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*3rd* Quarter 2006

**Eidesvik Offshore ASA**





## Eidesvik Offshore ASA

Operating income year to date is MNOK 556,8 (MNOK 492,8 for the corresponding period in 2005) an increase of 13%. Operating result before depreciation (EBITDA) is MNOK 251,2 (MNOK 227,,3). The profit after tax is MNOK 126,6 (MNOK 117,3).

Operating income 3<sup>rd</sup> quarter 2006 is MNOK 185,4 (MNOK 190,3 for the corresponding period in 2005) a decrease of 2,6%. EBITDA is MNOK 75,3 (MNOK 95,8). Unrealized loss in agio and forward rate contracts due to strengthened USD currency and lower long USD interest rates, lead to a loss after tax of MNOK 0,6 (profit MNOK 63,1).

### The major Q3 2006 events:

- Option declared for building second LNG-Avant, for delivery 31.07.08. Contract price approximately MNOK 325.
- 26 months contract with Shell Nigeria for the vessel "Viking Nereus".
- 8 year contract with Veritas DGC Inc. starting summer 2007 for a rebuilt "Viking Poseidon".
- Contract for large subsea construction vessel for delivery 4<sup>th</sup> quarter 2008.

### Major events after 30.09.06:

- "Viking Queen", "Viking Troll" and "Kingfisher" sold for approximately MNOK 335. A realized profit of MNOK 144 will be recorded in 4<sup>th</sup> quarter.
- Eidesvik Offshore buys out minority shareholders in the 62,3 % owned subsidiary Eidesvik MPSV AS.



## Results

### 3<sup>rd</sup> Quarter 2006

Consolidated gross operating income for the 3rd quarter of 2006 is MNOK 185,4, representing an decrease of 2,6 % compared to last year.

Operating result before depreciation (EBITDA) was MNOK 75,3; a reduction of MNOK 20,5 compared to corresponding period last year. MNOK 18,5 is related to "Subsea Viking" and Viking Thaumas".

- "Subsea Viking" was last year on a 2 year contract including a purchase option for the charterer. A new long term contract was entered into in May - 06, without any purchase option for the charterer, but at lower rates.
- "Viking Thaumas" was operated in the North Sea spot market at very favourable rates last year. The vessel was mobilised for Nigeria after the North Sea season as a part of the company's long term commitment to the West African market.
- "Viking Surf" as fully consolidated vessel after merger 2<sup>nd</sup> quarter 2006.
- "Viking Forcados" has been operated on Time Charter since December 2005.

Increases in total operating expenses are mainly related to new activity.

Increased financial expenses are related to financing of new vessels and the ongoing newbuilding program which now includes 6 vessels. Realized currency gain is related to instalments and bank deposits. Change in marketvalue on financial instruments shows a loss of MNOK 8,8 (gain of 8,4 last year). This is an unrealized loss connected to forward rate contracts followed by lower long term interestrate during this quarter. Unrealized currency loss of MNOK 11,2 is related to long-term loans in USD and foreign exchange forward contracts as a result of strengthened USD compared to NOK. Last year we had no gain or loss as a result of hedge accounting which we left 1<sup>st</sup> quarter 2006.

Tax cost for 3<sup>rd</sup> quarter of 2006 is MNOK 2,2 whereas MNOK 1,9 is provisions for tax liability on international operations.

## Profit and loss account

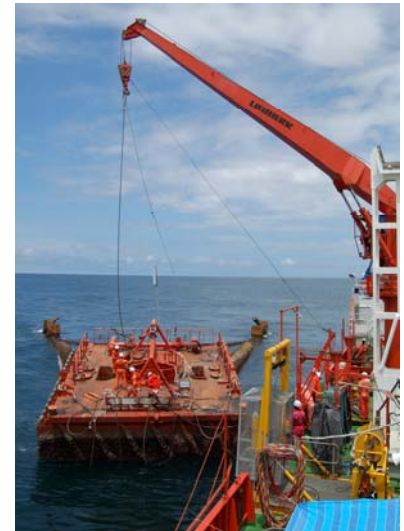
	Q3 2006	Q3 2005	30.09 2006	30.09 2005
	(NOK 1000)			
Operating Income:				
Freight income	185.361	190.265	556.803	489.722
Other income	3	42	37	3.127
<b>Total operating income</b>	<b>185.364</b>	<b>190.307</b>	<b>556.840</b>	<b>492.849</b>
Operating Expenses				
Crew expenses	67.717	53.168	187.619	142.167
Other operating expenses	31.573	25.881	85.901	89.179
Vessels on bareboat charter	10.810	15.410	32.078	34.207
<b>Total operating expenses</b>	<b>110.099</b>	<b>94.459</b>	<b>305.597</b>	<b>265.553</b>
Operating result before depreciations	75.265	95.848	251.243	227.296
Ordinary depreciation	37.761	28.826	114.446	85.520
Writedown on assets/-reversal of writedown	0	0	0	0
<b>Operating result</b>	<b>37.504</b>	<b>67.022</b>	<b>136.797</b>	<b>141.776</b>
Result associated companies	1.102	7.898	1.474	10.405
Financial Items				
Financial income	1.416	1.315	5.282	4.558
Financial expenses	-21.276	-13.408	-52.053	-43.054
Change in marketvalue on financial instruments	-8.760	8.362	7.627	6.953
Realized agio (disagio)	2.836	-645	8.362	5.029
Unrealized agio (disagio)	-11.201	0	28.663	0
<b>Net financial items</b>	<b>-36.984</b>	<b>-4.376</b>	<b>-2.118</b>	<b>-26.514</b>
<b>Pre-tax profit</b>	<b>1.623</b>	<b>70.544</b>	<b>136.154</b>	<b>125.667</b>
Taxes	-2.181	-7.438	-9.599	-8.323
<b>Profit</b>	<b>-558</b>	<b>63.106</b>	<b>126.555</b>	<b>117.344</b>
Hereof minority share	1.619	1.820	5.113	10.257
Hereof majority share	-2.177	61.286	121.442	107.087
<b>Profit per share (NOK)</b>	<b>-0,07</b>	<b>2,03</b>	<b>4,03</b>	<b>3,92</b>
Cash flow per share (NOK)	1,97	3,02	7,11	7,48
<b>Average number of shares</b>	<b>30.150.000</b>	<b>30.150.000</b>	<b>30.150.000</b>	<b>27.289.560</b>

