



# SIEM OFFSHORE INC.

## REPORT FOR THE SECOND QUARTER 2006

25 July 2006 – Siem Offshore Inc. (Oslo Stock Exchange: SIOFF) today reports results for the second quarter 2006.

### **MAIN EVENTS DURING SECOND QUARTER 2006**

- 3 April, the Company signed a shipbuilding contract with Kleven Verft AS for the building of a second Construction Vessel for delivery in March 2008 with an overall project cost of approximately NOK 340 million. The vessel is a sister vessel of the vessel ordered 14 February.
- 10 May, the Company entered into a Share Purchase Agreement with Wellis AS in respect of shares in Wellis' wholly owned subsidiary, Well Intervention Solutions AS ("WIS"), whereby the Company shall have the right and obligation to become a 60% shareholder in WIS. The Company issued 2,300,000 ordinary shares to Wellis AS in consideration for shares in WIS. Further, in May the Company injected NOK 15 million in new share capital in WIS, and will inject a further NOK 15 million within January 2007. WIS has developed a concept to enable safer and more efficient Riserless Subsea Intervention, Drilling and Maintenance services from vessels. The proceeds from the share issue in WIS will be used to prepare the riserless intervention concept for market entrance.
- 24 May, the Company and O H Meling & Co AS ("Meling") entered into a Heads of Agreement whereby the Company shall acquire from Meling a shipbuilding contract for a PSV of MT 6000 design with a 70 tonne crane currently under construction at Kleven Verft AS to be delivered at year end 2006. Further, the Company shall become a 51% shareholder in a ship-owning company which will own a PSV of VS 470 mk II design, built in 2004, and a shipbuilding contract for a PSV of VS 485 design, to be delivered from Karmsund Maritime Services AS in June 2007. The Company's ownership in the above-mentioned vessel and shipbuilding contracts represents an investment of approx. NOK 500 million.

Subsequent to the second quarter, the Company took delivery of the third PSV from Aker Yards on 3 July.

### **FINANCIALS**

#### **Statutory results for second quarter**

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; hence, there are no comparable statutory figures for second quarter 2005.

The net profit attributable to shareholders for the second quarter is USD 13.1 million, or USD 8 cents per share. The operating revenues and EBITDA were USD 16.8 million and USD 8.8 million, respectively.

Depreciation and amortisation were USD 2.7 million. The EBIT was USD 6.5 million, and includes a gain on sale of assets of USD 0.4 million.

Net financial items were USD 6.8 million. The net financial items include a net currency gain of USD 7.4 million due to realised and unrealised foreign exchange gains arising from the revaluation to market of open foreign exchange contracts during the quarter. Such foreign exchange contracts have been entered into in order to fix part of the NOK commitment in relation to the vessels under construction at Norwegian yards.

The operating revenues and EBITDA for the first six months were USD 27.5 million and USD 12.1 million, respectively, and the net profit attributable to shareholders was USD 21.2 million, or USD 14 cents per share.

#### **Pro forma results for second quarter**

Pro forma 2006 accounts are prepared to reflect the restated accounts of the Company as if the acquisition of Rovde Shipping AS had been implemented with effect 1 January 2006. Comparable pro forma accounts for the year 2005 are prepared as if the Company had been established 1 January 2005 and as if the acquisition of Rovde Shipping AS had been implemented with effect 1 January 2005.

The pro forma net profit for the second quarter 2006 was USD 13.1 million, compared to a pro forma net loss of USD 4.0 million for the same period in 2005.

The pro forma operating revenue and EBITDA for the second quarter 2006 were USD 16.9 million and USD 8.8 million, respectively, as compared to USD 12.0 million and USD 3.6 million, respectively, for the pro forma second quarter 2005. The pro forma result from affiliated companies was USD 4.3 million and USD 1.0 million for the second quarter 2006 and second quarter 2005, respectively.

The pro forma EBIT for the second quarter 2006 was USD 6.5 million, including a gain on sale of USD 0.4 million, as compared to an EBIT of USD 0.4 million for the pro forma second quarter 2005.

The pro forma operating revenues and EBITDA for the first six months were USD 30.6 million and USD 12.4 million, respectively, as compared to USD 22.9 million and USD 7.7 million for the pro forma 2005 figures. The pro forma net profit attributable to shareholders for the first six months was USD 20.6 million, as compared to a net loss of USD 2.0 million for the pro forma 2005 figure.

