



# SIEM OFFSHORE INC.

## REPORT FOR THE THIRD QUARTER 2006

24 October 2006 – Siem Offshore Inc. (Oslo Stock Exchange: SIOFF) today reports results for the third quarter 2006.

### **FINANCIALS**

#### **Results for the third quarter**

The net profit attributable to shareholders for the third quarter was USD 7.8 million, or USD 0.05 per share. The operating revenues and EBITDA were USD 21.8 million and USD 12.2 million, respectively. The EBITDA figure includes net result from affiliated companies of USD 3.2 million for the third quarter 2006.

Depreciation and amortisation were USD 3.1 million. The EBIT was USD 15.6 million, and includes a net gain on sale of assets of USD 6.5 million.

Net financial items were negative USD 7.4 million and include a net currency loss of USD 6.0 million due to realised and unrealised foreign exchange losses 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 the NOK commitment in relation to the vessels under construction at Norwegian yards.

The operating revenues and EBITDA for the first nine months were USD 49.3 million and USD 24.3 million, respectively, and the net profit attributable to shareholders was USD 29.0 million, or USD 0.18 per share.

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 formation on 1 July 2005.

#### **Pro forma results for the third 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 third quarter 2006 was USD 7.9 million, compared to a pro forma profit of USD 1.7 million for the same period in 2005.

The pro forma operating revenue and EBITDA for the third quarter 2006 were USD 21.8 million and USD 12.2 million, respectively, as compared to USD 15.6 million and USD 4.6 million, respectively, for the pro forma third quarter 2005. The pro forma result from affiliated companies was USD 3.3 million and USD 2.2 million for the third quarter 2006 and third quarter 2005, respectively.

The pro forma operating revenues and EBITDA for the first nine months were USD 52.3 million and USD 24.6 million, respectively, as compared to USD 38.4 million and USD 12.3 million for the pro forma 2005 figures. The pro forma net profit attributable to shareholders for the first nine months was USD 28.6 million, as compared to a net loss of USD 0.2 million for the pro forma 2005 figures.

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

The cash position at 30 September 2006 was USD 22 million. The gross interest-bearing debt was USD 125 million and includes USD 89 million in debt financing of four mid-size PSVs and one large-size PSV, pre-delivery financing of two Multi Functional Field & ROV Support Vessels, USD 5 million in loan from the Brazilian Development Bank, USD 7 million in debt financing related to vessels acquired as part of the Rovde-transaction and USD 24 million related party loans.

Future yard instalments for vessels under construction totalled NOK 1.3 billion at the end of third quarter.

The Board resolved to issue a total of 2,070,000 shares to certain key employees of which 1,650,000 were issued in third quarter and 420,000 will be issued in fourth quarter. Following such issues, the number of outstanding Company shares will be 167,930,900.

#### **Related party transactions**

At 30 September, the Company held short term loans from Siem Industries Inc. in the aggregate amount of USD 24 million. The loan falls due within year-end 2006.

At 30 September 2006, the Company held USD 1.8 million as a dividend prepayment from Overseas Drilling Limited.

#### **MAIN EVENTS DURING THIRD QUARTER 2006**

- 17 August - The Company agreed to acquire the vessel *Ocean Carrier* from the limited partnership KS Ocean Carrier at a price of NOK 183 million. The *Ocean Carrier* is a large-size PSV of Vik Sandvik 483 design built in 1996. Siem Offshore Inc has held a 20% ownership in the limited partnership KS Ocean Carrier from February 2006.
- 23 August - The Company and Kleven Verft AS entered into a shipbuilding contract for the construction of one multi-functional large-size PSV of MT 6017 Mk II design. The contract price is NOK 295 million and the delivery will be in fourth quarter 2008. The vessel will have an accommodation for 68 persons, moonpool, removable cargo rail, mezzanine deck for launch and recovery of ROV and will be prepared for a crane of up to 100 tons and for a helideck.
- 1 September - The Company entered into an agreement for the sale of one platform supply vessel of VS 470 mk II design at a price of NOK 193 million. The Company took delivery from the yard on 13 October 2006 and the vessel was delivered to the new owner on 16 October 2006.
- 20 September - The Company entered into a 5 year firm charter contract for one Multi Functional Field & ROV Support Vessel, of MT 6016L design, to be delivered from the yard in June 2007, . The contract value is approximately USD 80 million. The charterer has an option to purchase the vessel at the end of the 5 years firm charter at a price of approximately USD 50 million.
- 25 September - The Company entered into an agreement with Sartor Shipping AS for the sale of the three standby vessels *Ocean Flower* (built 1974), *Solvbas* (built 1974) and *Ocean Star* (built 1975) for a total amount of NOK 60 million. The vessels will be delivered to the new owner during fourth quarter 2006.

