



# SIEM OFFSHORE INC.

## REPORT FOR THE FIRST QUARTER 2006

3 May 2006 – Siem Offshore Inc. (Oslo Stock Exchange: SIOFF) today reports results for the first quarter 2006.

### **MAIN EVENTS DURING FIRST QUARTER 2006**

- 19 January, the Company took delivery of the second new built PSV from Aker Yards.
- 13 February, the Company declared the final option for two additional Platform Supply Vessels (PSVs) of Vik Sandvik design VS 470 Mk II from Aker Yards, at a total contract value for both vessels of NOK 285 million. The vessels are scheduled for delivery in the second quarter of 2007.
- 14 February, the Company signed a shipbuilding contract with Kleven Maritime AS for the building of one Construction 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>, a 150 tons active heave compensated crane, accommodation for 100 persons, moonpool, helideck and preparations for launch and recovery systems for ROVs. The vessel is designed for world wide subsea operations including construction work, maintenance, and ROV services.
- 23 February, all subjects with regard to Siem Offshore's acquisition of the shares in Rovde Shipping AS were lifted and the transaction became effective from the same day.
- 17 March, the Company entered into an agreement for the sale of one shipbuilding contract for a platform supply vessel of VS 470 Mk II design, scheduled for delivery in fourth quarter 2006. The sales price is based on a vessel value of about NOK 163 million.
- 21 March, Overseas Drilling Limited (ODL), as part of a consortium, signed a contract with DGH India for the use of the JOIDES Resolution for work offshore India for approximately four months.

Subsequent to the first quarter, the Company signed a shipbuilding contract with Kleven Maritime AS on 3 April for the building of one additional 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.

### **FINANCIALS**

#### **Statutory results for first 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 first quarter 2005.

The net profit attributable to shareholders for the first quarter 2006 is USD 8.1 million, or USD 6 cents per share.

The operating revenues and EBITDA were USD 10.7 million and USD 3.4 million.

Depreciation and amortisation was USD 1.6 million. The EBIT was USD 5.7 million, and includes a gain on sale of a shipbuilding contract of USD 3.9 million.

Net financial items were a positive USD 2.5 million. The net financial items include a net currency gain of USD 3.0 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 the NOK commitment in relation to the vessels under construction at Norwegian yards.

#### **Pro forma results for first 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 result for the first quarter 2006 was USD 7.6 million, compared to a pro forma net result of USD 2.0 million for the same period in 2005.

The pro forma operating revenue and EBITDA for the first quarter 2006 were USD 13.7 million and USD 3.7 million, respectively, as compared to USD 10.8 million and USD 4.1 million, respectively, for the pro forma first quarter 2005. The pro forma result from affiliated companies was USD 0.2 million and USD 2.1 million for the first quarter 2006 and first quarter 2005, respectively. The results from affiliated companies are included in the EBITDA figures.

The pro forma EBIT for the first quarter 2006 was USD 5.3 million, including a gain on sale of USD 3.9 million, as compared to an EBIT of USD 2.2 million for the pro forma first quarter 2005.

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

The cash position at 31 March 2006 was USD 27 million. The interest-bearing debt was USD 43 million and includes USD 29 million in debt financing of two new PSVs, USD 6 million in loan from the Brazilian Development Bank, and the equivalent of USD 8 million in debt financing related to vessels owned by Rovde Shipping AS.

Future yard instalments for the five PSVs and the first Construction Vessel totalled NOK 961 million (USD 146 million) at the end of first quarter. The Company had a further USD 59 million available at the end of first quarter under the USD 88.5 million loan and guarantee facility agreement provided by Eksportfinans ASA and HSH Nordbank AG. The Company is in discussion with its bankers for the financing of the vessels ordered in the first and second quarter.

In March 2006, the Board issued 35,019,678 new shares in consideration for the acquisition of all shares in Rovde Shipping AS. The number of issued and outstanding shares at 31 March 2006 was 165,210,900.

### **Related party transactions**

At 31 March 2006, the Company held USD 3.5 million as a dividend prepayment from Overseas Drilling Limited. Further, the Company had a payable of USD 1.1 million to Subsea 7.

### **EMPLOYMENT OF THE FLEET**

The PSV Sasha continued on its charter contract during the first quarter. The fixed six month period expires 20 May 2006, and the charterer has currently declared one out of six monthly options.

