



# AGR Group ASA

1<sup>st</sup> quarter 2010

Petroleum Services



Drilling Services

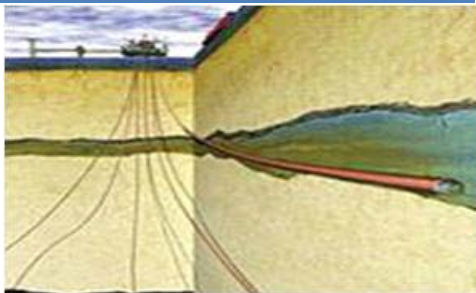


Field Operations



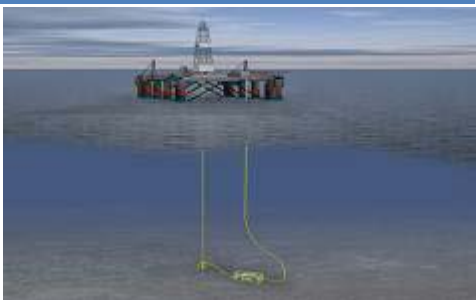
**AGR Group consists of three business units with global reach, aligned with the trends in the global oil and gas services industry:**

### Petroleum Services



**AGR Petroleum Services** delivers a broad service offering within reservoir evaluations, well-planning and management as well as integrated field management to the upstream oil and gas industry. Its core competencies include geology, geophysics, petrophysics, reservoir and petroleum engineering, well construction, drilling management, completion design and installation, field development planning, risk and economics evaluation. The business unit also delivers a broad training portfolio.

### Drilling Services



**AGR Drilling Services** develops and supplies market leading technologies and services including advanced subsea drilling solutions, well work over and clean-out technologies, subsea excavation and pipeline trenching services. Its Riserless Mud Recovery systems (RMR) have been successfully deployed at more than 100 wells.

### Field Operations



**AGR Field Operations** offers a variety of products and services within field development, operations and operational support of oil and gas infrastructures through the entire life of a field. The services are organized under the product lines Integrity & Inspection, Maintenance Management, Operations & Maintenance, Subsea Services and Alternative Energy.

# FIRST QUARTER 2010 FINANCIAL HIGHLIGHTS

## Primary segment reporting per. 30.03.2010 (NOK 1.000)

Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Operating revenue, external	248.645	74.387	266.243	284		589.559
Operating revenue, internal	7.060	5.228	3.491	2.803	(18.582)	-
Operating expenses before depreciation	(228.279)	(68.210)	(252.999)	(8.066)	18.582	(538.972)
<b>EBITDA</b>	<b>27.426</b>	<b>11.405</b>	<b>16.735</b>	<b>(4.979)</b>	<b>-</b>	<b>50.587</b>
Depreciation and amortization	(10.524)	(17.826)	(14.014)	(223)		(42.588)
Write downs and provisions						-
<b>EBIT</b>	<b>16.902</b>	<b>(6.421)</b>	<b>2.721</b>	<b>(5.202)</b>	<b>-</b>	<b>7.999</b>

## Primary segment reporting per. 31.03.2009 (NOK 1.000)

Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Operating revenue, external	260.615	74.848	190.297	6.973		532.734
Operating revenue, internal	4.158	298	9.003	1.442	(14.901)	(0)
Operating expenses before depreciation	(237.816)	(66.289)	(182.001)	(28.376)	14.901	(499.582)
<b>EBITDA</b>	<b>26.957</b>	<b>8.858</b>	<b>17.299</b>	<b>(19.961)</b>	<b>-</b>	<b>33.152</b>
Depreciation and amortization	(12.908)	(18.995)	(12.876)	(316)		(45.094)
Write downs and provisions						-
<b>EBIT</b>	<b>14.049</b>	<b>(10.137)</b>	<b>4.423</b>	<b>(20.277)</b>	<b>-</b>	<b>(11.942)</b>

**EBITDA:** Earnings before interest, tax, depreciation and amortisation, excluding inventory/asset write downs  
Cost related to the Share Investment Program (EBC) has been moved from the divisions into Group.