## **EMPLOYMENT OF THE FLEET**

The two mid-size PSVs, *Siem Sasha* and *Siem Sophie*, continued on their charter contracts during third quarter. The firm period for the *Siem Sasha* is extended until January 2007. The third mid-size PSV, *Siem Danis*, was delivered from Aker in early July. The vessel was immediately mobilised and commenced a 3 month contract. The fourth mid-size PSV, *Siem Louisa*, was delivered from the yard in early September. Following some weeks with supply services in the spot market, the vessel was mobilised and commenced its contract to be performed in campaigns for a total of 160 days (non consecutive).

Aker Yards has informed that the two mid-size PSVs to be delivered in 2007 will be delayed from May and June to June and October, respectively.

The Company has entered into a 5 year firm charter contract for one Multi Functional Field & ROV Support Vessel as described above.

The *Siem Carrier* continued on its contract until mid-September, from which date the vessel commenced its 10 years class survey. The vessel will be available in the market at the end of October.

The *Ocean Commander*, which is on a bareboat charter to the Company, commenced its 18 months contract in August 2006.

The standby vessels continued on their contracts during third quarter. The three vessels that are agreed to be sold will be prepared for delivery to their new owner in fourth quarter.

The *JOIDES Resolution* completed its contract with DGH India in August. The conversion of the vessel, prior to the commencement of the seven years contract with Texas A&M Research Foundation (TAMRF) for the Integrated Ocean Drilling Program's Phase II, will commence in fourth quarter 2006 and is scheduled for a period of approximately 12 months.

The 10 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 third quarter 2006 was 98%.

## **MARKET AND OUTLOOK**

The PSV market has come off an exceptionally high level as expected for this time of the year. The activity level is however expected to stay higher than normal during the winter.

The AHTS market continues to stay strong with day rates at record levels in the North Sea spot market. With a continued volume of activity and few vessels available, the tight AHTS market is expected to continue.

The market for subsea construction vessels remains strong. Charterers continue to demand vessels with high specifications for their programs for 2007 and beyond and the number of available vessels for commencement within 2007 is limited.

On behalf of the Board of Directors of Siem Offshore Inc.  
24 October 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>	3Q 2006	3Q 2005	YTD 2006	YTD 2005	01.07 - 31.12 2005
Operating revenue	21,757	4,531	49,273	4,531	13,233
Result from affiliated companies	3,244	1,583	7,541	1,583	3,242
Total operating costs	-12,832	-4,315	-32,508	-4,315	-12,617
<b>EBITDA</b>	<b>12,169</b>	<b>1,799</b>	<b>24,306</b>	<b>1,799</b>	<b>3,859</b>
Depreciation and amortisation	-3,146	-922	-7,359	-922	-1,972
Gain on sale	6,547	0	10,839	0	0
<b>EBIT</b>	<b>15,571</b>	<b>877</b>	<b>27,786</b>	<b>877</b>	<b>1,887</b>
Net currency items	-5,956	-49	4,458	-49	-3,085
Financial income	153	53	378	53	542
Financial costs	-1,559	-162	-2,856	-162	-503
<b>Net financial items</b>	<b>-7,362</b>	<b>-158</b>	<b>1,980</b>	<b>-158</b>	<b>-3,046</b>
<b>Result before taxes</b>	<b>8,209</b>	<b>719</b>	<b>29,766</b>	<b>719</b>	<b>-1,160</b>
Taxes	-423	-273	-813	-273	-898
<b>Result for the period</b>	<b>7,785</b>	<b>446</b>	<b>28,953</b>	<b>446</b>	<b>-2,057</b>
Average number of issued shares ('000)	166,010	134,463	158,791	134,463	132,821
Earnings per share, USD per share	0.05	0.00	0.18	0.00	-0.02

