. Ready for operation activities are ongoing on both the Ula platform and the Dunlin platform which are due to start drilling operations in 2009.

#### *Modular rigs*

The progress of the ordered rig under construction, due for delivery in fourth quarter 2009 in Germany, is in line with plans and the rig will be available for offshore operations in the fourth quarter of 2009. Market surveys have shown that the demand for such rigs will increase over the next 3 to 5 years. Several technical studies were carried out for customers in the fourth quarter to illustrate integration of the rig on the specific platform. The rig is on a stand alone basis able to perform infill drilling, sidetracking, well intervention of any kind and plug and abandonment work. The Board sees significant room for growth within this niche market going forward.

#### **Well Services**

The operating revenues in the fourth quarter were NOK163.7 million compared to NOK125.9 million in the previous quarter. A one off write down of research and development investments of NOK9.3 million in TecWel is included in the fourth quarter amortizations in accordance with US GAAP. The operating margin (EBIT) excluding reimbursable was 11.7% in the third quarter compared to 14.2% in the previous quarter. The EBITDA margin excluding reimbursable was 28.8% in the fourth quarter compared to 24.9% in the third quarter.

#### *Well intervention services*

The wireline group continued to perform wireline operations and special services on several fields in the North Sea. The success rate in operations and client feedback remained excellent. The activity level and utilization of personnel and equipment in the fourth quarter was slightly higher than the previous quarter.

TecWel providing cased hole investigation services had significant higher activity level and sound operating margins in the fourth quarter compared to the previous quarters. Tecwel performed over 200 jobs in 2008 in Alaska, Angola, Azerbaijan, Canada, Indonesia, USA Lower 48 and Norway. The level of research and development activities remained high in 2008. Introduction of new technology is scheduled for 2009 and this is expected to enable further growth in this niche market.

### *Oilfield technology*

The operating revenues and margins from Peak products and services were higher in the fourth quarter than in the previous quarter. Significant resources have been put in place in order to strengthen the organization, product development activities and international sales activities. The marked take up of Peak C-Flex smart cementing completion products is still below target compared to plans but several sales were made in the fourth quarter of 2008 and further increase in interest and demand in 2009 is recorded. Good planning of the C Flex installations together with our drilling crews secured 100% success rate for the performed C-Flex jobs. Seawell has ordered a significant amount of VMB well plugs for delivery in the beginning of 2009 in order to meet marked demand for this service. The company anticipates increase in revenues and operating margins over the next quarters from the Peak range of oilfield technology products and services. Development of a broader range of tool sizes in order to fully utilise the potential of the products are ongoing, especially for use in GOM, Brazil and Asia.

**Our geographic presence** and operations has in 2008 through organic growth and acquisitions been extended to Africa, Middle East, Far East and USA.

The new office in Houston is the headquarters for Seawell Americas, where activities and services are ongoing in Canada, Lower 48, Alaska, Mexico and Brazil.

Activity in Middle East and South East Asia is mainly Tecwel services. We are focusing on business development in order to expand on a broad scale in these markets.

### **Strategy**

The strategy is to build a profitable and high growth global drilling and well services company focusing on platform drilling, drilling facility engineering, modular rigs, oilfield technology and well intervention services with special focus on development of new products and services based directly on our client needs.

We will further expand our geographical operations. Based on organic growth, executed and probable acquisitions, the company is in the process of building a true global footprint.

Seawell will continue acquiring carefully selected oilfield technology companies to further strengthen the technology content of our services and support a rapid growth path. However, the recent deterioration in the credit markets will have a temporary slowing effect on our M&A activities.

Seawell will over the next quarters have particular focus on building the Company by continued integration of acquired companies, including strengthening the organization, develop technology and new products, increase sales and improve margins. In parallel we will closely monitor and evaluate potential acquisition targets.

The Board is currently evaluating a listing of Seawell shares on Oslo Stock Exchange during 2009.

## **Outlook**

The demand for drilling and well services is expected to remain high going forward in the next decade. While the global market demand for oil and gas is going to increase less than previously forecasted, we know that the world's oil production comes mainly from older fields that are in sharp decline. The estimated 7.6% decline in production of existing fields announced by the IEA is in particular evident as a North Sea problem, where most of our services currently are performed. Seawell services are in fact mainly focused on the important task of fighting declining production and much activity is focused on repairing of production wells. This activity is in our opinion not likely to be affected as much as other services by the lower growth in demand for oil and gas and the current uncertainty in the world economy.