- Operating revenue for the first quarter of 2010 increased with 11% compared to the same quarter previous year. EBITDA was NOK 51 million (9% margin) compared to NOK 33 million (6% margin) in the first quarter of 2009.
- The EBITDA in *Petroleum Services* was NOK 27 million in the first quarter of 2010 which is in line with the same quarter in 2009. In general the activity level has improved the last three months, but there are still regions and sectors within the business area that have not fully recovered from the economic downturn.
- *Drilling Services* delivered an EBITDA of NOK 11 million which is an improvement compared to the NOK 9 million in the first quarter of 2009. The first quarter performance was steady with improved contribution from the RMR product line.
- *Field Operations* delivered a strong top-line growth of 40% to NOK 266 million compared to the same quarter in 2009. The EBITDA of NOK 17 million in the first quarter of 2010 is in line with the first quarter of 2009. The Australian operation has improved in accordance with expectations and the results were satisfactory in the European businesses taken into account several project delays and cancellations as a consequence of the difficult weather situation in Q1.
- *Group* costs were significantly reduced compared to the same quarter last year. The main reason is that AGR in Q1 2009 expensed the remaining part of the Group's initial investment in the AGR Share Investment Program (EBC) with NOK 14 million<sup>1</sup>.

<sup>1</sup> Reference is made to the Q1 2009 Report and Note 37 in the Annual Report 2009.

## Divisional Reports

### AGR Petroleum Services

The first quarter continues to show improvements in the overall market and in total the area delivered a Q1 EBITDA of NOK 27 million which is in line with the same quarter in 2009.

The activity in Well management increased during the first quarter, especially in Norway and UK, while other regions are still affected by the slowdown in drilling activity. During the quarter the division managed seven rigs, one in Norway, one in UK and five in Americas, and spudded six wells. In February a significant drilling campaign, valued at more than NOK 20 million, was started in the South Pacific Ocean on behalf of Desire Petroleum and Rockhopper Exploration Plc. AGR Petroleum Services provides logistical support and will undertake a six well drilling programme. Furthermore, AGR Petroleum Services and RWE Dea signed an extension of the Bredford Dolphin work. AGR Petroleum Services will together with the RWE Dea plan and complete a second well during Q3 and Q4 2010.

In April AGR Petroleum Services was awarded a multi-well, multi-client drilling campaign on behalf of seven international operators and is expected to drill more than 15 exploration wells in the Norwegian sector of the North Sea during the three year programme. Planning stages of the drilling campaign is started with the first exploration wells anticipated to be drilled in the spring of 2011. The 4th generation semi-submersible drilling unit, Borgland Dolphin, has been contracted to undertake the drilling activity.

The Consultancy activities and number of consultants have been stable during Q1 with steady performance, while the activity level within Reservoir Management in UK and Russia has been lower than expected.

### AGR Drilling Services

The business area delivered an EBITDA of NOK 11 million compared to NOK 9 million in Q1 2009. The main contributor to this result was the RMR product line.

During Q1 the RMR technology was used to drill 7 wells, the same number as drilled during Q1 2009. The operations have been rationalized, resulting in improved financial contribution per project compared to 2009. The RMR technology continues to gain acknowledgement in the market and AGR Drilling Services experiences high interest in this technology.

Based on the proprietary subsea pump and mud recovery systems that are used around the world on top-hole sections of subsea wells, AGR Drilling Services continued in Q1 to actively develop step change technologies for the industry. In March, Chevron approved the 2<sup>nd</sup> phase of its Dual Gradient Drilling (DGD) development project. AGR Drilling Services is now tasked to manage the detailed design, manufacture, verification, testing and rig fit-out of this DGD system – the first fully integrated and commercialized system in the industry.

In Well Services, the activity level within the Wellbore Cleanout product line continued to be low due to market conditions, but is expected to recover in the 2<sup>nd</sup> half of the year. The Dynamic Desanders enjoyed high utilisation towards the end of the period, with the previously announced contract in Saudi Arabia as the main contributor, and is showing strong signs of market growth. Trenching and Excavation continued to experience low activity due to the global downturn in subsea construction and maintenance activity.

