



# SIEM OFFSHORE INC.

## REPORT FOR THE FOURTH QUARTER 2005 AND PRELIMINARY YEAR-END RESULT

27 February 2006 – Siem Offshore Inc. (Oslo Stock Exchange: SIOFF) today reports results for the fourth quarter and preliminary year-end results for 2005.

### **GENERAL**

Siem Offshore Inc was established as a stand-alone company effective 1 July 2005, following a transfer of all non-subsea construction and related activities from Subsea 7 Inc (Oslo Stock Exchange: SUB). At its annual general meeting held in July 2005, the Subsea 7 shareholders approved the distribution of Siem Offshore shares to Subsea 7 shareholders by way of a dividend in specie such that Subsea 7 shareholders would receive one share of Siem Offshore for each share of Subsea 7 that they held. The new Siem Offshore shares were allocated a value of NOK 4.14 per share, representing a transfer of the shareholders' cost price from the Subsea 7 share to the Siem Offshore share at the time of distribution. The distribution was completed on 12 August 2005 and the Siem Offshore shares were listed on the Oslo Stock Exchange on the same day under the ticker "SIOFF".

The activities of Siem Offshore Inc. at the time of the distribution included:

- six VS 470 mk II platform supply vessels (PSVs) ordered from the Norwegian yards Aker Langsten and Aker Aukra
- 50% of the shares in Overseas Drilling Limited, which owns the vessel "JOIDES Resolution", a specialized drillship, taking core samples from the sea floor for research purposes
- 41% of the shares in KS Big Orange XVIII, which owns the well stimulation vessel "Big Orange XVIII"
- a Brazilian subsidiary that owns and operates 10 supply/crew vessels in Brazil
- two software development projects for combat management systems for the Brazilian Navy

### **FINANCIALS**

#### **Results**

The consolidated financial statements for Siem Offshore Inc are prepared in accordance with International Financial Reporting Standards (IFRS) including IAS 34 Interim financial reporting.

The Company's statutory accounts represent the total activities of the Company as from the effective date of establishment of 1 July 2005.

Pro forma accounts have been prepared to reflect the restated accounts of the Company as if the distribution had been implemented with effect 1 January 2004, with comparable pro forma figures for the year 2004 prepared on a similar basis. The pro forma accounts are used when reference is made to comparative figures.

The Company has adopted the IAS 32 and IAS 39 (financial instruments) as from 1 July 2005, without impact to the accounts.

The acquisition of the shares in Rovde Shipping AS, as announced 13 September 2005, and further described below, was concluded on 23 February 2006. Accordingly, the 2005 statutory accounts and the pro forma accounts do not include figures for Rovde Shipping AS.

The operating revenues and EBITDA for the fourth quarter 2005 were USD 8.7 million and USD 2.1 million, respectively, as compared to USD 8.4 million and USD 2.8 million, respectively, for the pro forma fourth quarter 2004. The result from affiliated companies was USD 1.7 million and USD 1.3 million for the fourth quarter 2005 and pro forma fourth quarter 2004, respectively. The results from affiliated companies are included in the EBITDA figures.

Depreciation and amortisation was USD 1.1 million for the fourth quarter 2005 as compared to USD 0.3 million for the pro forma fourth quarter 2004.

The EBIT for fourth quarter 2005 was USD 1.0 million as compared to a negative USD 3.6 million for the pro forma fourth quarter 2004. The pro forma 2004 figure includes USD 6.2 million as an impairment of goodwill.

Net financial items were negative at USD 2.9 million for the fourth quarter 2005 as compared to a positive USD 0.4 million for the pro forma fourth quarter 2004. The net financial items in the fourth quarter 2005 include a net currency cost of USD 3.0 million due to realised and unrealised foreign exchange losses arising from the revaluation to market of open foreign exchange contracts during fourth quarter. Such foreign exchange contracts have been entered into in order to fix the NOK commitment in relation to the vessels under construction at Norwegian yards.

The total tax for the fourth quarter 2005 was USD 0.6 million, as compared to USD 0.1 million for the pro forma fourth quarter 2004.

The net loss for the fourth quarter 2005 was USD 2.5 million, or USD 0.02 per share, compared to a pro forma net loss of USD 3.4 million for the same period in 2004.

