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# 2nd Quarter 2006

## Eidesvik Offshore ASA

Eidesvik
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# Eidesvik Offshore ASA

The 2006 quarterly accounts are prepared in accordance with IFRS/IAS accounting principles.

Operating income 2nd quarter 2006 is MNOK 191,6 (MNOK 166,4 for the corresponding period in 2005) an increase of 15,1%. Operating result before depreciation (EBITDA) is MNOK 88,0 (MNOK 68,6). The profit after tax is MNOK 70,7 (MNOK 19,9).

The major Q2 2006 events:
- Extension of contracts in accordance with contract options for 3 vessels. 2 year on the MPSV “Viking Poseidon”, 1 year on PSV “Viking Swan” and 1 year on ATHS “Viking Queen”.
- “Letter of Intent” for a 5 year contract on new building LNG-Avant to be delivered September 2007, new building VS 470 Mk II will commence as frontrunner from delivery in October 2006.
- Demerger of Eidsurf and full consolidation of the PSV “Viking Surf” for the full 1st half of 2006 in Q2.
- Marketmaking agreement to ensure liquidity in the stock.
- Share option granted to top management.

## Results

2nd Quarter 2006

Consolidated gross operating income for the 2nd quarter of 2006 is MNOK 191,6, representing an increase of 15 % compared to last year.
The increase in income is mainly a result of new activity related to:
- The newbuilt PSV “Viking Thaumas” delivered in July 2005.
- PSV “Viking Swan” has been on bareboatcharter to Eidesvik since ultimo May 2005.
- The seismic survey vessel “Geo Searcher” has been operated on a Time Charter Contract since August 2005.
- The subsea support vessel “Viking Forcados” has been operated on Time Charter since December 2005.

From 2nd quarter demerger of Eidsurf AS whereas Eidesvik Offshore ASA has consolidated one mid-size PSV “Viking Surf”. In accordance with demerger agreement 06.04.06, date of demerger was 01.01.06. Full consolidation of the first half accounts in 2nd quarter.

The increase in total operating expense are closely connected to the increased activity. The decreased operating expenses are related to portion of joint venture expenses in the subsea segment and also rental of vessel on time charter for short period. When adjusting for this, the operating expenses increase in accordance with increased operation.

Variation in value of unrealised interest hedging instruments has increased the financial income by MNOK 8,1 for Q2 2006.

Unrealized agio is related to unrealized currency gain on long-term loans in USD of MNOK 26,5.

Tax cost for 2nd quarter of 2006 is MNOK 4,0, whereas MNOK 3,1 are provisions for tax liability on international operations.

## Profit and loss account

| (NOK 1000) | **Q2 2006** | Q2 2005 | 30.06 2006 | 30.06 2005 |
|---|---|---|---|---|
| Operating Income: | | | | |
| Freight income | **191.572** | 160.642 | 371.442 | 299.457 |
| Other income | **18** | -7 | 34 | 3.085 |
| Total operating income | **191.590** | 160.635 | 371.475 | 302.542 |
| Operating Expenses | | | | |
| Crew expenses | **65.411** | 47.357 | 119.902 | 88.999 |
| Other operating expenses | **27.376** | 33.865 | 54.328 | 63.297 |
| Vessels on bareboat charter | **10.772** | 10.832 | 21.268 | 18.797 |
| Total operating expenses | **103.558** | 92.054 | 195.498 | 171.093 |
| Operating result before depreciations | **88.032** | 68.581 | 175.978 | 131.449 |
| Ordinary depreciation | **39.872** | 29.063 | 76.685 | 56.252 |
| Writedown on assets/-reversal of writdown | **0** | 0 | 0 | 0 |
| Operating result | **48.160** | 39.518 | 99.292 | 75.197 |
| Result associated companies | **455** | 1.583 | 372 | 2.507 |
| Financial Items | | | | |
| Financial income | **1.307** | 1.584 | 3.866 | 11.522 |
| Financial expenses | **-16.840** | -24.318 | -30.777 | -39.302 |
| Change in marketvalue on financial instruments | **8.128** | 0 | 16.387 | 0 |
| Realized agio (disagio) | **7.027** | 2.405 | 5.526 | 5.642 |
| Unrealized agio (disagio) | **26.495** | 0 | 39.864 | 0 |
| Net financial items | **26.117** | -20.329 | 34.865 | -22.138 |
| Pre-tax profit | **74.731** | 20.772 | 134.530 | 55.566 |
| Taxes | **-4.012** | -826 | -7.418 | -884 |
| Profit | **70.719** | 19.946 | 127.112 | 54.682 |
| Hereof minority share | **1.995** | 1.820 | 3.494 | 3.297 |
| Hereof majority share | **68.724** | 18.126 | 123.618 | 51.385 |
| Profit per share (NOK) | **2,35** | 0,67 | 4,61 | 2,12 |
| Cash flow per share (NOK) (Note 1) | **3,80** | 1,67 | 7,01 | 4,33 |
| Average number of shares (Note 2) | **30.150.000** | 29.826.923 | 30.150.000 | 25.835.635 |

NOTE 1 Cash flow is calculated as Pre-tax profit + depreciation + write downs
NOTE 2 Average number of shares for 2006 is applied to the 2005 figures to present comparative figures per share.

