



Aker Drilling

part of Aker

AKER DRILLING ASA

Report for the fourth quarter 2007

Aker Drilling is still on track and continued its activities as planned in the fourth quarter of 2007. The organisation continues to grow in order to take delivery of the two 6th generation drilling units under construction and commence two long term contracts with StatoilHydro and Aker Exploration in 2008.

Highlights for the fourth quarter

- Aker Drilling continues to see great interest in the company from experienced and skilled personnel to man both onshore and offshore positions. Several key positions were successfully filled during the quarter and the organization has grown in 2007 from 18 to 68 employees with many others who have accepted positions and will begin during first quarter 2008. Aker Drilling will now work towards completing the recruitment of the crew required for Aker Spitsbergen and continue with manning up of the key positions for Aker Barents.
- The arrival upon 6th October of the Aker Spitsbergen hull from Dubai to the Aker Kværner Stord yard in Norway was closely followed in early November by the successful mating of the hull and deck sections following one of the heaviest lifting operations ever carried out in Norway. Following the revised delivery schedule from Aker Kværner Stord that was announced 28th November 2007, Aker Spitsbergen is scheduled for delivery end July 2008 while Aker Barents is to be delivered mid December 2008.

The Aker H-6e Concept

The Aker H-6e is a sixth-generation design and builds on the well-proven Aker H-3 and H-4.2 solutions which have been used worldwide for several decades. The two rigs now under construction will be the world's largest and most advanced. Their design sets an entirely new standard and will help Aker Drilling to meet oil company requirements for drilling in harsh environments and deep waters. The rigs are being constructed to drill wells to a depth of more than 10 000 metres (more than 33 000 feet) and to operate in water depths down to 3 000 metres (about 10 000 feet). They have been designed for year-round drilling in cold climates and Arctic regions, and have also been developed to provide the best standards for health, safety and the environment.

A number of advantages are offered by the Aker H-6e, which will individually and collectively contribute to cost-effective operation for the oil companies. The double RamRig™ increases drilling efficiency and operability by permitting parallel operations. A unique hull design provides a level of stability which ensures efficient operation under severe weather conditions. Enclosed work areas also contribute to a high degree of safe and rational operation. The rigs have high load and storage capacity, which extends their flexibility and range as well as allowing them

to operate for longer periods without supplies from shore.

Operation

Aker Spitsbergen is contracted to StatoilHydro for a 3 to 10 years contract on the Halten/Nordland Area in Norway. Aker Barents will commence a 3 year contract for exploration drilling on the Norwegian Continental Shelf for Aker Exploration. StatoilHydro will decide within March 31, 2008 the length of the initial fixed term of the drilling contract with Aker Spitsbergen.

Aker Spitsbergen and Aker Barents are being constructed by Aker Kvaerner, which has unique experience of developing and building semi-submersible drilling units after delivering more than 50 rigs since it became involved in this business in 1974. While fabrication of the hulls is taking place in Dubai, the topsides and their equipment are being produced in Europe. The rigs will be assembled and commissioned at Aker Kvaerner Stord, which has a strong history of delivering highly complex projects on time and to budget. Aker Drilling is working closely and well with Aker Kvaerner over the two construction projects.

Transportation of the Aker Spitsbergen hull from Dubai to the Aker Kværner Stord yard in Norway was completed on 6th October 2007. The mating of the hull with the deck

sections by the Aker Kværner Stord yard was completed in early November. Both rigs will be assembled, tested and delivered from the Aker Kværner Stord yard. Aker Spitsbergen is scheduled for delivery end July 2008 while Aker Barents is to be delivered mid December 2008. This revision in delivery schedule may trigger a penalty clause in the StatoilHydro contract. However, Aker Drilling is entitled to penalties from Aker Kværner Stord in excess of the estimated penalty obligation under the StatoilHydro contract. Aker Drilling is in no penalty situation with respect to the contract with Aker Exploration.

The buildup of the organisation continues. As of the end of February 2008 Aker Drilling has grown to 90 employees started with 33 more who have accepted positions and will begin in the following months. The company continues to attract experienced and qualified candidates. Aker Drilling has adjusted its planned buildup of the employee base in accordance with the revised delivery schedules and is satisfied that it will be able to meet these plans for 2008.

