

# ANNUAL REPORT 10

PETROLEUM SERVICES  
DRILLING SERVICES  
FIELD OPERATIONS



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AGR GROUP ASA 2010

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# KEY FIGURES

AGR GROUP ASA (NOK 1,000)

<b>Profit and Loss Account</b>	<b>2010</b>	<b>2009</b>
Operating revenue	2 485 474	2 395 832
EBITDA*	304 142	268 822
EBIT	132 097	-229 366
Profit/(loss) for the year	4 251	-322 919
<b>Balance/liquidity/capital</b>	<b>2010</b>	<b>2009</b>
Equity	679 158	619 300
Cash and equivalents	45 519	31 645
Total capital	2 675 646	2 522 437
Interest-bearing liabilities	1 160 945	1 309 971
<b>Key figures per share</b>	<b>2010</b>	<b>2009</b>
Share capital	251 797	251 797
Average number of outstanding shares	125 898 308	84 882 683
Outstanding shares 31.12.	125 898 308	125 898 308
Dividend per share (NOK)	-	-
EBITDA* per share (NOK)	2,42	3,17
Equity per share (NOK)	5,39	7,30

<b>Business segment</b>	<b>Petroleum Services</b>	<b>Drilling Services</b>	<b>Field Operations</b>	<b>Group</b>	<b>Elimin</b>	<b>Total</b>
Operating revenue	1 104 224	354 265	1 069 767	13 088	-55 870	2 485 474
EBITDA	149 181	65 348	106 392	-16 779		304 142

\*Earnings before interest, tax, depreciation, amortization and asset write-down

# DIRECTORS' REPORT 2010

AGR GROUP ASA COMP. REG. NO: 986 922 113



CEO AGR Group, Sverre Skogen

## Company Overview

AGR Group ASA (AGR) is a leading supplier of services and technology to the global oil and gas industry. The Group's main operations are based at Straume (Bergen), with other offices around the world including Oslo, Stavanger, Trondheim, Aberdeen, Guilford, Varberg, Houston, Melbourne, Brisbane, Perth, Almaty, Moscow, Dubai, Abu Dhabi, Singapore, and Kuala Lumpur. The company provides technology, expertise and services to several of the world's major oil and gas fields, with a customer base comprising several small and medium sized operators as well as a number of the large international oil companies and NOCs. At the end of 2010, the Group had 1,637 professionals, whereof 1,054 permanent employees, 185 project employees, 348 contracted-in staff and 50 associates. The annual turnover was NOK 2,485 million.

## Corporate Governance

Good corporate governance is a key goal of the AGR Board in order to ensure that its investors and stakeholders can be confident that the actions taken are in the best long term interest of the Company. AGR aims to achieve the best possible profitability, while maintaining an efficient and viable utilisation of the company's resources and ensuring adherence to HSE & Q best practice standards. AGR believes that adhering to the Group's values will benefit the company's shareholders, employees and society in general.

## Corporate Governance Policy for AGR

This policy was adopted by the Board of Directors on 5 November 2007 and amended on 26 February 2009. It is predominantly based on the Norwegian guidelines on Corporate Governance of 4 December 2007 (Anbefaling for Eierstyring og Selskapsledelse).

Through its compliance with the policy the company aims to maintain the shareholders' trust in the company's board and management as well as the Group's reputation. The policy lays down principles of transparency in its communications with stakeholders, independence of the board, equal treatment of shareholders, and control to ensure predictability and appropriate risk management. In pursuit of the Corporate Governance Policy, the company has in place a code on Board Proceedings, a Management Code and an Insider Trading Policy.

The Board of Directors also elected a Nomination Committee at the Annual General Meeting in 2008.

The Board and management of the Group are continuously assessing the company's risks and its approach to ethics. The Board of Directors has evaluated potential conflicts of interest among the members of the board and management, and has concluded that to the knowledge of the board there were no such incidents in 2010.

The company has monthly financial reporting which is an important tool to enable suitable control of the Company and to monitor progress towards the achievement of its financial goals. This reporting enables the company to be confident that it is in compliance with statutory and stock exchange reporting requirements.

Information about the remuneration of the Group CEO and executive management in 2010 can be found in footnote 25 in the annual accounts.

## Operations

AGR consist of three business areas; AGR Petroleum Services, AGR Drilling Services and AGR Field Operations. Today AGR is characterised by a strong focus on product development and a commitment to work with clients to understand and solve their individual requirements. Sound and ethical business practice is as important as ever while the Group continues to focus on its growth and earnings performance.