#### **Cash, Debt and Share Capital per second quarter 2006**

The cash position at 30 June 2006 was USD 28 million. The gross interest-bearing debt was USD 60 million and includes USD 29 million in debt financing of two new PSVs, USD 6 million in loan from the Brazilian Development Bank, USD 8 million in debt financing related to vessels acquired as part of the Rovde-transaction and a USD 17 million short-term loan.

Future yard instalments for the five PSVs, the two Construction Vessels and the one PSV/Construction Vessel from Meling totalled NOK 1.4 billion at the end of second quarter. Further, the gross investment for the ship-owning company to be established together with Meling, of which the Company shall own 51%, totals approximately NOK 400 million.

A new bank loan of USD 175 million will replace the current USD 88.5 million loan and guarantee facility. The new loan will have a 12 years profile and is repayable over a 7 year term following the delivery of the second Construction Vessel in March 2008.

In May, the Company purchased 1,662,000 of its own shares in the market at an average price of NOK 5.00 per share. These shares are treated as cancelled and form part of the authorised but unissued share capital of the Company. The Company had 165,848,900 shares in issue at 30 June 2006, excluding the 1,662,000 shares to be cancelled.

#### **Related party transactions**

In June, the Company entered into a USD 17 million loan agreement with Siem Industries Inc with a term of four months at market rate of interest.

At 30 June 2006, the Company held USD 3.5 million as a dividend prepayment from Overseas Drilling Limited.

### **EMPLOYMENT OF THE FLEET**

The first two new PSVs continued on their charter contracts during the second quarter. The charterer of the *Sasha* has declared four out of six monthly options. The *Sophie Siem* has commenced a 12 months contract for work offshore the Netherlands. The third PSV was delivered from Aker in early July and commenced its contract following the scheduled mobilisation.

Aker Yards has informed that the delivery of the fourth PSV will be delayed until early September 2006 and the fifth PSV will be delayed until mid-October 2006.

The Company has entered into an 18 month contract for the *Ocean Commander*. The contract will commence in August 2006 following the installation of a 50 tonnes active heave compensated crane and certain other project related equipment, including a helideck. The contract has a value of approximately USD 20 million.

The commencement of the contract for the *JOIDES Resolution* with Texas A&M Research Foundation (TAMRF) for the Integrated Ocean Drilling Program's Phase II is re-scheduled to fourth quarter 2007, as compared initial schedule of second quarter 2007. Alternative employment is pursued during such interim period.

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 second quarter. The utilisation rate for the second quarter 2006 was 96%.

### **MARKET AND OUTLOOK**

The North Sea spot market for PSVs has been strong through second quarter with rates at the highest level ever. PSVs have obtained rates for cargo runs in range of GBP 25,000 – 35,000 per day. The strong spot market is due to a general high activity. Many charterers have secured vessels on long-term charters and there is an increasing interest worldwide for the high specification North Sea fleet. Further, owners have converted some of the large PSV/AHTS to subsea related activity which has led to exit of vessels from North Sea.

The demand for special vessels such as ROV-support, subsea construction, maintenance and subsea service is expected to remain high.

The outlook for the remainder of 2006 is good based on the high activity world wide. It is expected, based on a high oil price, that the market will stay tight. There are several tenders for long-term contracts outstanding.

On behalf of the Board of Directors of Siem Offshore Inc  
25 July 2006

Kristian Siem  
Chairman

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

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

### Profit & Loss Account

<i>(Unaudited figures in USD 1,000)</i>	2Q 2006	2Q 2005	YTD 2006	YTD 2005	01.07 - 31.12 2005
Operating revenue	16 789	0	27 516	0	13 233
Result from affiliated companies	4 285	0	4 297	0	3 242
Total operating costs	-12 297	0	-19 676	0	-12 617
<b>EBITDA</b>	<b>8 777</b>	<b>0</b>	<b>12 136</b>	<b>0</b>	<b>3 859</b>
Depreciation and amortisation	-2 651	0	-4 213	0	-1 972
Impairment	0	0	0	0	0
Gain on sale	375	0	4 292	0	0
<b>EBIT</b>	<b>6 501</b>	<b>0</b>	<b>12 215</b>	<b>0</b>	<b>1 887</b>
Net currency items	7 405	0	10 413	0	-3 085
Financial income	141	0	226	0	542
Financial costs	-704	0	-1 297	0	-503
<b>Net financial items</b>	<b>6 842</b>	<b>0</b>	<b>9 342</b>	<b>0</b>	<b>-3 046</b>
<b>Result before taxes</b>	<b>13 343</b>	<b>0</b>	<b>21 557</b>	<b>0</b>	<b>-1 160</b>
Taxes	-243	0	-389	0	-898
<b>Result for the period</b>	<b>13 100</b>	<b>0</b>	<b>21 168</b>	<b>0</b>	<b>-2 057</b>
Average number of issued shares ('000)	165 539		155 122		132 821
Earnings per share, USD per share	0,08		0,14		-0,02

