

NORSK TILLITSMANN

NORWEGIAN TRUSTEE

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To the bondholders in the:

FRN AGR Petroleum Services Holding AS Senior Secured Bond Issue 2013/2018, with ISIN NO001 067073.0

Oslo, 20 January 2014

Re. Restructuring of AGR Petroleum Services Holding AS

1 INTRODUCTION

Norsk Tillitsmann ASA acts as the loan trustee (the "**Bond Trustee**") for the above mentioned bond issue (the "**Bond Issue**") where AGR Petroleum Services Holding AS (the "**Issuer**") is the issuer in the bond agreement dated 1 February 2013 (the "**Bond Agreement**"), AGR Group ASA is parent guarantor (the "**Parent**") and the Issuer's subsidiaries listed therein are original guarantors (the "**Original Guarantors**") and together with the Parent the "**Guarantors**").

All capitalised terms used and not otherwise defined herein (including any attachments hereto) shall have the meaning assigned to them in the Bond Agreement.

The information in this letter regarding the Issuer is provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

2 BACKGROUND

The Issuer and its subsidiaries (the "**PSH Group**") is a leading provider of well, HSEQ, reservoir and field management services to the oil industry (the "**Petroleum Services Business**").

Furthermore, the Issuer holds interests in certain oil and gas exploration and production licenses in Israel and 44% of the shares in AGR Energy AS, a company which has applied for oil and gas exploration and production licenses in the Republic of Cyprus and the Republic of Ghana (the "**E&P Business**").

In order to, inter alia, strengthen its focus on both businesses and create a more flexible structure for the benefit of all stakeholders in the PSH Group, the Issuer wishes to separate the E&P Business from the Petroleum Services Business.

Several restructuring alternatives have been considered, of which the transaction model set out herein in the opinion of the Issuer is the preferred alternative from a legal, financial and practical perspective.

The Issuer proposes to carry out a de-merger (the "**Transaction**"), whereby all the assets of the Issuer, save for the E&P Business, will be transferred to a new holding company ("**Newco**") with the same ownership structure as the Issuer.

3 EFFECTS OF THE TRANSACTION

The Issuer has considered the effects of the Transaction on the business operations of the AGR Group and in particular the AGR Group's financing arrangements.

3.1 Allocation and valuation

The intention is to structure the Transaction in a way that all the current assets, rights and obligations of the Issuer related to the Petroleum Services Business are transferred to Newco.

As a basis for considering the Transaction the Issuer has prepared a preliminary opening balance sheet for Newco and a valuation summary (the "**Valuation Summary**"). The Valuation Summary is attached hereto as Appendix 1, and illustrates the contemplated allocation of assets and liabilities between the Issuer and Newco upon completion of the Transaction.

3.2 Ordinary business operations of the AGR Group

The business operations of the AGR Group will be carried out as currently conducted, with Newco as the new holding company for the AGR Group companies involved in the Petroleum Services Business and the Issuer as the holding company for AGR Group's interests in the E&P Business.

The revenues and cash flow of the AGR Group will not be affected by the Transaction.

3.3 The Issuer's financing arrangements

In addition to the Bond Issue, the Issuer is a party to a certain senior facility agreement dated 27 February 2013 (the "**Senior Facility Agreement**") and made between, inter alia, the Issuer as borrower and DNB Bank ASA as Original Lender and Facility Agent (the "**Facility Agent**").

The proposal set out herein is made on the condition that (i) the Senior Facility Agreement and the Bond Agreement are continued on the existing terms, (ii) that the amendments required are accepted by both the Facility Agent and the Bond Trustee, acting in its capacity as bond trustee and security agent and that the Bondholders, and (iii) the Finance Parties under the Senior Facilities Agreement are treated equally in the process.

3.4 Amendment to the Bond Agreement and the Security Documents

Following the completion of the Transaction the Bond Agreement (as amended and restated), and the Bond Issue will be continued without any amendments to the coupon, the maturity of the loan or the terms of the Bond Agreement, and the Transaction does not contravene with the principle of equality among the Bondholders.

The key effects of the Transaction on the Bond Agreement and the Security Documents are as follows:

- (i) the group structure following the Transaction will (with the exception of the ownership to the shares in AGR Energy AS) mirror the group structure prior to the Transaction;
- (ii) there will be a change of debtor, as Newco will continue as the new holding company of the Petroleum Services Group, taking on the rights and obligations as issuer and borrower under the Bond Agreement and the Senior Facility Agreement respectively;
- (iii) Newco's obligations under the Finance Documents will be secured by the existing security as provided for under the Security Documents; and

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- (iv) the Bond Agreement and the Security Documents will need to be amended, to reflect the change of debtor and that the security interest is granted to secure the obligations of Newco as the new issuer/ borrower and obligor.

4 RELEASE OF PARENT COMPANY GUARANTEE

Pursuant to new regulations imposed on Norwegian companies as of 1 January 2014, interest paid on loans from third parties ("external loans"), that are secured by a related party may be "reclassified" as intra-group loans and thus become subject to new limitations on deductibility of interest.

Administrative regulations providing certain exemptions from the new regulations have been proposed but not yet resolved. However, no exception has been proposed for external debt which is secured by a parent company guarantee.

The Bonds are currently secured by a guarantee granted by AGR Group ASA (the "**Parent Guarantee**"). Preliminary calculations made by the Issuer, suggest that the Issuer risk a reclassification of its external debt and a reduction of deductibility on its interest costs amounting to approximately MNOK 17 per year as a result of the new regulations. By releasing the Parent Guarantee, the Issuer will continue to benefit from the rules on deductibility of external debt and maintain its cash flow. The parent company has also provided a pledge over the shares of the Issuer which, subject to the amendments described in section 3.4 above, will remain in place. The parent company has no other assets than the shares in the Issuer and is not an operating company.

Following the Transaction, the assets of the parent will consist of the shares in Newco and in AGR Petroleum Services Holding AS, the shareholder loans to Newco and some cash deposits for operating purposes.

5 PROPOSAL

The Issuer has proposed that the Bond Trustee, on behalf of the Bondholders, agree to approve (i) the Transaction and the amendments to the Bond Agreement and the Security Documents which are to be made in connection with the Transaction and (ii) the release of the Parent Guarantee.

The Bond Trustee will not under any circumstance approve of the contemplated Transaction, nor the release of the Parent Guarantee, unless (i) a written confirmation from the Facility Agent confirming their approval of the same is received, and (ii) no objections are received from any of the Bondholders pursuant to Clause 6 below.

Pursuant to Clause 17.1.14 of the Bond Agreement the Bond Trustee may reach decisions binding for all Bondholders provided that prior notification has been made to the Bondholders. The Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written objection.

6 OBJECTIONS

If you as Bondholder object to the Transaction and the amendments to the Bond Agreement and Security Documents to be made in connection with the Transaction, please make such objection to the Bond Trustee in writing to post@trustee.no no later than 14:00 CET, ten (10) Business Days following the dispatch of this notification (the "**Objection Deadline**").

If no objections are received within the Objection Deadline, the Bond Trustee will agree to approve the Transaction and the amendments to the Bond Agreement and the Security Documents to be made in connection with the Transaction.

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Should you as Bondholder have any questions in this respect, please do not hesitate to contact the Issuer. The contact details are listed below:

AGR Petroleum Services Holding AS
Attention: Svein Sollund
Email: svein.sollund@agr-ps.com
Telephone: +47 24 06 10 00

Yours sincerely
Norsk Tillitsmann ASA

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APPENDIX 1: VALUATION SUMMARY