# AGR PETROLEUM SERVICES

AGR GROUP ASA



CEO AGR Petroleum Services, Sjur Talstad

AGR Petroleum Services delivers a broad service offering within reservoir evaluations, well planning, well operations and 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 within these topics.

The AGR Petroleum Services business unit experienced a pickup in activity during 2010 compared to 2009. As the market is recovering from the financial turmoil, and the oil price is strengthening, clients are looking to increase their exploration studies, reservoir and field studies and drilling operations. Specifically the well management activity is recovering in the UK and Norway as new contracts are won and planning of wells

in 2011 has begun in 2010. Australia and Middle East are still slow regions, however increased activity has materialized towards the latter part of 2010. The AGR US office has maintained its activity level, as it has only been moderately affected by the Deepsea Horizon accident. During 2010, the AGR US office managed the operations on the world's deepest wells below mudline in shallow waters in the Gulf of Mexico. The reservoir management division experienced a slow start of the year due to reduction in studies work with some of its main clients, but with markets firming up during the second quarter of 2010.

The Well Management division provides oil companies with drilling services, including planning, operations and reporting of wells. The rig campaign model of AGR Petroleum Services

continued to deliver new projects in its key geographies and simultaneously adding new areas such as South Atlantic to its areas of operations, continuing throughout 2010 and into 2011. Variations of this successful business model constructing multi-client, multi-well drilling programs on behalf of oil companies wanting to access Petroleum Services' skills, resources and market-access to run their well operations safely and cost effectively remains. During the year the Well Management business finalized 31 wells in Australia, UK, US and Norway compared to 24 wells in 2009.

During 2010, AGR Petroleum Services could celebrate its well number 400 in ten years, supported by a documentary from the rig.

Continuous focus on the probabilistic well planning tool, P1™ combined with additional focus on marketing has during 2010 resulted in several contract renewals and new purchases from several clients.

The integration of TRACS into the Reservoir Management division in 2008 has resulted in a broader product offering and regional operations. The operational activity firmed up during

2010 with many new clients presenting themselves, but also with Multi Client Study sales in existing markets. Business development efforts have resulted in an increase in study and tender activities and signs of increased activity levels with existing and new clients. The 120 professionals working in multi-disciplinary teams deliver value to clients by performing subsurface evaluations from exploration, through field development and production optimization to asset valuations and reservoir audits.

The Field Management division of AGR Petroleum Services has during the year delivered integrated services combining services from Well and Reservoir Management with Field Development engineering experts as well as delivering facility study support to clients.

The Consultancy business in AGR Petroleum Services has continued to deliver on site consultants, mainly within drilling and completion services, to clients and to Well Management operations. The operational activity has increased compared to 2009. This has resulted in 250 consultants operating at the end of the year.



# AGR DRILLING SERVICES

AGR GROUP ASA



EVP AGR Drilling Services, Johan Warmedal

The AGR Drilling Services division develops and supplies market-leading technologies and services for the offshore oil and gas market. The division consists of three product lines; Enhanced Drilling Services (EDS), Well Services (WS) and Trenching & Excavation (T&E).

Enhanced Drilling Services has the Riserless Mud Recovery system (RMR) as one of its cornerstones. The RMR technology, which is developed, owned and patented by AGR, includes a subsea pump that enables a closed loop circulation system to be used on the Riserless hole sections. It improves drilling operations by reducing the risk and cost of drilling the top-hole sections. The system also replaces «pump-and-dump» and ensures zero discharge to the environment.

During 2010, 30 wells were drilled with the RMR fleet. The technology gained further acceptance in the market and the number of frame contracts increased significantly. The number of clients increased from 16 to 22. In December 2010, a 2-year contract was signed with Petrobras for the provision of RMR in Brazil. Due to a moratorium, the activity in the Gulf of Mexico (GoM) did not materialize as expected. As the moratorium is now lifted, the RMR activity in the GoM is expected to pick up.

During 2010, the RMR system was further developed to be used as a Managed Pressure Drilling (MPD) and Managed Pressure Cementing (MPC) service. During drilling with a riser or conductor pipe, the RMR pumping system can be effectively

used to manage the bottom hole pressure of a well. During a cement job, the returns are channeled through the RMR pump, the back-pressure controlled and thus optimising the hydraulic isolation of the well structure. In challenging zones where the RMR will ease and in some cases enable the drilling of the well, MPC can now help with the cement job.