On 15<sup>th</sup> February 2010 Johan Møller Warmedal replaced Tom Hasler as Executive Vice President of AGR Drilling Services.

## **AGR Field Operations**

In the first quarter of 2010 AGR Field Operations had a top-line growth of 40% compared to the same quarter in 2009. Most of the growth originated in the Australian operations. The EBITDA in the first quarter of 2010 was affected by a prolonged period of heavy snow and cold weather in Norway and Sweden. As a consequence most onshore non-destructive testing projects were postponed or cancelled, resulting in low utilisation of resources during this period. The Australian operations performed as planned. EBITDA for the first quarter of 2010 was NOK 17 million which is in line with the result for the same period last year.

For the last two quarters AGR Field Operations has been involved in significant tendering work. The clients' decisions are expected to be presented during the second quarter of 2010. A number of smaller contracts have been awarded during the first quarter, for example an in-service inspection contract with Odfjell with a duration of 3 years including options.

In Q1 AGR Field Operations introduced a new Subsea Integrity Solution to the market. The Trident technology is a new inspection technology for diver assisted inspection subsea. The technology includes Phased Array capabilities, enabling a 3D inspection of Subsea Infrastructure. The same capabilities have also been integrated to the existing Neptune ROV operated subsea inspection units. By introducing this technology, AGR Field Operations can offer the highest resolution external inspection tools available in the market. Contract negotiations for the new Trident tools are currently ongoing.

## **Group / Other**

Group consists of corporate administration and special projects. In order to show the pure results in each division, all EBC (incentive program introduced 2007) related costs have been moved out of the divisions and into Group.

Several successful system tests have been performed with the CannSeal tool and the next step in the development process is a field trial. The objective is to identify a well candidate and perform a field trial after the summer.

At the Company's Annual General Assembly 28 May 2010 former Minister of Energy of Norway and former CEO of Norsk Hydro ASA, Eivind Reiten, was elected AGR Group's new Chairman of the Board of Directors. Eivind Reiten has been a Director of AGR Group and assumed the Chairman role from Hugo Maurstad. Hugo Maurstad, a Partner with the main shareholder Altor Equity Partners, continues as Director.

## **Financial Information**

Turnover for the Group was NOK 590 million in Q1 2010 compared to NOK 533 million in Q1 2009. EBITDA for the Group was NOK 51 million compared to NOK 33 million in Q1 2009. Profit after tax for the first quarter of 2010 was negative NOK 13 million compared to negative NOK 34 million for the same period in 2009. For more information about the results, please refer to the divisional reports section.

The Group had total assets of NOK 2 428 million at the end of Q1 2010 which is a reduction from NOK 2 522 million at year end 2009. The main reasons for the reduction are reduced working capital and debt. At the end of Q1 2010, the equity ratio was 25 percent.

Accumulated cash flow from the Group's operational activities was NOK 124 million. Net investments for the Group were NOK 18. The capital expenditure was mainly related to AGR Field Operations

equipment, positioning AGR for future growth and development projects such as CannSeal. The Group had a total positive net cash flow of NOK 1 million in Q1 2010 compared to negative NOK 238 million in Q1 2009.

Net interest-bearing debt for the Group was NOK 1 138 million at the end of the first quarter of 2010 compared with NOK 1 241 million at the end of 2009. At the end of Q1 2010, NOK 547 million of interest bearing debt is fixed through interest swaps constituting 46% of total gross interest bearing debt.

Earnings per share for Q1 2010 were negative NOK 0.11 compared to negative NOK 0.48 for the same period in 2009.

Oslo, 31 May 2010

Board of AGR Group ASA

## Financial consolidated information and notes

### Basis of Preparation and Accounting Principles

This condensed consolidated interim financial information for the three months ended 31 March has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statement for the year ended 31 December 2009, which has been prepared in accordance with IFRS. This condensed consolidated interim information has not been audited.