## Cash flow statement

| | **2. Quarter 2006** | 2. Quarter 2005 | 01.01-30.06 2006 | 01.01-30.06 2005 |
|---|---|---|---|---|
| Cash flow from operating activity | **63.693** | 60.054 | 102.706 | 91.393 |
| Cash flow from investment activity | **(105.836)** | (20.053) | (346.378) | (18.934) |
| Cash flow from finance activity | **(43.221)** | (236.705) | (62.283) | 52.781 |
| Changes in liquidity over the period | **(85.364)** | (196.704) | (305.955) | 125.240 |
| Liquid assets at the beginning of the period | **231.458** | 466.175 | 452.049 | 144.231 |
| Liquid assets at the end to the period | **146.094** | 269.471 | 146.094 | 269.471 |

## Balance Sheet

| ASSETS | **30.06.2006*** | 30.06.2005* | 31.12.05 |
|---|---|---|---|
| Fixed assets: | | | |
| Deferred tax assets | **21.531** | 17.149 | 15.358 |
| Other assets | **22.820** | 9.003 | 17.771 |
| Vessels | **2.372.756** | 1.843.762 | 2.304.142 |
| Contracts newbuildings | **223.500** | 39.677 | 35.473 |
| Derivat | **20.876** | 0 | 11.554 |
| Other long-term receivables | **9.122** | 2.770 | 2.219 |
| Shares | **16.148** | 72.074 | 59.332 |
| Total fixed assets | **2.686.754** | 1.984.435 | 2.445.849 |
| Current assets: | | | |
| Account receivables, freight income | **145.284** | 117.318 | 103.276 |
| Other short-term receivables | **75.091** | 50.005 | 60.497 |
| Other securities | **10.726** | 17.511 | 6.744 |
| Bank deposits | **146.094** | 269.471 | 452.049 |
| Total current assets | **377.196** | 454.305 | 622.566 |
| Total assets | **3.063.950** | 2.438.740 | 3.068.415 |
| EQUITY AND LIABILITIES | | | |
| Equity capital | | | |
| Paid-in capital | **449.391** | 441.484 | 449.391 |
| Retained earnings | **1.018.326** | 786.052 | 890.370 |
| Other equity not recognised in P&L | **-60.618** | 0 | -60.690 |
| Minority interests | **70.486** | 66.262 | 66.992 |
| Total equity capital | **1.477.585** | 1.293.798 | 1.346.063 |
| Liabilities: | | | |
| Deferred tax liabilities | **14.114** | 0 | 14.114 |
| Other long-term liabilities | **9.798** | 38.517 | 11.401 |
| Interest-bearing mortgage debt | **921.209** | 926.370 | 920.582 |
| Total long-term liabilities | **945.121** | 964.887 | 946.097 |
| Short-term liabilities: | | | |
| Debt to suppliers | **37.847** | 32.577 | 28.556 |
| Other short-term liabilities | **603.397** | 147.478 | 747.699 |
| Total short-term liabilities | **641.244** | 180.055 | 776.255 |
| Total liabilities | **1.586.365** | 1.144.942 | 1.722.352 |
| Total equity and liabilities | **3.063.950** | 2.438.740 | 3.068.415 |

* Unauditted figures

Book equity at June 30th 2006 is MNOK 1.477,6 i.e an equity ratio of 48,2%. The total equity capital including minority interests per share by the end of Q2 2006 is NOK 49,0. Excluding minority interests is the amount NOK 46,7. The corresponding market price at Oslo Stock Exchange closed at NOK 57,50, i.e a market value of MNOK 1.733,6.

A fair market value assessment conducted by 3 independent brokers, evaluate the fleet to MNOK 3.311,0
The estimated increase in value of the vessels are MNOK 938,0. The value per share adjusted for the fair value assesment is NOK 70,68 based on majorities justified equity of the value.

Cash flow from investment activities MNOK 105,8 is related to payment on contract obligations for the newbuildings.

Other short-term liabilities includes MNOK 400,0 to be renegotiated into long-term financing of the newbildings.

## Segment reporting

| Operating income | Seismic/Cable | Subsea | PSV/AHST | Other | Total |
|---|---|---|---|---|---|
| **2. Quarter 2006** | **39.590** | **60.057** | **90.175** | **1.768** | **191.590** |
| 2. Quarter 2005 | 35.839 | 63.993 | 59.079 | 7.482 | 166.393 |
| Total 2005 | 149.271 | 238.150 | 267.335 | 14.144 | 668.900 |
| Operating profit | | | | | |
| **2. Quarter 2006** | **10.002** | **19.384** | **23.324** | **-4.550** | **48.160** |
| 2. Quarter 2005 | 9.255 | 19.522 | 11.284 | -543 | 39.518 |
| Total 2005 | 90.360 | 78.806 | 66.395 | -12.727 | 222.834 |

Note: Operating profit in the Seismic/Cable segment for 2005 are inclusive of a revesal of a write down (MNOK 51,6) of the vessel “Oceanic Viking” in 2004.

## Market

Sustained high oilprice, increased construction activity world wide and high activity in the rig sector continued for 2nd quarter.

We see shortage of vessels in both seismic and subsea segments this year and we remain positive to both segments in a long term perspective.

The North Sea market has been very strong in Q2 2006. Despite the number of PSV and AHTS newbuildings entering the region, we expect The North Sea market will remain tight through the year.

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