In 2010, further conceptual studies were undertaken to utilize the RMR system in Managed Pressure Drilling applications, where conventional drilling practices are not sufficient to reach the reservoir. EC-Drill, a technology for managing ECD (Equivalent Circulating Density) effects, and CMP (Controlled Mud Pressure) are expected to be implemented and commercialised in 2011 and 2012. These enabling technologies are based on patents, core technology, product base and know-how from the RMR.

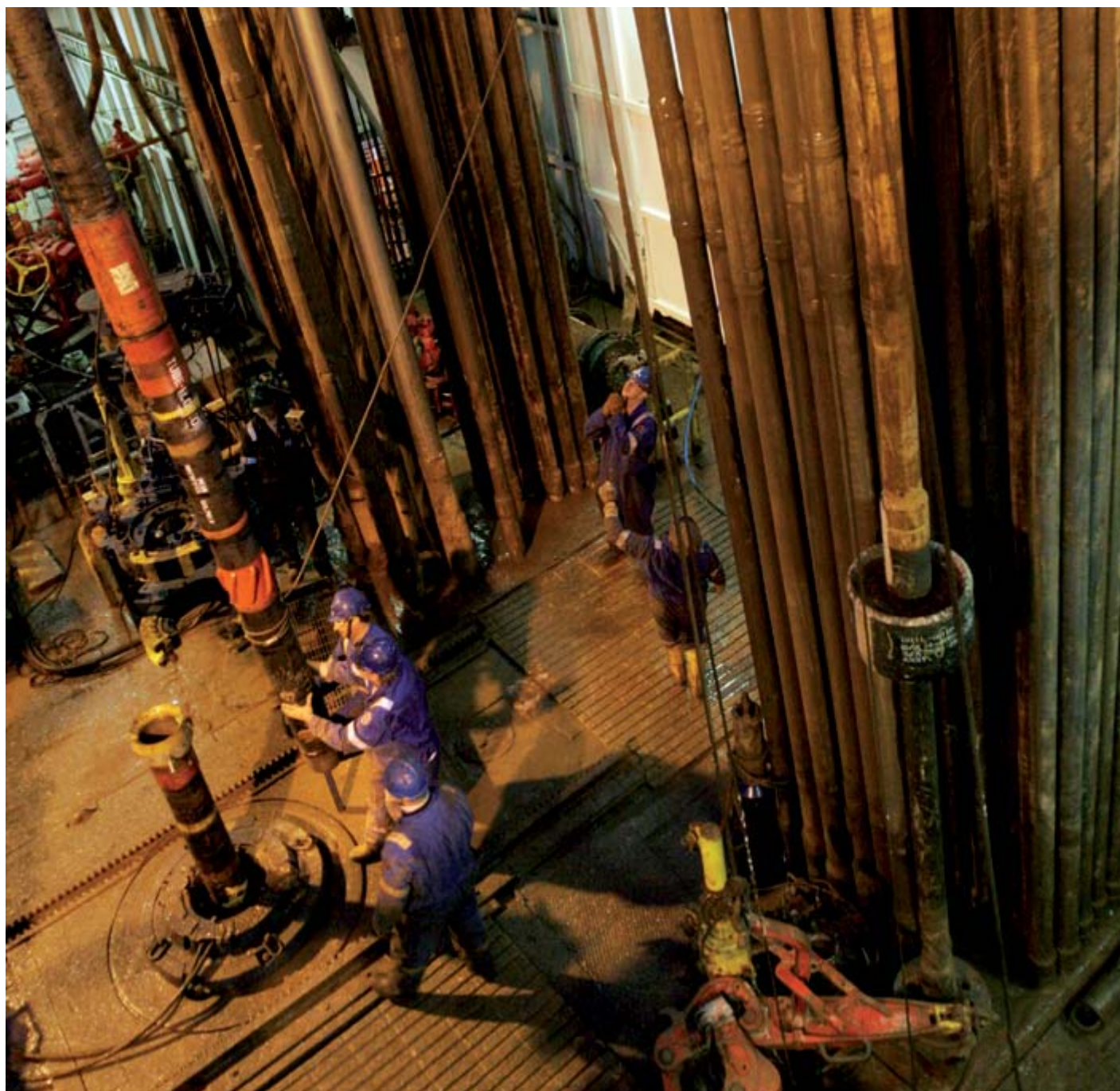
The development of RDS (Riserless Drilling System) will continue in 2011. It enables the construction of the entire well without the use of a marine riser. It represents a step change in risk reduction, in particular in deep water.