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	30.06.2006	30.06.2005	31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	518	0	0
Tangible fixed assets	104 277	0	39 813
Investment in affiliates and other financial fixed assets	26 308	0	8 278
<b>Total long-term assets</b>	<b>131 103</b>	<b>0</b>	<b>48 091</b>
Debtors, prepayments and other current assets	32 247	0	23 151
Bank deposits	27 714	0	21 709
<b>Total current assets</b>	<b>59 961</b>	<b>0</b>	<b>44 860</b>
<b>Total assets</b>	<b>191 065</b>	<b>0</b>	<b>92 951</b>
<b>Shareholders' equity</b>			
Paid-in capital	111 863	0	85 320
Other equity	-26 838	0	-28 783
Result for the period	21 168	0	-2 057
<b>Shareholders' equity</b>	<b>106 193</b>	<b>0</b>	<b>54 480</b>
<b>Minorities</b>	<b>51</b>	<b>0</b>	<b>0</b>
<b>Minorities and shareholders' equity</b>	<b>106 244</b>	<b>0</b>	<b>54 480</b>
<b>Liabilities</b>			
Deferred taxes	7 914	0	0
Other provisions	673	0	401
<b>Total provisions</b>	<b>8 587</b>	<b>0</b>	<b>401</b>
Finance debt falling due after 1 year	40 077	0	19 116
Other long-term liabilities	3	0	3
<b>Total other long-term liabilities</b>	<b>40 079</b>	<b>0</b>	<b>19 119</b>
Finance debt falling due within 1 year	19 636	0	1 226
Trade creditors and other short-term liabilities	16 519	0	17 724
<b>Total current liabilities</b>	<b>36 154</b>	<b>0</b>	<b>18 951</b>
<b>Total liabilities</b>	<b>84 821</b>	<b>0</b>	<b>38 471</b>
<b>Total shareholders' equity and liabilities</b>	<b>191 065</b>	<b>0</b>	<b>92 951</b>

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

### Profit & Loss Account

<i>(Unaudited figures in USD 1,000)</i>	Pro forma 2Q 2006	Pro forma 2Q 2005	Pro forma YTD 2006	Pro forma YTD 2005	Pro forma 2005
Operating revenue	16 892	12 022	30 569	22 859	51 005
Result from affiliated companies	4 274	1 035	4 455	3 123	7 084
Total operating costs	-12 398	-9 489	-22 618	-18 305	-44 149
<b>EBITDA</b>	<b>8 768</b>	<b>3 567</b>	<b>12 407</b>	<b>7 677</b>	<b>13 940</b>
Depreciation and amortisation	-2 649	-2 127	-4 961	-4 032	-8 352
Impairment	0	-1 037	0	-1 037	-1 037
Gain on sale	375	0	4 292	0	0
<b>EBIT</b>	<b>6 494</b>	<b>404</b>	<b>11 737</b>	<b>2 608</b>	<b>4 551</b>
Net currency items	7 405	-4 025	10 413	-4 014	-7 087
Financial income	141	301	231	404	886
Financial costs	-706	-548	-1 352	-1 109	-1 868
<b>Net financial items</b>	<b>6 840</b>	<b>-4 272</b>	<b>9 292</b>	<b>-4 719</b>	<b>-8 069</b>
<b>Result before taxes</b>	<b>13 334</b>	<b>-3 868</b>	<b>21 029</b>	<b>-2 111</b>	<b>-3 518</b>
Taxes	-243	-493	-389	-493	-1 440
Result minorities	0	400	0	658	899
<b>Result for the period</b>	<b>13 091</b>	<b>-3 961</b>	<b>20 640</b>	<b>-1 946</b>	<b>-4 059</b>

