

REVIEW JANUARY – MARCH 2007

Continued international expansion

AGR continued to expand its business internationally. Compared to first quarter of 2006, AGR increased its operating income outside of Norway from 9% to 45% of total operating income.

Petroleum Services contracted two new rigs for multi client drilling campaigns in the UK, both with expected start-up in Q3 2007. Drilling Services, with its Riserless Mud Recovery (RMR) technology, enjoyed increasing demand for its services and is currently building its organisation. During Q1, 15 new RMR operators were recruited. Field Operations, the new business area consisting of Integrity Services and Project Services, also experienced increasing utilisation of equipment and personnel. Particularly, the inspection and maintenance business continued its improvement from Q4 2006. Building on the acquisition of Upstream Petroleum Pty Ltd., AGR initiated efforts to increase its presence in the Asia Pacific region even further.

- Pro forma operating income for Q1 2007 amounted to NOK 622 million compared with NOK 495 million for the same period last year
- Pro forma earnings before interest, taxes, depreciation and amortization (EBITDA) in the first quarter 2007 amounted to NOK 80 million as against NOK 74 million in the same period in 2006. These pro forma figures correspond to EBITDA margins of 12.8 per cent and 14.9 per cent respectively.
- EBITDA for Petroleum Services in Q1 2007 was negatively impacted by delays in operations for Bredford Dolphin, Transocean Prospect and Byford Dolphin (estimated to NOK 7 million). Drilling Services had an additional NOK 2 million in administration cost for the same quarter related to recruiting and training.
- Pro forma financial expenses for the first quarter of 2007 were NOK 18 million versus NOK 25 million for the same period last year. Interest expense on senior bank debt was NOK 12 million, while NOK 1 million relates to an unrealised loss on a financial investment (Sonoran), while NOK 5 million stems from currency changes related to acquired businesses and investments (currency changes).
- Investments for the first quarter of 2007 totalled NOK 484 million, of which NOK 413 million related to acquisitions completed during the period. NOK 56 million was invested in RMR equipment. By the end of 2007, AGR anticipate having 20 RMR systems available for operations. Additionally, in March 2007, another 5 RMRs were ordered for delivery in by Q2 2008.
- During Q1 2007, AGR acquired Upstream Petroleum Pty Ltd. In April 2007, AGR completed the acquisition of FJ Brown & Associates Inc, a Houston-based provider of drilling and completion engineering support and well project management services, both in the Gulf of Mexico and internationally.
- On 7th May, AGR reached agreement to sell 100% of the shares of the outstanding shares in AGR Consultants AS with subsidiaries for an enterprise value of NOK 220 million.
- The Group had a total net cash-flow of minus NOK 122 million for the first quarter of 2007 compared with minus NOK 45 million for the same period last year. Cash-flow from operating activities in the first quarter amounted to NOK 9 million as against minus NOK 5 million in the same period 2006. The main reason for the difference between EBITDA and cash flow from operations in the first quarter 2007 was an increase in net working capital.
- Net interest-bearing debt for the group was NOK 895 million at the end of the 1st quarter 2007 compared with NOK 713 million (excluding funding for the Upstream acquisition of NOK 212 million) at the end of 2006. In March, the average interest rate was 5.06 per cent.
- As at 31 March 2007 the Group's equity was NOK 882 million compared with NOK 902 million at the year-end 2006. The equity-to-assets ratio was 30 per cent.

The commitment of our staff is reflected in the low level of absenteeism. Employee presence for Q1 2007 was 98.3 per cent compared with an industry average of 96.7 per cent.

Sverre Skogen
Group Chief Executive Officer
7 May 2007