Well Services provides clean-out tools used to remove debris from inside the wellbore. The main markets are in Norway and Saudi Arabia, both of which experienced reduced activity during

2010 compared to 2009. Activities are expected to come back to 2009 levels during 2011. New markets have been identified and are being targeted in Malaysia and Brazil.

Well Services also operates the Dynamic Desander technology, which removes solids during work-over operations. The de-sander was operated successfully in the North Sea and Saudi Arabia during 2010 and saw an increase in activity during the second half of the year.

Trenching & Excavation undertakes seabed excavation and trenching of subsea pipelines. This market suffered from very low activity worldwide in 2010, resulting in negative financial results for the T&E Product Line. The market is however showing strong signs of recovery. The trenching for the world-class Gorgon project was awarded to AGR in Q2 2010. Approximately 40% of this job was executed in 2010, the rest will take place during Q1 2011.



# AGR FIELD OPERATIONS

AGR GROUP ASA



EVP AGR Field Operations, Åge Landro

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.

The AGR Field Operations division experienced continued growth during 2010, with the strongest order intake ever recorded in the division. AGR Field Operations experienced a breakthrough in the Americas region with a number of projects secured for specialized inspection services in South America. These awards confirm the global demand for AGR Field Operations' unique products and concepts.

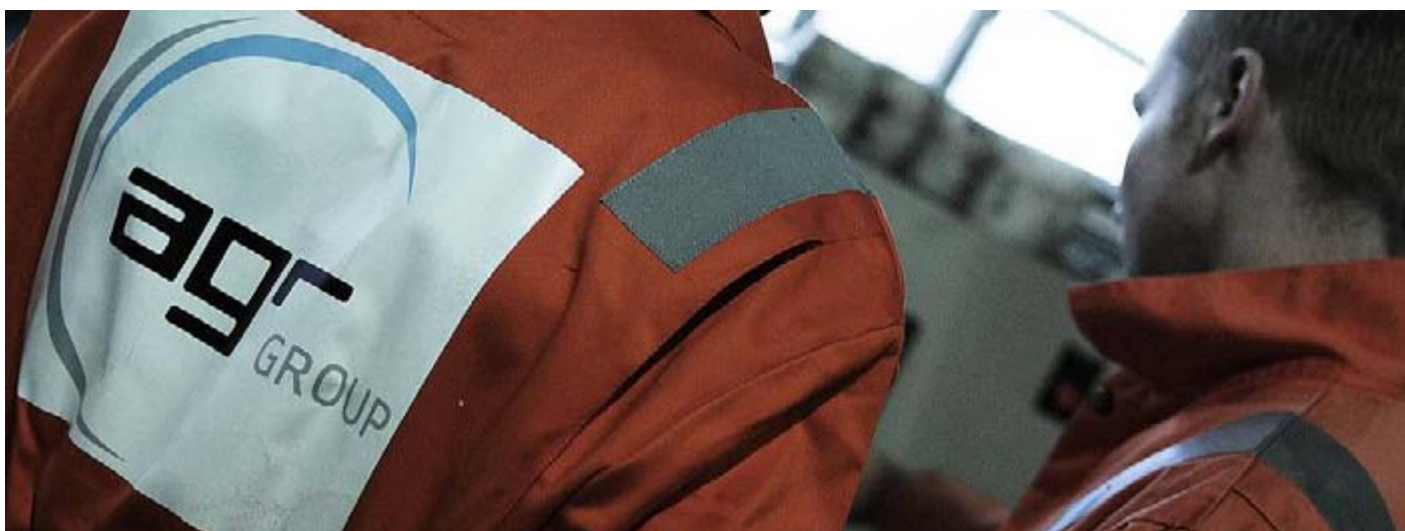
In 2010 the business performance was negatively impacted by several changes in the market caused by a downturn within the conventional Non Destructive Testing (NDT) market in Norway, as well as temporary reduced volumes from Statoil within several disciplines due to renewal of contracts. During the year these challenges have been handled through a changed focus and strategy for the conventional NDT business which has shown strong development towards the end of the year. In Q4 the joint venture partners of the Basker Manta Gummy field decided to enter into a non-production phase. For AGR Field Operations this impacted the business negatively and it is expected to result in reduced activity for the Operations and Maintenance product line during 2011.

In Q2 Statoil exercised the option to extend two of the current framework agreements for another 2 years. These contracts were for provision of Pipeline Integrity Services and

Maintenance Engineering Services. The extension has an estimated value of NOK 30 million for the Pipeline Integrity contract and 40 MNOK for the Maintenance Engineering contract. Total remaining value including options for these two contracts has an estimated value of 140 MNOK.