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	30.09.06	30.09.05	31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	214	0	0
Tangible fixed assets	162,457	21,659	39,813
Investment in affiliates and other financial fixed assets	26,315	7,153	8,278
<b>Total long-term assets</b>	<b>188,986</b>	<b>28,812</b>	<b>48,091</b>
Debtors, prepayments and other current assets	60,838	21,542	23,151
Bank deposits	21,737	26,117	21,709
<b>Total current assets</b>	<b>82,576</b>	<b>47,659</b>	<b>44,860</b>
<b>Total assets</b>	<b>271,562</b>	<b>76,471</b>	<b>92,951</b>
<b>Shareholders' equity</b>			
Paid-in capital	113,325	88,153	85,320
Other equity	-28,338	-29,581	-28,783
Result for the period	28,953	446	-2,057
<b>Shareholders' equity</b>	<b>113,939</b>	<b>59,018</b>	<b>54,480</b>
<b>Minorities</b>	<b>49</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>			
Deferred taxes	7,554	0	0
Other provisions	643	489	401
<b>Total provisions</b>	<b>8,197</b>	<b>489</b>	<b>401</b>
Finance debt falling due after 1 year	95,150	5,055	19,116
Other long-term liabilities	2	921	3
<b>Total other long-term liabilities</b>	<b>95,152</b>	<b>5,976</b>	<b>19,119</b>
Finance debt falling due within 1 year	30,069	919	1,226
Trade creditors and other short-term liabilities	24,156	10,069	17,724
<b>Total current liabilities</b>	<b>54,225</b>	<b>10,988</b>	<b>18,951</b>
<b>Total liabilities</b>	<b>157,574</b>	<b>17,453</b>	<b>38,471</b>
<b>Total shareholders' equity and liabilities</b>	<b>271,562</b>	<b>76,471</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 3Q 2006	Pro forma 3Q 2005	Pro forma YTD 2006	Pro forma YTD 2005	Pro forma 2005
Operating revenue	21 776	15 561	52 345	38 421	51 005
Result from affiliated companies	3 254	2 235	7 709	5 357	7 084
Total operating costs	-12 850	-13 173	-35 468	-31 479	-44 149
<b>EBITDA</b>	<b>12 179</b>	<b>4 623</b>	<b>24 586</b>	<b>12 299</b>	<b>13 940</b>
Depreciation and amortisation	-2 991	-2 346	-7 953	-6 377	-8 352
Impairment	0	0	0	-1 037	-1 037
Gain on sale	6 534	0	10 826	0	0
<b>EBIT</b>	<b>15 722</b>	<b>2 277</b>	<b>27 459</b>	<b>4 885</b>	<b>4 551</b>
Net currency items	-5 956	58	4 458	-3 955	-7 087
Financial income	153	-96	384	308	886
Financial costs	-1 559	-376	-2 912	-1 485	-1 868
<b>Net financial items</b>	<b>-7 362</b>	<b>-413</b>	<b>1 930</b>	<b>-5 132</b>	<b>-8 069</b>
<b>Result before taxes</b>	<b>8 360</b>	<b>1 864</b>	<b>29 389</b>	<b>-247</b>	<b>-3 518</b>
Taxes	-423	-273	-813	-766	-1 440
Result minorities	0	154	0	811	899
<b>Result for the period</b>	<b>7 937</b>	<b>1 745</b>	<b>28 576</b>	<b>-202</b>	<b>-4 059</b>