The PSV Sophie Siem continued on its charter contract during first quarter. Following the completion of the current charter later this year, the vessel will commence a 12 months contract, plus options, for work offshore the Netherlands.

The Company has been awarded a contract for the third PSV to be delivered by Aker Yards in late June 2006. The term of the contract is 55 days, with an additional 20 days of options. The contract value for the firm period is approx. USD 2.2 million and the contract will commence in early August 2006. The Company will make a project investment of approx. USD 0.7 million prior to commencement of the contract.

The Company has been awarded a contract for the fourth PSV to be delivered by Aker Yards in mid August 2006. The contract will be performed in campaigns for a total of 160 days (non consecutive) with an additional 75 days of options. The contract value for the firm period is approx. USD 5.6 million and the contract will commence at delivery of the vessel. The Company will make a project investment of approx. USD 0.8 million prior to commencement of the contract.

The Company became the 100% owner of the vessels Ocean Star (1975/ conv. 1986), Ocean Flower (1974 / Conv. 1985), Ocean Knarr (1985 / Conv. 1992) and Sølvas (1974 / Conv. 1995) as part of the acquisition of Rovde Shipping AS. The vessels operate as Emergency Rescue & Recovery Vessels. The average day rate for the four vessels during first quarter 2006, excluding off-hire due to scheduled dry-docking, was approx. USD 9,300 per vessel.

As part of the acquisition of Rovde Shipping AS, the Company also became a 35% owner of a limited partnership that owns the 1999 built PSV Ocean Commander of UT 745 design, and a 20% owner of a limited partnership that owns the 1996 built PSV Ocean Carrier of VS 483 design. The Company has bareboat chartered the Ocean Commander from the limited partnership through 24 December 2009, at a rate of NOK 57,400 per day, and with a profit split for earnings in excess of a market rate of NOK 100,000 per day.

The Ocean Commander made an average day rate of GBP 13,000 during first quarter. The vessel is chartered for work until end of June 2006, and subject to full utilisation the average day rate for the first six months of 2006 will be approx. GBP 17,150.

The Ocean Carrier made an average day rate of EUR 18,250 during first quarter. The vessel is chartered for firm work until end of August 2006 at the same rate.

The vessel JOIDES Resolution is fixed for a contract with DGH India for work offshore India. The duration of the contract will be approximately four months and the contract value will be approximately USD 14 million, plus mob/demob. The mobilisation commenced in March.

The JOIDES Resolution is, as previously reported, also fixed for a contract with Texas A&M Research Foundation (TAMRF) for the Integrated Ocean Drilling Program's Phase II. The operational phase of the contract has a duration until 4Q 2013 with 10 additional years of options and is scheduled to commence during first-half of 2007. The vessel will undergo a major conversion commencing in the fourth quarter 2006 at the charterer's cost.

The Company own 50% of the shares in Overseas Drilling Limited (ODL), which owns the vessel JOIDES Resolution. ODL has no financial debt at the end of first quarter 2006. Siem Offshore's investment in ODL is booked at USD 5.3 million at the end of first quarter 2006 and included as 'Investment in affiliated companies' in the Balance Sheet.

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 first quarter. The utilisation rate for the first quarter 2006 was 97%.

The Company owns 41.33% of the shares in KS Big Orange XVIII, which owns the well stimulation vessel Big Orange XVIII. 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 at 31 March 2006.

## **MARKET AND OUTLOOK**

The spot market for PSVs and AHTS (anchor handling tug supply vessels) has been tight over the last two months. This is partly due to weather conditions, but primarily due to the increase in activity. The season for pipe carrying and construction work has commenced and many long-term requirements for oil companies in 2006 have been secured. The PSV market for medium to large PSVs has benefited from this surge in activity with average spot day rates ranging from GBP 20,000 - 35,000 per day during certain periods. The AHTS have also reached record levels for North Sea rig moves. The international markets continue to be strong.

The outlook for the remainder of 2006 is good. The market is expected to stay tight until the fourth quarter of 2006. The charterers are now contracting vessels at an early stage for their upcoming programs in order to secure vessels, which underline the current firm market.