According to IFRS, AGR DPAL AS, FPSO Shiraz and Liquegas have been classified as discontinued operations as these companies are in the process of being wound up or sold. Accordingly they will be presented separately in the income statement and balance sheet.

### Condensed consolidated income statement

Income Statement	Actual	Actual	Actual
NOK 1.000	01.01 - 31.03 2010	01.01 - 31.03 2009	01.01 - 31.12 2009
Operating revenue	589.559	532.734	2.395.832
Operating expenses before depreciation	(538.972)	(499.582)	(2.127.009)
<b>Operating profit before depreciation (EBITDA)</b>	<b>50.587</b>	<b>33.152</b>	<b>268.823</b>
Depreciation and amortization	(42.588)	(45.094)	(498.188)
Write downs and provisions	-	-	-
<b>Operating profit/(loss) (EBIT)</b>	<b>7.999</b>	<b>(11.942)</b>	<b>(229.365)</b>
Net financial items	(27.527)	(38.485)	(202.959)
<b>Profit/(loss) before income tax</b>	<b>(19.528)</b>	<b>(50.427)</b>	<b>(432.324)</b>
Income tax expense/(benefit)	6.249	16.137	82.234
<b>Profit(loss) from continued operations (PAT)</b>	<b>(13.279)</b>	<b>(34.290)</b>	<b>(350.090)</b>
Profit after tax from discontinued operations	(1.492)	(2.233)	18.069
Gain from sale of discontinued operations	-	-	9.102
<b>Result from discontinued operations</b>	<b>(1.492)</b>	<b>(2.233)</b>	<b>27.171</b>
<b>Profit/(loss) for the year</b>	<b>(14.771)</b>	<b>(36.524)</b>	<b>(322.919)</b>

Key figures	Actual	Actual	Actual
NOK 1.000	01.01 - 31.03 2010	01.01 - 31.03 2009	01.01 - 31.12 2009
Earnings per share/Diluted EPS	(0,11)	(0,48)	(4,12)

## Condensed consolidated balance sheet

Balance Sheet	Actual	Actual
<b>NOK 1.000</b>	<b>31.03.2010</b>	<b>31.12.2009</b>
<b>Fixed assets</b>		
Deferred tax asset	140.615	137.422
Patents, research and development	178.604	185.911
Goodwill	905.918	901.849
Land and buildings	41	44
Machinery and other equipment	498.693	513.805
Financial fixed assets	1.765	120
<b>Total fixed assets</b>	<b>1.725.636</b>	<b>1.739.151</b>
<b>Current assets</b>		
Inventory	6.620	10.674
Accounts receivable	542.625	634.057
Other receivables	111.994	93.453
Shares held for trading purposes	-	-
Assets of disposal group classified as held for sale	8.721	13.457
Cash and cash equivalents	32.269	31.645
<b>Total current assets</b>	<b>702.229</b>	<b>783.286</b>
<b>Total assets</b>	<b>2.427.865</b>	<b>2.522.437</b>
<b>Equity</b>		
Paid in capital	1.097.688	1.097.688
Other equity	(489.602)	(478.388)
Minority interest	-	-
<b>Total equity</b>	<b>608.086</b>	<b>619.300</b>
<b>Long-term liabilities</b>		
Provisions	16.526	42.708
Deferred tax liability	24.630	26.996
Liabilities to financial institutions	1.034.720	1.098.435
<b>Total long-term liabilities</b>	<b>1.075.876</b>	<b>1.168.139</b>
<b>Short-term liabilities</b>		
Liabilities of disposal group classified as held for sale	323	1.033
Short-term liabilities	743.580	733.965
<b>Total short-term liabilities</b>	<b>743.903</b>	<b>734.998</b>
<b>Total liabilities</b>	<b>1.819.779</b>	<b>1.903.137</b>
<b>Total equity and liabilities</b>	<b>2.427.865</b>	<b>2.522.437</b>