During Q2 AGR Field Operations also entered into important Master Service Agreements with PTTEP Australasia, ConocoPhillips Australia and Westside Corporation Limited. In Q3 AGR Field Operations signed a 4 year frame agreement with Statoil for the provision of In-Service Inspection. The agreement covers a total of 24 assets on the Norwegian Continental Shelf and onshore Norway. The contract has provision for 2 successive 2 year extensions. The award represented a significant growth in the long term relationship between Statoil and AGR Field Operations, and more than doubles the volume for AGR within In-Service Inspection. During 2010 AGR Field Operations initiated several organizational changes to further strengthen the management team and position the business for future growth. In Q1 AGR Field Operations appointed a dedicated position for heading up the development of the Americas region. A new head of the Asia Pacific region was also appointed in addition to a Country Manager for Brazil. These actions are regarded as strategic moves reflecting the growth strategy of AGR Field Operations globally and are expected to contribute to steady growth within each of these regional areas. During Q4 2010 AGR Field Operations finalized and launched a number of new ultrasonic products. A new more robust Handy Scan product tailored for field work in harsh environment was developed and represents a very important improvement for the Technology Design product portfolio.

## GROUP / OTHER



Group consists of corporate administration and special projects such as AGR CannSeal. In order to show the pure results in each division, all cost related to the Share Investment Program (EBC) have been moved out of the divisions and into Group.

During 2010 incentive programs for key employees and board members in AGR Drilling Services and AGR Field Operations were introduced. The participants were invited to invest in single purpose companies which bought shares in AGR Drilling Services Holdings AS and AGR Field Operations Holdings AS respectively. A similar program will be introduced in AGR Petroleum Services.

## RESEARCH & DEVELOPMENT 2010

Technology is a core part of AGR Group's business and it has a number of technologies in development. During 2010 NOK 54 million was invested in research and development and this includes some significant projects that were still in development at year end 2010, such as:

### *Controlled Mud Pressure – CMP*

The CMP® project is a Demo 2000 Joint Industry Project. The partners are Demo 2000, BG, BP, Statoil and AGR. The goal of the project is to enable dual gradient drilling capabilities by employing current AGR pump technology after the blow out preventer (BOP) and riser have been mounted on the wellhead. During 2010, a number of drilling procedures were developed, most importantly procedures for handling formation influxes.

These were accepted by the Joint Industry Project, who decided to proceed to a field trial stage.

### *EC-Drill*

Equivalent Circulating Density (ECD) effects arise from fluid frictional losses in the wellbore. ECD effects cause undesirable variations in the bottom hole pressure during drilling. The EC-Drill concept solves these problems and moves AGR into the field of Managed Pressure Drilling (MPD). During 2010, AGR performed feasibility- and FEED studies for EC-Drill.

### *Pumping technology*

To expand the operating range of its current products, AGR is developing its Computational Fluid Dynamics (CFD) capabilities. This allows a cost-effective evaluation of additional pumping technologies and further improvements of current technologies.

### *Riserless Drilling System-RDS*

AGR Drilling Services is developing conceptual designs to enable its current pumping technologies to converge into a Riserless Drilling System. RDS eliminates the need for a costly marine riser and thereby allows for drilling offshore wells at significantly lower cost.

*CannSeal* – a tool for sealing off water and gas inflow into oil wells. The CannSeal tool together with epoxy for zonal isolation was qualified in 2010. Going into 2011 the tool is ready for field trial and commercialization. In addition epoxy will be developed and tested for Well Integrity purposes.

Expenses related to research and development are recognized on the balance sheet according to the accounting principles in Note 1.

## 2010 KEY EVENTS

### February:

Johan Warmedal was appointed new Executive Vice President of AGR Drilling Services effective from 15th February 2010.

### March:

AGR Drilling Services had been working for more than 18 months with Chevron on the design and development of a fully integrated Dual Gradient Drilling system (DGD). As a result of Chevron's project funding approval, AGR was asked to manage the detailed design, manufacture, verification, testing and rig fit-out of this Dual Gradient Drilling system – the first fully integrated and commercialized system in the industry. This build, verification and rig installation program will continue through 2011.

### April:

AGR Petroleum Services announced that it was to undertake 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 program. The 4th generation semi-submersible drilling unit, Borgland Dolphin, was contracted by the operators from Dolphin AS to undertake the drilling activity. The first exploration wells are anticipated to be drilled towards the spring of 2011.