On behalf of the Board of Directors of Siem Offshore Inc  
3 May 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>	1Q 2006	1Q 2005	01.07 - 31.12 2005
Operating revenue	10,727	0	13,233
Result from affiliated companies	12	0	3,242
Total operating costs	-7,379	0	-12,617
<b>EBITDA</b>	<b>3,360</b>	<b>0</b>	<b>3,859</b>
Depreciation and amortisation	-1,562	0	-1,972
Impairment	0	0	0
Gain on sale	3,917	0	0
<b>EBIT</b>	<b>5,715</b>	<b>0</b>	<b>1,887</b>
Net currency items	3,008	0	-3,085
Financial income	85	0	542
Financial costs	-593	0	-503
<b>Net financial items</b>	<b>2,500</b>	<b>0</b>	<b>-3,046</b>
<b>Result before taxes</b>	<b>8,214</b>	<b>0</b>	<b>-1,160</b>
Taxes	-147	0	-898
<b>Result for the period</b>	<b>8,068</b>	<b>0</b>	<b>-2,057</b>
Average number of issued shares ('000)	144,588		132,821
Earnings per share, USD per share	0.06		-0.02

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	31.03.2006	31.03.2005	31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	767	0	0
Tangible fixed assets	79,566	0	39,813
Investment in affiliates and other financial fixed assets	17,216	0	8,278
<b>Total long-term assets</b>	<b>97,548</b>	<b>0</b>	<b>48,091</b>
Debtors, prepayments and other current assets	37,078	0	23,151
Bank deposits	26,972	0	21,709
<b>Total current assets</b>	<b>64,050</b>	<b>0</b>	<b>44,860</b>
<b>Total assets</b>	<b>161,598</b>	<b>0</b>	<b>92,951</b>
<b>Shareholders' equity</b>			
Paid-in capital	110,959	0	85,320
Other equity	-28,627	0	-28,783
Result for the period	8,068	0	-2,057
<b>Shareholders' equity</b>	<b>90,400</b>	<b>0</b>	<b>54,480</b>
<b>Minorities</b>	<b>3,462</b>	<b>0</b>	<b>0</b>
<b>Minorities and shareholders' equity</b>	<b>93,862</b>	<b>0</b>	<b>54,480</b>
<b>Liabilities</b>			
Deferred taxes	7,503	0	0
Other provisions	638	0	401
<b>Total provisions</b>	<b>8,141</b>	<b>0</b>	<b>401</b>
Finance debt falling due after 1 year	40,146	0	19,116
Other long-term liabilities	3	0	3
<b>Total other long-term liabilities</b>	<b>40,149</b>	<b>0</b>	<b>19,119</b>
Finance debt falling due within 1 year	2,547	0	1,226
Trade creditors and other short-term liabilities	16,899	0	17,724
<b>Total current liabilities</b>	<b>19,446</b>	<b>0</b>	<b>18,951</b>
<b>Total liabilities</b>	<b>67,736</b>	<b>0</b>	<b>38,471</b>
<b>Total shareholders' equity and liabilities</b>	<b>161,598</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 1Q 2006	Pro forma 1Q 2005	Pro forma 2005
Operating revenue	13,677	10,837	51,005
Result from affiliated companies	221	2,088	7,084
Total operating costs	-10,219	-8,816	-44,149
<b>EBITDA</b>	<b>3,678</b>	<b>4,109</b>	<b>13,940</b>
Depreciation and amortisation	-2,312	-1,905	-8,352
Impairment	0	0	-1,037
Gain on sale	3,917	0	0
<b>EBIT</b>	<b>5,283</b>	<b>2,204</b>	<b>4,551</b>
Net currency items	3,008	12	-7,087
Financial income	90	103	886
Financial costs	-646	-561	-1,868
<b>Net financial items</b>	<b>2,452</b>	<b>-447</b>	<b>-8,069</b>
<b>Result before taxes</b>	<b>7,736</b>	<b>1,758</b>	<b>-3,518</b>
Taxes	-147	0	-1,440
Result minorities	0	257	899
<b>Result for the period</b>	<b>7,589</b>	<b>2,015</b>	<b>-4,059</b>