## Condensed consolidated statement of comprehensive Income

Statement of comprehensive income	Actual	Actual	Actual
NOK 1.000	Three months ended 31 March		Year ended 31 December
	2010	2009	2009
<b>Profit for the period</b>	(14.771)	(36.524)	(322.919)
<b>Other comprehensive income</b>			
Fair value gains on available-for-sale financial assets, net of tax			
Cash flow hedges, net of tax			
Currency translation differences	3.557	(40.137)	(10.999)
<b>Other comprehensive income for the period, net of tax</b>			
<b>Total comprehensive income for the period</b>	<b>(11.214)</b>	<b>(76.661)</b>	<b>(333.918)</b>
<b>Profit attributable to:</b>			
- owners of the company	(14.771)	(35.797)	(322.919)
- minority interest	-	(727)	-

## Condensed consolidated statement of cash flow

Cash-flow analysis			
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2010	2009	2009
<b>Ordinary profit(loss) before taxes</b>	<b>(21.722)</b>	<b>(50.427)</b>	<b>(456.380)</b>
Taxes paid	(19.529)	(18.518)	(55.397)
Depreciation and amortization of tangible assets	42.588	45.094	498.188
Adjustment for market value on shares	-	101	482
Share of loss/profit from associates	2.209	-	9.776
Change in inventory	4.054	(232)	6.381
Change in trade receivables	91.432	376.972	390.745
Change in trade payables	42.674	(399.545)	(486.921)
Change in pension liabilities	-	-	(1.047)
Change in other accruals	(17.240)	(106.836)	(3.552)
<b>Net cash-flow from operational activities</b>	<b>124.467</b>	<b>(153.391)</b>	<b>(97.725)</b>
Cash inflows from sale of property, plant and equipment and other assets	-	-	80.776
Cash outflows for additions to property, plant and equipment and intangible assets	(17.999)	(59.379)	(123.016)
Cash outflows for investments in associated companies	-	-	(9.795)
<b>Net cash-flow from investment activities</b>	<b>(17.999)</b>	<b>(59.209)</b>	<b>(52.035)</b>
Issuance of debt	(105.844)	(25.000)	(381.518)
Issuance of shares	-	-	169.416
<b>Net cash-flow from financing activities</b>	<b>(105.844)</b>	<b>(25.000)</b>	<b>(212.102)</b>
<b>Net changes in cash and cash equivalents</b>	<b>624</b>	<b>(237.600)</b>	<b>(361.862)</b>
<b>Cash and cash equivalents at start of period</b>	<b>31.646</b>	<b>393.508</b>	<b>393.508</b>
<b>Cash and cash equivalents at end of period</b>	<b>32.270</b>	<b>155.908</b>	<b>31.646</b>

## Condensed consolidated statement of changes in equity

Equity reconciliation			
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2010	2009	2009
<b>Equity at opening balance</b>	<b>619.300</b>	<b>805.511</b>	<b>805.511</b>
Profit after taxes	(14.771)	(36.524)	(322.919)
Exchange differences	3.557	(40.137)	(10.999)
Minority interest	-	365	(16.957)
Share issue	-	-	169.416
Treasury shares	-	-	(4.752)
<b>Equity at period end</b>	<b>608.086</b>	<b>729.214</b>	<b>619.300</b>

## Note 1 – Interest bearing debt

Net interest-bearing debt	Actual	Actual	Actual
NOK 1.000	31.03.2010	31.03.2009	31.12.2009
Long term debt to credit institutions	1.034.720	0	1.098.435
Short term debt to credit institutions	134.318	1.615.183	174.234
Installments on interest-bearing debt (short term)			
<b>Total interest-bearing debt</b>	<b>1.169.038</b>	<b>1.615.183</b>	<b>1.272.669</b>
Cash and cash equivalents	32.269	155.908	31.645
<b>Net interest-bearing debt</b>	<b>1.136.769</b>	<b>1.459.275</b>	<b>1.241.024</b>

- According to IFRS the capitalized arrangement fee is deducted from the total interest-bearing debt in the above table and balance sheet

## Note 2 – Segment Information

AGR reports segmented information on the following business units: *AGR Petroleum Services*, *AGR Drilling Services* and *AGR Field Operations*. Group consists of corporate administration and special projects.