The preliminary 2005 operating revenues and EBITDA were USD 16.5 million and USD 3.9 million, respectively, as compared to USD 15.1 million and USD 3.9 million, respectively, for the pro forma 2004 figures. The 2005 EBIT was USD 1.9 million as compared to a negative USD 3.1 million for the pro forma 2004 figures. The pro forma 2004 figure includes USD 6.2 million as an impairment of goodwill.

The 2005 net financial items were negative at USD 3 million, as compared to a minor positive amount for the pro forma 2004 figures.

The net loss for 2005 was USD 2.1 million, or USD 0.02 cent per diluted share, compared to a pro forma net loss of USD 3.2 million in 2004.

### **Cash, Debt and Share Capital**

The cash position at year end was USD 21.7 million. The interest-bearing debt per year-end was USD 20.3 million and includes USD 14.3 million in debt financing of the PSV delivered in October 2005 and USD 6 million in loan from the Brazilian Development Bank. Future yard instalment for the five PSVs to be delivered in 2006 totalled USD 90 million per year-end. The Company had a further USD 73.9 million available per year-end, under the USD 88.5 million loan and guarantee facility agreement provided by Eksportfinans ASA and HSH Nordbank AG, for the financing of such PSVs.

In November 2005, the Company purchased a further 1,542,000 of its own shares in the market at an average price of NOK 3.50 per share. In total the Company has purchased 4,642,000 of its own shares. These shares are treated as cancelled and form part of the authorised but unissued share capital of the Company. The Company had 130,191,222 shares in issue per year-end 2005, excluding the 4,642,000 shares to be cancelled.

#### **Related party transactions**

Per 31 December 2005, the Company held USD 3.5 million as a dividend prepayment from Overseas Drilling Limited. Further, the Company had a payable of USD 1 million to Subsea 7, per year-end.

### **COMMENTS ON ACTIVITIES**

#### **PSVs**

The first PSV from Aker Langsten AS (“Sasha”) was delivered on 31 October 2005. The vessel performed two cargo runs for Norsk Hydro, before it commenced a charter with EMGS AS for a period of six months on 20 November 2005, with six additional monthly options. The contract value for the firm period is approximately USD 4.2 million.

The second PSV from Aker Langsten AS (“Sophie Siem”) was delivered on 19 January 2006. The vessel commenced a charter for with Denerco Oil and DONG in Denmark for a fixed period of minimum 60 days (two wells) with options for two further wells. The contract value for the firm period is approximately USD 1.1 million. On 9 February 2006, it was announced that the Company was awarded a 12 months contract, plus options, by Peterson Supplylink B.V in Holland for the “Sophie Siem” equivalent to a contract value for the firm period of approximately USD 5.7 million. The commencement of the new contract will be in direct continuation of the present contract with Denerco Oil and DONG.

The Company has been informed by Aker Aukra AS that the delivery dates for the four PSVs scheduled for delivery during the period May – August 2006 will be postponed by up to two months, due to delays at the yards.

The dynamic positioning system for the five PSVs to be delivered in 2006 will be upgraded from DP I (AUT) to DP II (AUTR), at a total cost of NOK 22 million. The upgrade will enhance the capabilities of the vessels further, and the Company is confident that the investment will be accretive with regard to rates and vessel utilisation.

#### **JOIDES Resolution**

The vessel completed the contract with Texas A&M Research Foundation (TAMRF) for the Integrated Ocean Drilling Program’s Phase I on 20 January 2006.

On 15 December 2005, it was announced that Overseas Drilling Limited (ODL) had signed the contract with TAMRF for the use of the JOIDES Resolution as a scientific ocean drilling vessel for the Integrated Ocean Drilling Program’s Phase II. The operational phase of the contract has a duration until fourth quarter 2013, with 10 additional years of options, and is scheduled to commence during first-half of 2007. The estimated contract value for the initial duration is approximately USD 140 million. The operational phase of the contract can be terminated by TAMRF at any time with a USD 3 million termination fee. The vessel will however undergo a major conversion prior to the operational phase for the charterer’s cost. ODL will be responsible for carrying out the engineering and conversion at TAMRF’s cost. Separate day rates for the vessel are agreed for the pre-conversion period and the conversion period.