Our contract backlog indicates continued high activity going forward and the majority of our work will continue as planned. However, we may experience some delays in new projects, perhaps even short time stops of operations on certain installations and we will see some price pressure and re-tendering in 2009.

The Board is very pleased with the operating results in the fourth quarter. The Board is also encouraged with the development of Seawell in 2008 including the purchase of Noble Corporation North Sea Platform division in April, Peak Well Solutions in May, TecWel in July and the modular rig under construction. These assets are important building blocks in the development of Seawell as a global oil service company and are likely to contribute significantly to profitable long term growth to the shareholders.

The activity in the first quarter of 2009 is likely to be lower than the fourth quarter of 2008 due to normal planned seasonal effects but the Board expect sound growth in operating revenues and maintaining margins in 2009 year on year.

## **Forward-looking statements**

This press release contains forward-looking statements. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Seawell management's examination of historical operating trends. Including among other factors that in the Company's view could cause actual results to differ materially from the forward-looking statements contained in this press release are the following: 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 for new investments on favorable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, repairs and maintenance, failure of yards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our reports filed with the Norwegian Securities Dealers Association.

February 25, 2009  
The Board of Directors  
Seawell Limited  
Hamilton, Bermuda

Questions should be directed to Seawell Management AS represented by:

Alf Ragnar Løvdal, Chief Executive Officer  
Lars Bethuelsen, Chief Financial Officer

**Notes to combined and consolidated results**

Seawell was established at the end of the third quarter of 2007, as a spin-off of Seadrill's Well Service division. Seawell Ltd (Bermuda) together with its wholly owned subsidiary, Seawell Holding UK acquired the shares in the Seadrill Well Service division entities on October 1, 2007. This report represents the consolidated financial statements of the Seawell Ltd group as of December 31, 2008. For historical comparison, the report represents the combined financial statements of Seadrill's Well Service division, "Seawell combined". The financial accounts for "Seawell combined" and the consolidated financial statements of the Seawell Ltd group are based on group carrying values for group consolidation purposes. As such "Seawell combined" and the consolidated financial statements of the Seawell Ltd group include goodwill and surplus values related to fixed assets recorded in the Seadrill group consolidated financial statement for the entities included in "Seawell combined".

## Condensed, Combined and Consolidated Income Statements

<i>Unaudited accounts in NOK millions</i>	Consolidated 3Q08	<b>Consolidated 4Q08</b>	Consolidated 4Q07	<b>Consolidated 2 008</b>	Combined and consolidated 2007
<b>Revenues</b>					
Operating revenues	799,9	931,9	595,8	3 006,2	2 276,4
Reimbursables	106,0	255,3	144,7	618,5	451,7
<b>Total revenues</b>	<b>905,9</b>	<b>1 187,2</b>	740,5	<b>3 624,7</b>	2 728,1
<b>Operating expenses</b>					
Operating expenses	689,8	807,1	519,7	2 610,7	1 984,9
Reimbursables	103,8	247,2	140,4	600,9	439,0
Depreciation and amortization	33,8	39,4	14,6	107,4	53,6
<b>Total operating expenses</b>	<b>827,4</b>	<b>1 093,7</b>	674,7	<b>3 319,0</b>	2 477,5
<b>Operating profit</b>	<b>78,5</b>	<b>93,4</b>	<b>65,8</b>	<b>305,7</b>	<b>250,6</b>
Interest income	7,1	6,4	9,6	25,3	22,1
Interest expense	(37,8)	(45,6)	(26,4)	(148,3)	(33,7)
Other financial items	(1,7)	(31,9)	0,8	(39,0)	3,3
<b>Net financial items</b>	<b>(32,4)</b>	<b>(71,1)</b>	(16,0)	<b>(162,0)</b>	(8,3)
<b>Income before income taxes and minority interest</b>	<b>46,1</b>	<b>22,3</b>	<b>49,8</b>	<b>143,7</b>	<b>242,3</b>
Income taxes	(7,6)	(2,8)	(13,0)	(24,7)	(67,8)
Minority interest	0,0	(0,1)	1,4	3,5	1,4
<b>Net income</b>	<b>38,5</b>	<b>19,4</b>	<b>38,2</b>	<b>122,5</b>	<b>175,9</b>
Earnings (loss) per share	0,35	<b>0,18</b>	0,38	<b>1,14</b>	<b>1,76</b>
Diluted earnings (loss) per share	0,35	<b>0,18</b>	0,38	<b>1,14</b>	<b>1,73</b>