### Primary segment reporting per. 30.03.2010 (NOK 1.000)

Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
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Depreciation and amortization	(10.524)	(17.826)	(14.014)	(223)		(42.588)
Write downs and provisions						-
<b>EBIT</b>	<b>16.902</b>	<b>(6.421)</b>	<b>2.721</b>	<b>(5.202)</b>	-	<b>7.999</b>
Net financial items	(19.835)	(11.078)	(1.463)	4.850		(27.527)
<b>Profit/(loss) before income tax</b>	<b>(2.933)</b>	<b>(17.499)</b>	<b>1.258</b>	<b>(352)</b>	-	<b>(19.528)</b>
Income tax expense/(benefit)	939	5.600	(403)	113	-	6.249
<b>Profit after taxes</b>	<b>(1.995)</b>	<b>(11.899)</b>	<b>855</b>	<b>(239)</b>	-	<b>(13.279)</b>
Profit after tax from discontinued operations				(1.492)	-	(1.492)
<b>Profit/(loss) for the year</b>	<b>(1.995)</b>	<b>(11.899)</b>	<b>855</b>	<b>(1.731)</b>	-	<b>(14.771)</b>

### Primary segment reporting per. 31.03.2009 (NOK 1.000)

Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Operating revenue, external	260.615	74.848	190.297	6.973		532.734
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Operating expenses before depreciation	(237.816)	(66.289)	(182.001)	(28.376)	14.901	(499.582)
<b>EBITDA</b>	<b>26.957</b>	<b>8.858</b>	<b>17.299</b>	<b>(19.961)</b>	-	<b>33.152</b>
Depreciation and amortization	(12.908)	(18.995)	(12.876)	(316)		(45.094)
Write downs and provisions						-
<b>EBIT</b>	<b>14.049</b>	<b>(10.137)</b>	<b>4.423</b>	<b>(20.277)</b>	-	<b>(11.942)</b>
Net financial items	(10.955)	(20.514)	(10.636)	3.620		(38.485)
<b>Profit/(loss) before income tax</b>	<b>3.094</b>	<b>(30.651)</b>	<b>(6.213)</b>	<b>(16.657)</b>	-	<b>(50.427)</b>
Income tax expense/(benefit)	(990)	9.808	1.988	5.330	-	16.137
<b>Profit after taxes</b>	<b>2.104</b>	<b>(20.843)</b>	<b>(4.225)</b>	<b>(11.327)</b>	-	<b>(34.290)</b>
Profit after tax from discontinued operations				(2.233)	-	(2.233)
<b>Profit/(loss) for the year</b>	<b>2.104</b>	<b>(20.843)</b>	<b>(4.225)</b>	<b>(13.560)</b>	-	<b>(36.524)</b>

### Note 3 – Geographical Distribution of Operating Income

Secondary segment reporting (NOK 1.000)		
Geographical distribution of operating income	01.01 - 31.03	01.01 - 31.03
	2010	2009
Norway	223.402	163.048
Europe ex. Norway	75.617	113.205
Australia and Asia	173.450	142.955
America	34.027	55.091
Africa and Middle East	83.063	58.434
<b>Total</b>	<b>589.559</b>	<b>532.734</b>

### Note 4 - Financial Key Figures

Key figures	Actual	Actual	Actual
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2010	2009	2009
Average number of shares	125.898.308	71.210.808	84.882.683
Earnings per share/Diluted EPS	(0,11)	(0,48)	(4,12)
EBITDA-margin	8,6 %	6,2 %	11,2 %
EBIT-margin	1,4 %	-2,2 %	-9,6 %
Equity ratio	25,0 %	23,2 %	24,6 %
Net interest bearing debt	1.136.769	1.459.275	1.241.024

### Note 5 – Related party transactions

There are no significant transactions that affect the company's financial position.

### Note 6 – Subsequent events

On April 26, AGR Petroleum Services announced the award of a multi-well, multi-client drilling campaign on behalf of seven international operators. AGR Petroleum Services is expected to drill more than 15 exploration wells in the Norwegian sector of the North Sea during the three year programme.