Overseas Drilling Limited has no financial debt per year-end 2005. Siem Offshore’s investment in ODL is booked at USD 5.7 million per-year end 2005 and included as ‘Financial fixed assets’ in the Balance Sheet.

**Brazilian activities**

The supply/crew vessels in Brazil, owned and operated by the subsidiary Siem Consub S.A., continued on contracts with Petrobras and performed well during the fourth quarter. The utilisation rate for 2005 was 97%. In December 2005, Siem Consub S.A. was awarded contract extensions and new contracts for five of its vessels at an average duration of two years and at a total contract value of approximately USD 14 million.

In October 2005, Siem Consub S.A. received the 2005 Golden Award by Petrobras for its operation in the Compos Basin with regard to Offshore Services Quality, Health, Safety and Environmental Protection. Siem Consub S.A. received the same award in 2004.

The completion of the Modfrag project is delayed until first quarter 2006 due to a foreseen late delivery of the final vessel by the Brazilian Navy.

**Big Orange**

The vessel Big Orange XVIII is on a time charter contract with Schlumberger until August 2010 for well stimulation work in the North Sea Basin. KS Big Orange XVIII has no financial debt per year-end 2005.

**ADDITIONAL VESSEL INVESTMENTS**

On 13 February 2006, the Company declared the final option for two additional PSVs of Vik Sandvik design VS 470 Mk II from Aker Brattvaag, a subsidiary of Aker Yards. The vessels are scheduled for delivery in the second quarter of 2007. The total contract value for the two vessels is approx NOK 275 million. The vessels will be equipped with dynamic positioning (DP II), special product tanks, azimuth thruster, and accommodation for 34 persons.

On 14 February 2006, the Company declared that it had signed a shipbuilding contract with Kleven Maritime AS for the building of one Multi Functional Field & ROV support vessel for delivery June 2007, with an overall project cost of approximately NOK 340 million. The vessel is of MT 6016 L design with a length of 104 meters and a beam of 20 meters, and will have a deck area in excess of 1,100 m<sup>2</sup>, large lifting capacity, accommodation for 100 persons, efficient launch and recovery systems for ROVs, moonpool, and helideck. The vessel is designed for world wide subsea operations including light construction work, maintenance, and ROV services.

The Company has commenced the finance process for these vessels with the Company's bankers.

**ACQUISITION OF ROVDE SHIPPING AS**

All subjects with regard to Siem Offshore's acquisition of the shares in Rovde Shipping AS were lifted on 23 February 2006 and the transaction became effective from the same day. Siem Offshore Inc will issue 35,019,678 new shares to the shareholders of Rovde Shipping AS in consideration for all shares in Rovde Shipping AS. Rovde Shipping AS will be included in the consolidated accounts of Siem Offshore Inc from the effective date.

Following the issuance of new shares, the number of outstanding Company shares will increase to 165,210,900 shares, excluding the 4,642,000 bought back shares to be cancelled.

The chairman of Rovde Shipping AS, Mr Kaspar Overaa, and Mr Ulf H. SørDAL has been appointed as members of the board of directors of the Company.

**MARKET AND OUTLOOK**

During the last months, the North Sea offshore spot market has been quite strong, both in the PSV (platform supply vessel) and AHTS (anchor handling tug supply vessel) segment, though

not as strong as last winter. It is expected that the seasonal start-up of the pipe-laying and construction season in March will tighten the market.

The overall high oil and gas prices led the exploration activities into deeper water and more geographically areas. There is a significant demand for high capacity drilling units, which will have a positive impact for the support vessels. We expect the North Sea activity to remain high, and we see further growth and expansion in West-Africa, India and Far East, the Gulf of Mexico, US Gulf and the in the Brazilian Market.