## Condensed Combined and Consolidated Segment Information

	Consolidated	Consolidated	Consolidated	Combined and consolidated	Combined and consolidated
<b>Drilling Services</b>					
<i>Unaudited accounts in NOK millions</i>	3Q08	<b>4Q08</b>	4Q07	2008	2007
Operating revenues	674,0	<b>768,2</b>	537,0	2 521,5	1992,5
Reimbursables	88,5	<b>245,7</b>	104,4	531,8	316,7
Total revenues	762,5	<b>1 013,9</b>	641,4	3 053,3	2309,2
Operating expenses	595,2	<b>690,6</b>	476,7	2 268,9	1783,7
Reimbursables expenses	87,0	<b>237,8</b>	101,8	516,9	309,2
Depreciation and amortization	20,5	<b>11,4</b>	7,3	42,8	25,9
Total operating expenses	702,7	<b>939,8</b>	585,8	2 828,6	2 118,8
Operating profit	59,8	<b>74,0</b>	<b>55,6</b>	224,7	190,4

	3Q08	<b>4Q08</b>	4Q07	2008	2007
<b>Well Services</b>					
<i>Unaudited accounts in NOK millions</i>	3Q08	<b>4Q08</b>	4Q07	2008	2007
Operating revenues	125,9	<b>163,7</b>	58,8	484,7	283,9
Reimbursables	17,5	<b>9,6</b>	40,3	86,7	135,0
Total revenues	143,4	<b>173,3</b>	99,1	571,4	418,9
Operating expenses	94,6	<b>116,5</b>	43,0	341,8	201,2
Reimbursable expenses	16,8	<b>9,3</b>	38,6	84,0	129,8
Depreciation and amortization	13,4	<b>28,0</b>	7,3	64,6	27,7
Total operating expenses	124,8	<b>153,8</b>	88,9	490,4	358,7
Operating profit	18,6	<b>19,4</b>	10,2	81,0	60,2

## Condensed Consolidated Balance Sheets

Unaudited accounts in NOK millions

	<b>31.12.08</b>	<b>31.12.07</b>
<i>Current assets</i>		
Cash and cash equivalents	288,5	182,5
Receivables	571,6	396,7
Other current asset	332,3	142,5
<b>Total current assets</b>	<b>1 192,4</b>	<b>721,7</b>
<i>Non-current assets</i>		
Other non current asset	4,3	12,1
Asset under construction	160,2	-
Drilling equipment and other fixed assets	314,0	237,5
Deferred tax assets	12,1	18,9
Other intangible assets	159,2	-
Goodwill	1 590,6	1 020,1
<b>Total non-current assets</b>	<b>2 240,4</b>	<b>1 288,6</b>
<b>Total assets</b>	<b>3 432,8</b>	<b>2 010,3</b>
<i>Current liabilities</i>		
Other current liabilities	1 014,8	532,5
<b>Total current liabilities</b>	<b>1 014,8</b>	<b>532,5</b>
<i>Non-current liabilities</i>		
Subordinated loan	581,2	543,9
Long-term interest bearing debt	1 256,9	675,0
Deferred tax	0,0	-
Other non-current liabilities	206,5	167,6
<b>Total non-current liabilities</b>	<b>2 044,6</b>	<b>1 386,5</b>
Minority interest	1,0	4,4
<i>Shareholders' equity</i>		
Paid-in capital	1 198,4	1 098,4
Share premium fund	141,3	49,7
Retained earnings	-967,3	-1 061,2
<b>Total shareholders' equity</b>	<b>372,4</b>	<b>86,9</b>
<b>Total shareholders' equity and liabilities</b>	<b>3 432,8</b>	<b>2 010,3</b>