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	Pro forma 30.06.2006	Pro forma 30.06.2005	Pro forma 31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	518	805	834
Tangible fixed assets	104 277	75 494	58 841
Investment in affiliates and other financial fixed assets	26 308	12 930	17 019
<b>Total long-term assets</b>	<b>131 103</b>	<b>89 229</b>	<b>76 694</b>
Debtors, prepayments and other current assets	32 247	32 422	33 250
Bank deposits	27 714	41 983	32 380
<b>Total current assets</b>	<b>59 961</b>	<b>74 405</b>	<b>65 630</b>
<b>Total assets</b>	<b>191 065</b>	<b>163 634</b>	<b>142 325</b>
<b>Shareholders' equity</b>			
Paid-in capital	111 863	65 954	110 959
Other equity	-26 310	21 460	-26 541
Result for the period	20 640	-1 946	-4 059
<b>Shareholders' equity</b>	<b>106 193</b>	<b>85 468</b>	<b>80 359</b>
<b>Minorities</b>	<b>51</b>	<b>6 712</b>	<b>3 355</b>
<b>Minorities and shareholders' equity</b>	<b>106 244</b>	<b>92 180</b>	<b>83 714</b>
<b>Liabilities</b>			
Deferred taxes	7 914	7 417	7 272
Other provisions	673	744	619
<b>Total provisions</b>	<b>8 587</b>	<b>8 161</b>	<b>7 891</b>
Finance debt falling due after 1 year	40 077	34 145	26 205
Other long-term liabilities	3	830	3
<b>Total other long-term liabilities</b>	<b>40 079</b>	<b>34 975</b>	<b>26 208</b>
Finance debt falling due within 1 year	19 636	5 635	2 408
Trade creditors and other short-term liabilities	16 519	22 684	22 104
<b>Total current liabilities</b>	<b>36 154</b>	<b>28 319</b>	<b>24 511</b>
<b>Total liabilities</b>	<b>84 821</b>	<b>71 455</b>	<b>58 610</b>
<b>Total shareholders' equity and liabilities</b>	<b>191 065</b>	<b>163 634</b>	<b>142 325</b>

## Siem Offshore Inc - Notes to the 2Q 2006 report

### Net interest bearing debt

<i>(Amounts in USD 1 000)</i>	30.06.2006	30.06.2005	31.12.2005
Bank deposits	27 714	0	21 709
Short-term interest bearing debt	-19 636	0	-1 226
Long-term interest bearing debt	-40 077	0	-19 116
<b>Net interest bearing debt</b>	<b>-31 998</b>	<b>0</b>	<b>1 367</b>

### Shareholders' equity

<i>(Amounts in USD 1 000)</i>	30.06.2006	30.06.2005	31.12.2005
Shareholders' equity beginning of period	54 480	0	0
Raising of new equity (net)	27 907	0	59 411
Own shares	-1 364	0	-2 833
Result for the period	21 168	0	-2 057
Currency translation differences	4 003	0	-41
<b>Shareholders' equity end of period</b>	<b>106 193</b>	<b>0</b>	<b>54 480</b>

### Cash-flow analysis

<i>(Amounts in USD 1 000)</i>	YTD	30.06.2005	31.12.2005
<b>Cash-flow from operations</b>			
Profit before taxes, excluding interest	22 629	0	-1 294
Interest paid	-815	0	-171
Paid taxes in the period	-348	0	-898
Result from affiliated companies	-4 297	0	-3 242
Gain on sale fixed assets	-4 292	0	0
Dividend received	399	0	427
Depreciation, amortisation and impairment of fixed assets	4 213	0	1 972
Change in working capital	-7 426	0	2 098
Other changes	-22	0	-384
<b>Cash-flow from operations</b>	<b>10 041</b>	<b>0</b>	<b>-1 492</b>

### Cash flow from investment

Interest received	187	0	542
Investment in fixed assets and instalments shipbuilding contract	-51 143	0	-23 810
Investment in affiliated companies and shares	-2 464	0	0
Received from sale of fixed assets	11 275	0	0
Cash received from acquisition of shares in Rovde Shipping AS	9 429	0	0
<b>Cash-flow from investments</b>	<b>-32 716</b>	<b>0</b>	<b>-23 268</b>

### Cash-flow from financing activities

Buy back of own shares	-1 364	0	-2 833
Distribution to minorities	-3 600	0	0
Short-term loan from affiliated company	0	0	3 500
Short-term loan from related party	17 000	0	0
Received from raising of new long-term debt	14 680	0	14 650
Repayment of long-term interest bearing debt	-888	0	-460
<b>Cash-flow from financing activities</b>	<b>25 827</b>	<b>0</b>	<b>14 857</b>

Effect of exchange rate differences	2 853	0	23
<b>Net change in cash</b>	<b>6 005</b>	<b>0</b>	<b>-9 879</b>
Cash at bank start of period	21 709	0	31 588
Cash at bank end of period	27 714	0	21 709
<b>Net change in cash</b>	<b>6 005</b>	<b>0</b>	<b>-9 879</b>