### June:

AGR Drilling Services signed a contract with Van Oord Australia whereby AGR will provide excavation services to the Gorgon project. Under the contract AGR Drilling Services will provide the well proven Claycutter X and SeaVator seabed excavation

services on the Janisz Scarp, a steep subsea escarpment off the North West Australian coast.

### July:

AGR Field Operations' subsidiary, AGR Emiteam AS, signed a four year frame agreement with Statoil for the provision of in-service inspection. The agreement covers a total of 24 assets on the Norwegian Continental Shelf and onshore Norway. The contract has provisions for two successive two-year extensions, and contract value including options is estimated to more than NOK 750 million.

### December:

AGR Drilling Services signed two-year contracts with Petrobras to provide AGR's eco-friendly RMR services for the corporation's offshore operations. The RMR equipment will be delivered in the second quarter of 2011 and this will be the first time the technology is used off Brazil.

### Subsequent events:

In March 2011 the Group entered into a new Multicurrency Revolving Credit, Term loan and Guaranty Facilities agreement provided by a bank syndicate comprising DNB NOR and Nordea. According to the group's long term strategy for the various business units, the three divisions are to be financed individually. As a first step, the financing has been split in two whereby AGR Field Operations has been financed separately under a new loan agreement.



## WORKING ENVIRONMENT AND PERSONNEL

A core aim of AGR Group is to have a safe and healthy working environment. The business areas will continue its efforts to reduce the level of absence due to illness by considering implementation of new measures.



### AGR PETROLEUM SERVICES

During 2010, AGR Petroleum Services had 1 incident resulting in absence. Hence, the frequency of lost time injuries and accordingly the frequency of personnel injuries per million working hours (H-value/H2-value) is 1.5.

The employee turnover in 2010 was 14.4%. Average illness related absence during 2010 was 1%. This is a bit higher than in 2009, however, still considered very low.

AGR Petroleum Services has operated 5 rigs in 2010 where AGR has facilitated the rig contract and had full Well operation and Project Management. The frequency of personnel injuries per million working hours (H2-value) was 7.5, based on approximately 1.1 million offshore working hours. None of the incidents were injuries of permanent character.

### AGR DRILLING SERVICES

In 2010 AGR Drilling Services continued the Site Management Safety program and Safety Behavior Training program initiated in 2009.

During 2010, AGR Drilling Services achieved one lost time injury, two first aid incidents and two medical treatment incidents not resulting in restricted work activity. The rate of lost time injury is 4.63 per million man-hours compared to zero in 2009. In 2010 there were reported 506 HSE improvement suggestions compared to 371 in 2009.

Illness related absence for AGR Drilling Services was 1.9% in 2010 compared to 2.4% in 2009. The employee turnover in 2010 was 4.5%

### AGR FIELD OPERATIONS

During 2010, there were 2 incidents resulting in absence. Both incidents resulted in 2 days absence. The rate of lost time injuries (LTIF) is 1.5 per million man-hours compared to 2.3 in 2009. The total number of HSE reports was 616 in 2010.

Illness related absence for AGR Field Operations was approximately 2.5% compared to 1.9 % in 2009. The employee turnover in 2010 was 18.4%.

### Gender equality

As at 31 December 2010 the Board of AGR Group had 8 Board Members of which 3 were women.

The Group aspires to be an attractive employer for people with different backgrounds, regardless of their ethnicity, gender, religion or age. In its policy, the company has implemented measures to ensure equal opportunities in areas such as salary, promotion and recruitment. The competence principle is decisive in all appointment processes. In a department where one gender is heavily under-represented, this is taken into account during the appointment process if other qualifications are otherwise equal. In connection with the annual salary evaluation, attention is shown to possible inequality regarding average level of pay for men and women. The Group provides equal pay for equal work and rewards good results.

### Environmental Reporting

All work that effects the environment is managed by means of well established systems and processes in order to reduce any negative impact, and to ensure, as a minimum, compliance with legislation and regulations set out by the authorities. AGR aims to facilitate the continuous environmental improvement in our

operations by adopting the principles of ISO 14001, international standard for environmental management. Currently the environmental management system of AGR Asia Pacific is certified to the standard, and management system development utilizing ISO 14001 principles is ongoing in other business units. Furthermore, many of the operational activities and products of the business are focused on protecting the environment. As an example the RMR is a product which in addition to its operational advantages offers environmental friendly solutions to clients, by allowing zero discharge of chemicals and cuttings in drilling of top hole sections.