### Balance Sheet

<i>(Unaudited figures in USD 1,000)</i>	Pro forma 31.03.2006	Pro forma 31.03.2005	Pro forma 31.12.2005
<b>Fixed assets</b>			
Intangible fixed assets	767	834	834
Tangible fixed assets	79,566	81,486	58,841
Investment in affiliates and other financial fixed assets	17,216	14,723	17,019
<b>Total long-term assets</b>	<b>97,548</b>	<b>97,043</b>	<b>76,694</b>
Debtors, prepayments and other current assets	37,078	35,998	33,250
Bank deposits	26,972	46,936	32,380
<b>Total current assets</b>	<b>64,050</b>	<b>82,934</b>	<b>65,630</b>
<b>Total assets</b>	<b>161,598</b>	<b>179,977</b>	<b>142,325</b>
<b>Shareholders' equity</b>			
Paid-in capital	110,959	68,351	110,959
Other equity	-28,148	25,639	-26,541
Result for the period	7,589	2,015	-4,059
<b>Shareholders' equity</b>	<b>90,400</b>	<b>96,005</b>	<b>80,359</b>
<b>Minorities</b>	<b>3,462</b>	<b>10,195</b>	<b>3,355</b>
<b>Minorities and shareholders' equity</b>	<b>93,862</b>	<b>106,201</b>	<b>83,714</b>
<b>Liabilities</b>			
Deferred taxes	7,503	7,684	7,272
Other provisions	638	771	619
<b>Total provisions</b>	<b>8,141</b>	<b>8,455</b>	<b>7,891</b>
Finance debt falling due after 1 year	40,146	35,023	26,205
Other long-term liabilities	3	775	3
<b>Total other long-term liabilities</b>	<b>40,149</b>	<b>35,798</b>	<b>26,208</b>
Finance debt falling due within 1 year	2,547	7,493	2,408
Trade creditors and other short-term liabilities	16,899	22,031	22,104
<b>Total current liabilities</b>	<b>19,446</b>	<b>29,524</b>	<b>24,511</b>
<b>Total liabilities</b>	<b>67,736</b>	<b>73,777</b>	<b>58,610</b>
<b>Total shareholders' equity and liabilities</b>	<b>161,598</b>	<b>179,977</b>	<b>142,325</b>

## Siem Offshore Inc - Notes to the 1Q 2006 report

### Net interest bearing debt

<i>(Amounts in USD 1 000)</i>	31.03.2006	31.03.2005	31.12.2005
Bank deposits	26,972	0	21,709
Short-term interest bearing debt	-2,545	0	-1,226
Long-term interest bearing debt	-40,146	0	-19,116
<b>Net interest bearing debt</b>	<b>-15,719</b>	<b>0</b>	<b>1,366</b>

### Shareholders' equity

<i>(Amounts in USD 1 000)</i>	31.03.2006	31.03.2005	31.12.2005
Shareholders' equity beginning of period	54,480	0	0
Raising of new equity (net)	25,639	0	59,411
Own shares	0	0	-2,833
Result for the period	8,068	0	-2,057
Currency translation differences	2,213	0	-41
<b>Shareholders' equity end of period</b>	<b>90,400</b>	<b>0</b>	<b>54,480</b>

### Cash-flow analysis

<i>(Amounts in USD 1 000)</i>	31.03.2006	31.03.2005	31.12.2005
<b>Cash-flow from operations</b>			
Profit before taxes, excluding interest	8,624	0	-1,294
Interest paid	-168	0	-171
Paid taxes in the period	-147	0	-898
Result from affiliated companies	-12	0	-3,242
Gain on sale fixed assets	-3,917	0	0
Dividend received	0	0	427
Depreciation, amortisation and impairment of fixed assets	1,562	0	1,972
Change in working capital	-8,017	0	2,098
Other changes	-24	0	-384
<b>Cash-flow from operations</b>	<b>-2,098</b>	<b>0</b>	<b>-1,492</b>
<b>Cash flow from investment</b>			
Interest received	72	0	542
Investment in fixed assets and instalments shipbuilding contract	-23,965	0	-23,810
Sale of fixed assets	5,989	0	0
Short-term loan from affiliated company	0	0	3,500
Cash received from acquisition of shares in Rovde Shipping AS	9,429	0	0
<b>Cash-flow from investments</b>	<b>-8,475</b>	<b>0</b>	<b>-19,768</b>
<b>Cash-flow from financing activities</b>			
Buy back of own shares	0	0	-2,833
Received from raising of new long-term debt	14,680	0	14,650
Repayment of long-term interest bearing debt	-460	0	-460
<b>Cash-flow from financing activities</b>	<b>14,220</b>	<b>0</b>	<b>11,357</b>
Effect of exchange rate differences	1,616	0	23
<b>Net change in cash</b>	<b>5,263</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	26,972	0	21,709
<b>Net change in cash</b>	<b>5,263</b>	<b>0</b>	<b>-9,879</b>