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	Pro forma 30.09.2006	Pro forma 30.09.2005	Pro forma 31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	214	807	834
Tangible fixed assets	162 457	42 434	58 841
Investment in affiliates and other financial fixed assets	26 315	15 221	17 019
<b>Total long-term assets</b>	<b>188 986</b>	<b>58 462</b>	<b>76 694</b>
Debtors, prepayments and other current assets	60 838	71 136	33 250
Bank deposits	21 737	29 649	32 380
<b>Total current assets</b>	<b>82 576</b>	<b>100 786</b>	<b>65 630</b>
<b>Total assets</b>	<b>271 562</b>	<b>159 248</b>	<b>142 325</b>
<b>Shareholders' equity</b>			
Paid-in capital	113 325	88 153	110 959
Other equity	-27 962	-793	-26 541
Result for the period	28 576	-202	-4 059
<b>Shareholders' equity</b>	<b>113 939</b>	<b>87 158</b>	<b>80 359</b>
<b>Minorities</b>	<b>49</b>	<b>7 066</b>	<b>3 355</b>
<b>Liabilities</b>			
Deferred taxes	7 554	7 432	7 272
Other provisions	643	746	619
<b>Total provisions</b>	<b>8 197</b>	<b>8 177</b>	<b>7 891</b>
Finance debt falling due after 1 year	95 150	36 425	26 205
Other long-term liabilities	2	921	3
<b>Total other long-term liabilities</b>	<b>95 152</b>	<b>37 346</b>	<b>26 208</b>
Finance debt falling due within 1 year	30 069	2 554	2 408
Trade creditors and other short-term liabilities	24 156	16 946	22 104
<b>Total current liabilities</b>	<b>54 225</b>	<b>19 500</b>	<b>24 511</b>
<b>Total liabilities</b>	<b>157 574</b>	<b>65 023</b>	<b>58 610</b>
<b>Total shareholders' equity and liabilities</b>	<b>271 562</b>	<b>159 248</b>	<b>142 325</b>

## Siem Offshore Inc - Notes to the 3Q 2006 report

### Net interest bearing debt

<i>(Amounts in USD 1 000)</i>	<b>30.09.2006</b>	<b>30.09.2005</b>	<b>31.12.2005</b>
Bank deposits	21 737	26 117	21 709
Short-term interest bearing debt	-30 069	-919	-1 226
Long-term interest bearing debt	-95 152	-5 058	-19 119
<b>Net interest bearing debt</b>	<b>-103 484</b>	<b>20 140</b>	<b>1 364</b>

### Shareholders' equity

<i>(Amounts in USD 1 000)</i>	<b>30.09.2006</b>	<b>30.09.2005</b>	<b>31.12.2005</b>
Shareholders' equity beginning of period	54 480	0	0
Raising of new equity (net)	29 369	59 411	59 411
Own shares	-1 364	-2 033	-2 833
Result for the period	28 953	446	-2 057
Currency translation differences	2 502	1 195	-41
<b>Shareholders' equity end of period</b>	<b>113 939</b>	<b>59 018</b>	<b>54 480</b>

### Cash-flow analysis

<i>(Amounts in USD 1 000)</i>	<b>30.09.2006</b>	<b>30.09.2005</b>	<b>31.12.2005</b>
<b>Cash-flow from operations</b>			
Profit before taxes, excluding interest	32 244	798	-1 294
Interest paid	-1 744	-114	-171
Paid taxes in the period	-367	-273	-898
Result from affiliated companies	-7 541	-1 583	-3 242
Gain on sale fixed assets	-10 839	0	0
Dividend received	2 947	0	427
Depreciation, amortisation and impairment of fixed assets	7 359	922	1 972
Change in working capital	-27 634	-4 254	2 098
Other changes	-342	886	-384
<b>Cash-flow from operations</b>	<b>-5 917</b>	<b>-3 618</b>	<b>-1 492</b>

### Cash flow from investment

Interest received	324	46	542
Investment in fixed assets and instalments shipbuilding contract	-125 892	-4 732	-23 810
Investment in affiliated companies and shares	-2 464	0	0
Received from sale of fixed assets	31 755	0	0
Cash received from acquisition of shares in Rovde Shipping AS	9 429	0	0
<b>Cash-flow from investments</b>	<b>-86 849</b>	<b>-4 686</b>	<b>-23 268</b>

### Cash-flow from financing activities

Buy back of own shares	-1 364	-2 033	-2 833
Distribution to minorities	-3 600	0	0
Short-term loan from affiliated company	-1 750	0	3 500
Short-term loan from related party	24 165	0	0
Received from raising of new long-term debt	75 128	0	14 650
Repayment of long-term interest bearing debt	-1 737	-460	-460
<b>Cash-flow from financing activities</b>	<b>90 840</b>	<b>-2 493</b>	<b>14 857</b>

Effect of exchange rate differences	1 953	5 326	23
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<b>Net change in cash</b>	<b>28</b>	<b>-5 471</b>	<b>-9 879</b>
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Cash at bank start of period	21 709	31 588	31 588
Cash at bank end of period	21 737	26 117	21 709
<b>Net change in cash</b>	<b>28</b>	<b>-5 471</b>	<b>-9 879</b>