Market Outlook

The floater offshore drilling market continues its strength with dayrates for high specification, deepwater units contracting now upwards from the 500,000 – 550,000 USD per day level in the most recent closures for con-

tract durations of 3-5 years. Oil companies have now started contracting units for programs commencing 2010/2011, and Aker Drilling continues to evaluate possibilities to add capacity in addition to the two units currently under construction.

Ownership change

In December, Aker Capital AS increased its ownership of Aker Drilling to over 40% which led to a mandatory bid for all remaining Aker Drilling shares for NOK 39. As of the time of this report, Aker Capital AS owns 89.98% of Aker Drilling's shares.

Financials

As discussed in last quarter's report, the third quarter results included some changes to previously reported numbers as follows:

- Fair value treatment of an embedded derivative in the construction contract
- Fair value treatment of financing options
- Presentation of pre-delivery financing

All figures from periods prior to third quarter 2007 are restated and reclassified to be comparable in the light of these changes.

Income Statement

Operating profit was NOK – 30 million compared to NOK – 15 million in fourth quarter 2006. The increase in operating expense is explained by the organisational build-up over the last year which has seen a growth in the number of employees from 18 at the end of 2006 to 68 at the end of 2007. The operating expenses will continue to increase in 2008 as the organisation grows.

Other financial income/(loss) is related to an embedded derivative identified in the construction contracts whereby the majority of the final and remaining settlement related to the turnkey contract of 3 830 million NOK each rig (USD 360 million and approximately NOK 100 million for each rig) is to be paid in US Dollars upon delivery of the rigs. In accordance with IFRS, this embedded derivative is stated at fair value in the balance sheet. Any gains or losses resulting from a change in this fair value are reflected in the income statement. This is a non cash issue. The 2006 fourth quarter gain of NOK 232 million compared to this quarters loss of NOK -6 and recognises the changes in the value of the derivative which results from fluctuations in the NOK/USD exchange rate which has been a lot less volatile this quarter. The fourth

quarter 2006 gain reflects the strengthening of the NOK against the USD in that period.

The restated Year 2006 Other financial income of NOK 331 million includes (in addition to NOK 232 million for the embedded derivative explained above) NOK 100 million in recognition of the premium arising from a financing option. This financing option consists of the sale of an option for a fixed interest loan to a financial institution. This will generate a cash settlement upon delivery of each rig when certain criteria are met (approximately NOK 50 million per rig).

Balance Sheet

The construction progress of the rigs is reflected in the balance for Property, Plant & Equipment with the corresponding liability for Aker Spitsbergen and Aker Barents included in "Other short term liabilities" since settlement is expected to be within one year. The basis for the calculated amount is a monthly progress report from Aker Kværner Stord which is applied to the derivative adjusted turnkey price.

As mentioned above, a derivative was identified last quarter in the construction contracts whereby the majority of the final and remaining settlement (USD 360 million and approximately NOK 100 million for each rig) is to be paid in US Dollars upon delivery of the rigs. In accordance with IFRS, this embedded derivative has now been stated at fair value in the balance sheet. As per 31.12.07 this fair value is included in "Financial instruments" as NOK 326 million for Aker Barents and NOK 335 million for Aker Spitsbergen under current assets. This is a non cash issue and all prior period numbers shown are restated to reflect this derivative. Upon delivery of each rig, this fair value will be netted against the final settlement of the outstanding payable to Aker Kværner Stord.

"Financial instruments" in the balance sheet are also impacted by another derivative consisting of an option per rig giving access to a fixed interest loan at favourable rates. This in turn has been traded back to back with a financial institution in return for a cash premium. In accordance with IFRS, such options should be stated at fair value in the balance sheet. Due to the back to back nature of these transactions, any fluctuations which impact the income statement are netted. Financial Instruments under current assets and liabilities includes the amounts for

Aker Barents (NOK 156 million per 31.12.07) and Aker Spitsbergen (NOK 167 million per 31.12.07). The only cash income effect from these transactions will occur upon delivery of each rig when certain criteria are met (approximately NOK 50 million per rig). All prior period numbers shown are restated to reflect these transactions.