#### Environmental Performance Summary 2010

- Energy consumption is at a normal level for our type of business
- Waste management is performed to minimise waste amounts, and to facilitate for reuse and recycling of generated waste
- Chemicals are managed to reduce use and discharge of environmentally hazardous chemicals

## 2011 OPERATIONS

AGR's Board of Directors emphasizes that there is always an element of uncertainty related to the delivery of business performance and forward looking projections.

### AGR PETROLEUM SERVICES

Going into 2011, AGR Petroleum Services is operating several rigs and performing well planning for a variety of clients in most offshore petroleum provinces. The business unit is delivering reservoir, consultancy and training to oil companies, IOCs, NOCs, authorities and financial institutions. After growing the operational activity in 2010, expanding into new areas and keeping a strong and competent staff, AGR Petroleum Services will continue to deliver high value products to clients. AGR Petroleum Services will continue to be active in the rig market to ensure further rig campaigns to support clients' increased drilling activity.

AGR Petroleum Services aims to continue the growth of integrated services to its clients, delivering solutions and operations in all phases of the field from exploration to production.

### AGR DRILLING SERVICES

In the Enhanced Drilling Solutions' product line, 2011 will see a further penetration of the RMR market. Active sales & marketing efforts and an ever increasing acknowledgement of this service in the industry is expected to result in increased presence in the UK, Gulf of Mexico, Brazil and Asia.

2011 is expected to be a break-through year for other Managed Pressure Drilling (MPD) and Dual Gradient Drilling (DGD) services. These include EC-Drill, CMP and RDS, all described under "Research and Development".

Within the Well Services Product Line, expanded sales resources are expected to increase the market penetration of the Dynamic Desander. Towards the end of 2010, the Trenching & Excavation product line saw signs of recovery through significant tendering activity. Capital projects that were postponed as a result of the global financial crisis are being brought back on the table.

### AGR FIELD OPERATIONS

Both customers and regulatory authorities have a constant focus on HSE and production uptime. Industry trends show an increasing focus on asset integrity management as a result of more regulatory requirements. This in addition to aging of the existing infrastructure is expected to lead to an increasing demand for AGR Field Operations' cost effective solutions.

A number of new long term contracts and contract extensions have been secured and these are expected to result in continued growth for AGR Field Operations in the years to come. The only area where we expect a reduction in activity short term is within Operations and Maintenance as a result of the Basker Manta Gummy Field going into a non production phase. Long term this is not expected to impact the business.

## NEW BOARD COMPOSITION

At the General Meeting held on 28 May 2010, Eivind Reiten was elected Chairman of the Board, replacing Hugo Maurstad who took on a role as Board member. Vice Chairman Reynir Indahl, Hugo Maurstad, Tove Magnussen, Thomas Nilsson, Per Inge Remmen, Maria Tallaksen and Fiona Walker were reelected for a two year period. Jonas Jonhede continued as deputy board member.

Information concerning remuneration of the Board of Directors, the Chief Executive Officer and the Group's Executive Management can be found in Note 25 to the consolidated financial statements. The compensation for the Group's external auditor can also be found in Note 25.

# FINANCIALS AND RISK FACTORS



CFO AGR Group, Svein Sollund

## Risk Management and Internal Control

Every manager at AGR is responsible for risk management and internal control and must ensure utilisation of business opportunities, cost-effective operations, reliable financial reporting and compliance with current legislation and regulations.

The board receives an operational report and consolidated accounts for each business unit monthly. In addition to this, an annual evaluation of the Group's major risks is carried out.

AGR Group has during 2010 focused on further development of its internal control systems. This work will also be prioritized in 2011. The main focus has been to adjust existing documentation and controls to a complete system including regulations and guidelines through policy documents, user manuals and process descriptions.

All documents are periodically evaluated and adjusted. In addition to Board and management responsibility as control authority, it is the CFO and local finance staff that mainly carry out company-wide related control actions.

The aim is to further strengthen the communication and reporting lines concerning internal control throughout AGR. AGR applies COSO frame work for risk management and internal control to the extent that it is suitable. AGR Group has an Audit Committee.

The AGR Board is of the opinion that satisfactory systems have been established for all central parts of AGR's financial control, including policy documents regulating Corporate Governance, Financial risk, Inside Trading, Transfer Pricing, Inter Company, Whistleblower and Ethics.

## Results, Cash Flow, Investments, Finance and Liquidity

Turnover for the Group increased from NOK 2,396 million in 2009 to NOK 2,485 million in 2010. Operating profit for the Group was positive NOK 132 million compared to negative NOK 229 million in 2009. Net profit for the financial year 2010 was positive NOK 4 million compared to negative NOK 350 million in 2009. For more information about the background for the results, see the operational section.