On behalf of the Board of Directors of Siem Offshore Inc  
27 February 2006

Kristian Siem  
Chairman

[www.siemoffshore.com](http://www.siemoffshore.com)

## Siem Offshore Inc - Accounts prepared in accordance with IFRS

### Profit & Loss Account

	Pro forma		Pro forma		Pro forma	Pro forma
	4Q 2005	4Q 2004	01.07-31.12.05	01.07-31.12.04	01.01-31.12.05	01.01-31.12.04
<i>(Unaudited figures in USD 1,000)</i>						
Operating revenue	8,702	8,386	13,233	12,498	24,524	22,895
Result from affiliated companies	1,659	1,261	3,242	2,622	5,977	7,966
<b>Total revenues</b>	<b>10,362</b>	<b>9,647</b>	<b>16,476</b>	<b>15,120</b>	<b>30,500</b>	<b>30,861</b>
Total Operating costs	-8,303	-6,836	-12,617	-11,233	-22,501	-19,653
<b>EBITDA</b>	<b>2,059</b>	<b>2,811</b>	<b>3,859</b>	<b>3,887</b>	<b>7,999</b>	<b>11,208</b>
Depreciation and amortisation	-1,050	-279	-1,972	-887	-3,305	-2,051
Impairment	0	-6,154	0	-6,154	-1,037	-6,154
Gain on sale	0	5	0	5	0	57
<b>EBIT</b>	<b>1,009</b>	<b>-3,617</b>	<b>1,887</b>	<b>-3,149</b>	<b>3,657</b>	<b>3,060</b>
Net currency items	-3,036	-3	-3,085	-53	-7,111	-249
Financial income	489	22	542	30	638	108
Financial costs	-341	344	-503	61	-885	-371
<b>Net financial items</b>	<b>-2,888</b>	<b>363</b>	<b>-3,046</b>	<b>38</b>	<b>-7,358</b>	<b>-512</b>
<b>Result before taxes</b>	<b>-1,880</b>	<b>-3,254</b>	<b>-1,160</b>	<b>-3,111</b>	<b>-3,700</b>	<b>2,548</b>
Taxes	-625	-97	-898	-89	-1,391	0
<b>Result for the period</b>	<b>-2,504</b>	<b>-3,351</b>	<b>-2,057</b>	<b>-3,200</b>	<b>-5,091</b>	<b>2,548</b>

### Balance Sheet

	31.12.2005	Pro forma 31.12.2004
<i>(Unaudited figures in USD 1,000)</i>		
<b>Fixed assets</b>		
Tangible fixed assets	39,813	11,720
Financial fixed assets	8,278	6,307
<b>Total long-term assets</b>	<b>48,091</b>	<b>18,027</b>
Debtors, prepayments and other current assets	23,151	34,951
Bank deposits and short-term investments	21,709	37,782
<b>Total current assets</b>	<b>44,860</b>	<b>72,733</b>
<b>Total assets</b>	<b>92,951</b>	<b>90,759</b>
<b>Shareholders' equity</b>		
Paid-in capital	88,153	75,135
Other equity	-28,582	-6,847
Result for the period	-5,091	2,548
<b>Total shareholders' equity</b>	<b>54,480</b>	<b>70,836</b>
<b>Liabilities</b>		
Deferred taxes	0	0
Other provisions	401	527
<b>Total provisions</b>	<b>401</b>	<b>527</b>
Finance debt and leases falling due after 1 year	19,116	6,767
Other long-term liabilities	5	436
<b>Total other long-term liabilities</b>	<b>19,121</b>	<b>7,204</b>
Finance debt and leases falling due within 1 year	1,224	1,295
Trade creditors and other Short-term liabilities	17,724	10,897
<b>Total current liabilities</b>	<b>18,949</b>	<b>12,192</b>
<b>Total liabilities</b>	<b>38,471</b>	<b>19,923</b>
<b>Total shareholders' equity and liabilities</b>	<b>92,951</b>	<b>90,759</b>

## Siem Offshore Inc - Accounts prepared in accordance with IFRS

### Profit & Loss Account

<i>(Unaudited figures in USD 1,000)</i>	4Q 2005	01.07-31.12.05
Operating revenue	8,702	13,233
Result from affiliated companies	1,659	3,242
<b>Total revenues</b>	<b>10,362</b>	<b>16,476</b>
Total Operating costs	-8,303	-12,617
<b>EBITDA</b>	<b>2,059</b>	<b>3,859</b>
Depreciation and amortisation	-1,050	-1,972
Impairment	0	0
Gain on sale	0	0
<b>EBIT</b>	<b>1,009</b>	<b>1,887</b>
Net currency items	-3,036	-3,085
Financial income	489	542
Financial costs	-341	-503
<b>Net financial items</b>	<b>-2,888</b>	<b>-3,046</b>
<b>Result before taxes</b>	<b>-1,880</b>	<b>-1,160</b>
Taxes	-625	-898
<b>Result for the period</b>	<b>-2,504</b>	<b>-2,057</b>
Average number of issued shares ('000)	131,180	132,821
Earnings per share, USD per share	-0.02	-0.02