## Cash flow statement

	3. Quarter 2006	3. Quarter 2005	01.01-30.09 2006	01.01-30.09 2005
Cash flow from operating activity	24.405	49.103	127.111	140.496
Cash flow from investment activity	(117.143)	(137.565)	(463.521)	(156.499)
Cash flow from finance activity	179.932	(20.575)	117.649	32.206
Changes in liquidity over the period	87.194	(109.037)	(218.761)	16.203
Liquid assets at the beginning of the period	146.094	269.471	452.049	144.231
Liquid assets at the end to the period	233.288	160.434	233.288	160.434

## Balance Sheet

	30.09.2006	30.09.2005	31.12.05
<b>ASSETS</b>	<b>30.09.2006</b>	30.09.2005	31.12.05
Fixed assets:			
Deferred tax assets	21.835	16.016	15.358
Other assets	22.633	16.776	17.771
Vessels	2.349.643	2.002.861	2.304.142
Contracts newbuildings	251.039	0	35.473
Derivat	12.682	0	11.554
Other long-term receivables	3.412	1.415	2.219
Shares	17.899	59.972	59.332
<b>Total fixed assets</b>	<b>2.679.143</b>	2.097.040	2.445.849
Current assets:			
Account receivables, freight income	144.908	134.885	103.276
Other short-term receivables	223.352	77.841	60.497
Other securities	4.414	21.062	6.744
Bank deposits	233.288	160.434	452.049
<b>Total current assets</b>	<b>605.962</b>	394.222	622.566
<b>Total assets</b>	<b>3.285.105</b>	2.491.262	3.068.415
<b>EQUITY AND LIABILITIES</b>			
Equity capital			
Paid-in capital	449.391	441.314	449.391
Retained earnings	981.607	835.640	890.370
Other equity not recognised in P&L	-60.618	0	-60.690
Minority interests	72.160	72.936	66.992
<b>Total equity capital</b>	<b>1.442.540</b>	1.349.890	1.346.063
Liabilities:			
Deferred tax liabilities	14.114	0	14.114
Other long-term liabilities	42.669	38.516	11.401
Interest-bearing mortgage debt	882.492	909.885	920.582
<b>Total long-term liabilities</b>	<b>939.275</b>	948.401	946.097
Short-term liabilities:			
Debt to suppliers	39.953	28.033	28.556
Other short-term liabilities	863.336	164.938	747.699
<b>Total short-term liabilities</b>	<b>903.289</b>	192.971	776.255
<b>Total liabilities</b>	<b>1.842.564</b>	1.141.372	1.722.352
<b>Total equity and liabilities</b>	<b>3.285.105</b>	2.491.262	3.068.415



## Financing and Capital Structure

Book equity at September 30<sup>th</sup> 2006 is MNOK 1.442,5, i.e an equity ratio of 43,9%. The total equity capital excluding minority interests is NOK 45,5 per share. The corresponding market price at Oslo Stock Exchange closed at NOK 61,0. This is representing a total market value for Eidesvik Offshore ASA of MNOK 1.839,2.

Cash flow from investment activities of MNOK 117,1 is related to payment on contract obligations for the newbuildings.

Other short-term liabilities includes MNOK 630,0 to be renegotiated into long-term financing of the newbuildings.

## Segment reporting

Operating income	Seismic/Cable	Subsea	PSV/AHST	Other	Total
<b>3. Quarter 2006</b>	<b>40.366</b>	<b>59.060</b>	<b>83.428</b>	<b>2.509</b>	<b>185.364</b>
3. Quarter 2005	41.717	56.358	85.397	6.835	190.307
Total 2005	149.271	238.150	267.335	14.144	668.900
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Operating profit	Seismic/Cable	Subsea	PSV/AHST	Other	Total
<b>3. Quarter 2006</b>	<b>8.773</b>	<b>18.486</b>	<b>19.171</b>	<b>-8.927</b>	<b>37.504</b>
3. Quarter 2005	14.957	19.296	30.514	2.255	67.022
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 reversal of a write down (MNOK 51,6) of the vessel "Oceanic Viking" in 2004.



## Market

The market has remained very strong in the 3rd quarter 2006. The fundamentals are still positive in a long term perspective for the segments Eidesvik Offshore ASA operates in. High oil price, new drilling rigs entering the market together with new field development and floating installation.

We still see shortage of vessels in both the seismic and the subsea market and we remain positive to these segments in the coming years.

The North sea market will most likely see a seasonal correction in activity level over the next 6 months and with more new-buildings entering the market in the same period we expect to see lower charter rates during the winter months.