Aker Kværner Stord's use of the pre-delivery loan facility is reflected in "Interest-bearing short-term receivables" for Aker Spitsbergen and Aker Barents construction contracts respectively with the corresponding loan from DnB NOR reflected in short term interest bearing debt. Aker Kværner Stord has further utilised Aker Drilling's credit facilities during the pre-delivery phase this quarter. As of 31.12.07, a total of USD 604 million has been utilised which is reflected in the balance sheet as mentioned above. This pre-delivery loan will be settled upon delivery of the rigs and replaced by Aker Drilling's post-delivery USD financing.

All figures from prior periods are restated and reclassified to be comparable and take into account the impact of the derivatives and the reclassification of the pre-delivery loan to Aker Kværner Stord explained above and changes in classification implemented in the fourth quarter 2006. In the fourth quarter 2006, advances to the supplier Aker Kværner Stord are reclassified and shown as a non-current asset instead of as a current asset. Amortised interest cost related to the convertible bond loan is charged in accordance with the effective interest method and recognised as an individual item under long term liability compared to third quarter 2006 where the interest was reported under other short term liabilities.

As for the third quarter report, this fourth quarter 2007 report includes an attachment showing historically reported numbers presented along with the same periods restated to include the effect of all the above changes.

Financing

In addition to the existing facility with DnB NOR for USD 775 million which will be used for the remaining payment for the two rigs, Aker Drilling has entered into a short term credit facility of USD 60 million with DnB NOR. The loan will be repaid upon delivery of the first rig Aker Spitsbergen.

The company is now working towards a

solution for the remaining financing needs which are expected to be around USD 250 million to USD 300 million. This financing is required to cover the previously announced USD 105 million own and customer equipment (partly recovered through the contract dayrate) and spares as well as further equipment purchases, working capital requirements and extra operational costs due to the delayed delivery schedule. The company has not yet decided the form that this financing will take, however plans to have it in place before summer 2008.

Basis for preparation

These consolidated condensed financial state-

ments have been prepared in accordance with IAS 34 "Interim Financial Reporting".

Significant accounting policies

The accounting policies used in the preparation of the consolidated financial statements as per end of the fourth quarter 2007 are consistent with those used in the annual financial statements for the prior quarter and for the year ending 31 December 2006 subject to the newly introduced financial instruments commented on in the report.

The company may from time to time use derivative financial instruments such as the ones mentioned above. Such derivative instruments are and will be stated at fair value. The contracts are carried as assets

when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value related to such contracts are taken directly to the income statement.

These consolidated condensed financial statements should be read together with the 2006 annual financial statements, which include a full description of the Group's accounting policies.

Aker Drilling Group: Income statement

ALL NUMBERS RESTATED PER COMMENTS IN THE QUARTERLY REPORT

| <i>Amounts in NOK million</i> | 3Q 2007 | 4Q 2007 | 4Q 2006 | YTD 2007 | Year 2006 |
|--|------------|------------|------------|------------|------------|
| Operating revenues | 0 | 0 | 0 | 0 | 0 |
| Operating expenses | -16 | -30 | -15 | -76 | -34 |
| Operating profit / (loss) before depreciation and amortization | -16 | -30 | -15 | -76 | -34 |
| Depreciation and amortization | -1 | 0 | 0 | -1 | 0 |
| Operating profit / (loss) | -17 | -30 | -15 | -77 | -34 |
| Net foreign exchange gain / (loss) | -15 | -1 | 3 | -32 | 0 |
| Net interest income / (expense) | 2 | 2 | 0 | 8 | 4 |
| Other financial income / (loss) | 281 | -6 | 232 | 463 | 331 |
| Profit / (loss) before tax | 251 | -35 | 220 | 362 | 301 |
| Income tax expense | -70 | 10 | -62 | -101 | -84 |
| Profit / (loss) for the period | 181 | -25 | 158 | 261 | 217 |
| Attributable to: | | | | | |
| Equity holders of the parent | 181 | -25 | 158 | 261 | 217 |
| Average number of shares outstanding | 93 000 000 | 93 000 000 | 93 000 000 | 93 000 000 | 93 000 000 |
| Basic earnings / (loss) per share (NOK) | 1,95 | -0,27 | 1,70 | 2,81 | 2,33 |

Aker Drilling Group:

Balance sheet

ALL NUMBERS RESTATED PER COMMENTS IN THE QUARTERLY REPORT

| <i>Amounts in NOK million</i> | At 30.09.2007 | At 31.12.2007 | At 31.12.2006 |
|--|---------------|---------------|---------------|
| ASSETS | | | |
| Property, plant & equipment | 5 956 | 6 020 | 1 710 |
| Intangible assets | 926 | 926 | 926 |
| Financial Instruments | 497 | 0 | 206 |
| Other non-current assets | 70 | 78 | 1 402 |
| Interest-bearing long-term receivables | 733 | 0 | 100 |
| Total non-current assets | 8 182 | 7 024 | 4 344 |
| Current assets | | | |
| Financial Instruments | 521 | 985 | 206 |
| Interest-bearing short term receivables | 1 782 | 3 291 | 0 |
| Cash and bank deposits | 190 | 154 | 98 |
| Other current assets | 8 | 136 | 0 |
| Total current assets | 2 501 | 4 566 | 304 |
| Total assets | 10 683 | 11 590 | 4 648 |
| EQUITY AND LIABILITIES | | | |
| Paid in capital | 3 349 | 3 349 | 3 349 |
| Retained earnings and other reserve | 480 | 455 | 194 |
| Total equity | 3 829 | 3 804 | 3 543 |
| Non-current liabilities | | | |
| Interest-bearing convertible bonds | 777 | 779 | 772 |
| Interest-bearing debt | 680 | 0 | 0 |
| Financial Instruments | 171 | 0 | 107 |
| Deferred tax liability | 153 | 115 | 28 |
| Provisions and other long-term liabilities | 943 | 45 | 45 |
| Total non-current liabilities | 2 724 | 939 | 952 |
| Current liabilities | | | |
| Short-term interest-bearing debt | 1 731 | 3 291 | 0 |
| Financial Instruments | 178 | 324 | 102 |
| Other short term liabilities | 1 963 | 2 974 | 51 |
| Deferred income | 258 | 258 | 0 |
| Total current liabilities | 4 130 | 6 847 | 153 |
| Total liabilities | 6 854 | 7 786 | 1 105 |
| Total equity and liabilities | 10 683 | 11 590 | 4 648 |

Aker Drilling Group:

Statement of changes in equity

| <i>Amounts in NOK million</i> | 3Q 2007 | 4Q 2007 | 4Q 2006 | YTD 2007 | Year 2006 |
|--|---------|----------------|---------|----------|-----------|
| As of beginning of period (previously reported) | 3 294 | 3 829 | 3 333 | 3 324 | 3 346 |
| Correction to reflect derivatives in prior periods | 354 | - | 52 | 219 | -20 |
| Adjusted equity beginning of period | 3 648 | 3 829 | 3 385 | 3 543 | 3 326 |
| Profit for the period | 181 | -25 | 158 | 261 | 217 |
| As of end of period | 3 829 | 3 804 | 3 543 | 3 804 | 3 543 |

Aker Drilling Group:

Cash flow statement

| <i>Amounts in NOK million</i> | 3Q 2007 | 4Q 2007 | 4Q 2006 | YTD 2007 | Year 2006 |
|--|---------|----------------|---------|----------|-----------|
| Cash flow from operating activities | -13 | -24 | -8 | 171 | -76 |
| Cash flow from investing activities | -8 | 4 | -68 | -76 | -68 |
| Cash flow from financing activities | 0 | 0 | 0 | 0 | 0 |
| Cash flow in the reporting period | -21 | -20 | -76 | 95 | -144 |
| Effects of changes in exchange rates on cash | -23 | -16 | 0 | -39 | 0 |
| Cash and cash equivalents at the beginning of period | 234 | 190 | 174 | 98 | 242 |
| Cash and cash equivalents at end of period | 190 | 154 | 98 | 154 | 98 |

Oslo, February 28, 2008
The board of directors
Aker Drilling ASA

Questions should be directed to:
Geir Sjøberg, CEO +47 90 783 083 or
Trine S. Romuld, CFO +47 99 163 632

Aker Drilling ASA

P.O. Box 319, Forus 4066, Stavanger, Norway

Tel.: + 47 51 21 49 00, Fax: + 47 51 21 49 01

E-mail: post@akerdrill.com