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	31.12.2005	Opening Balance 01.07.2005
<b>Fixed assets</b>		
Tangible fixed assets	39,813	17,941
Financial fixed assets	8,278	5,550
<b>Total long-term assets</b>	<b>48,091</b>	<b>23,491</b>
Debtors, prepayments and other current assets	23,151	23,101
Bank deposits and short-term investments	21,709	31,588
<b>Total current assets</b>	<b>44,860</b>	<b>54,689</b>
<b>Total assets</b>	<b>92,951</b>	<b>78,180</b>
<b>Shareholders' equity</b>		
Paid-in capital	88,153	88,153
Other equity	-31,616	-28,742
Result for the period	-2,057	0
<b>Total shareholders' equity</b>	<b>54,480</b>	<b>59,411</b>
<b>Liabilities</b>		
Deferred taxes	0	0
Other provisions	401	488
<b>Total provisions</b>	<b>401</b>	<b>488</b>
Finance debt and leases falling due after 1 year	19,116	5,515
Other long-term liabilities	5	830
<b>Total other long-term liabilities</b>	<b>19,121</b>	<b>6,345</b>
Finance debt and leases falling due within 1 year	1,224	919
Trade creditors and other Short-term liabilities	17,724	11,019
<b>Total current liabilities</b>	<b>18,949</b>	<b>11,938</b>
<b>Total liabilities</b>	<b>38,471</b>	<b>18,771</b>
<b>Total shareholders' equity and liabilities</b>	<b>92,951</b>	<b>78,182</b>

## Siem Offshore Inc - Notes to the 4Q 2005 report

### Net interest bearing debt

<i>(Amounts in USD 1 000)</i>	31.12.2005	31.12.2004
Bank deposits	21 709	0
Short-term interest bearing debt	-1 224	0
Long-term interest bearing debt	-19 116	0
<b>Net interest bearing debt</b>	<b>1 368</b>	<b>0</b>

### Shareholders' equity

<i>(Amounts in USD 1 000)</i>	31.12.2005	31.12.2004
Shareholders' equity beginning of period	0	0
Raising of new equity (net)	59 412	0
Own shares	-2 833	0
Result for the period	-2 057	0
Currency translation differences	-41	0
<b>Shareholders' equity end of period</b>	<b>54 480</b>	<b>0</b>

### Cash-flow analysis

<i>(Amounts in USD 1 000)</i>	31.12.2005	31.12.2004
<b>Cash-flow from operations</b>		
Profit before taxes, excluding interest	-1 294	0
Interest paid	-171	0
Paid taxes in the period	-898	0
Result from affiliated companies	-3 242	0
Dividend received	427	0
Depreciation, amortisation and impairment of fixed assets	1 972	0
Change in working capital	-7 390	0
Other changes	723	0
<b>Cash-flow from operations</b>	<b>-9 872</b>	<b>0</b>
<b>Cash flow from investment</b>		
Interest received	542	0
Investment in fixed assets and instalments shipbuilding contract	-41 749	0
Investment available-for-sale assets	-2 600	0
Investment in affiliated companies	-5 339	0
<b>Cash-flow from investments</b>	<b>-49 146</b>	<b>0</b>
<b>Cash-flow from financing activities</b>		
New equity	59 412	0
Buy back of own shares	-2 833	0
Assumed interest bearing debt	6 434	0
Received from raising of new long-term debt	14 650	0
Short-term loan from affiliated company	3 500	0
Repayment of long-term interest bearing debt	-460	0
<b>Cash-flow from financing activities</b>	<b>80 703</b>	<b>0</b>
Effect of exchange rate differences	23	0
<b>Net change in cash</b>	<b>21 709</b>	<b>0</b>
Cash at bank start of period	0	0
Cash at bank end of period	21 709	0
<b>Net change in cash</b>	<b>21 709</b>	<b>0</b>