Accumulated cash flow from the Group's operational activities was NOK 278 million. Total investments for the Group were NOK 112 million (excluding acquisition of operations), and was mainly related to RMR equipment, AGR Field Operations equipment positioning AGR for future growth and development projects such as CannSeal and the CMP.

Cash and cash equivalents for the Group on 31.12.10 were NOK 46 million.

The Group's total interest-bearing debt at year end 2010 was NOK 1,161 million, which represented 44% of the Group's total assets, compared with 52% at year-end 2009. By year-end 2010, the short-term interest-bearing debt represented 24% of the total interest-bearing debt. The Group's net interest-bearing debt at the end of 2010 was NOK 1,115 million.

At the end of the year, total assets amounted to NOK 2,676 million, compared with NOK 2,522 million the previous year. The equity to total assets ratio at 31.12.2010 was 25%, compared with 25% at 31.12.2009. The total liability to equity ratio per 31.12.2010 was 2.9.



## Financial Risk

### Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects from financial risks on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The board provides a financial risk management policy covering foreign exchange risk, interest rate risk, liquidity risk and credit risk.

### Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group Financial risk policy states that 12 month forecasted net currency exposure shall be maximum 60 million in NOK equivalents. Positions are reviewed quarterly. Hedging is conducted by applying a combination of long term foreign currency term loans and currency derivatives.

As of 31st December 2010 the Group's 12 months forecasted net currency exposure, amounted to 52 mill.

#### (ii) Price risk

The Group has very limited exposure to equity securities price risk due to very limited investments held by the Group classified on the consolidated balance sheet as fair value through profit or loss.

The Group is indirectly exposed to oil price changes.

### (iii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is that long-term borrowings shall be based on floating interest rates, however interest rate derivatives shall be applied in order to avoid catastrophic losses due to interest rate changes.

The Group manages its interest rate risk by applying derivatives such as interest rate collar swaps, in order to establish a cap on interest rates in case of significant increase in market interest rates. In addition, the group has applied floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 31 December 2010 the Group held 3 interest rate swap contracts and 1 interest rate collar contract with a total amount of NOK 811 million, which constitutes 70% of the Group's interest bearing debt.

### Credit risk

The risk that counterparties fail to fulfill their financial obligations is considered low as the Group's historical loss on receivables has been low. The majority of the Group's debtors are publicly listed Norwegian and international oil companies. The Group's customers in the divisions Drilling Services and Field Operations are mainly the large international oil companies with limited to low credit risk potential. The Petroleum Services customers consist of medium to small oil companies. Some of these customers have moderate credit risk potential. The Group policy is to obtain financial guarantees from debtors where the credit risk and exposure is considered to be high. In addition, the Group has put in place credit insurance where a majority of the Group's receivables are insured in order to avoid losses. The overall credit risk is thus considered to be low.

### Liquidity risk

The Group has relatively few, large customers. Delayed payments from several large customers at the same time could have a significant impact on the Group liquidity situation. Group management and the individual business units have a high focus on working capital management, and continuously take actions if customers do not settle their obligations towards AGR in due time. The Group policy is to reduce the liquidity risk by having a long term multi-currency loan facility committed from relationship banks. The Group shall at any time have unused credits at least equal to next quarter's interest & installment requirements under the Group's loan facility.

At 31 December 2010 the Group had undrawn committed credit lines amounting to NOK 170 million.

## PARENT COMPANY

AGR Group ASA is the listed parent company and its main activity is to act as the owner of the shares in the Group's companies. The operating result in 2010 was negative NOK 19 million compared to negative NOK 33 million in 2009. The operating costs were reduced in 2010 compared to 2009 mainly as a consequence of closing of the AGR Employee Share Investment Program (EBC)<sup>1</sup> and reversal of associated cost accruals.

The net result was negative NOK 121 million compared to negative NOK 276 million for 2009. In 2009 the net investment in Drilling Services was written down with NOK 274 million as a consequence of the impairment charges within this business area. In 2010 an additional NOK 136 million was written down.

Accumulated cash flow from the company's operations was negative NOK 26 million. Accumulated cash flow from investment activities was positive NOK 11 million, including a strengthening of the equity in subsidiaries and a corresponding reduction in internal group debt. Total net cash flow was negative NOK 15 million.

The total assets were NOK 937 million compared to NOK 951 million the previous year. The equity to asset ratio was 79% at 31.12.2010. Of the total equity of NOK 742 million, share capital accounts for 34%.

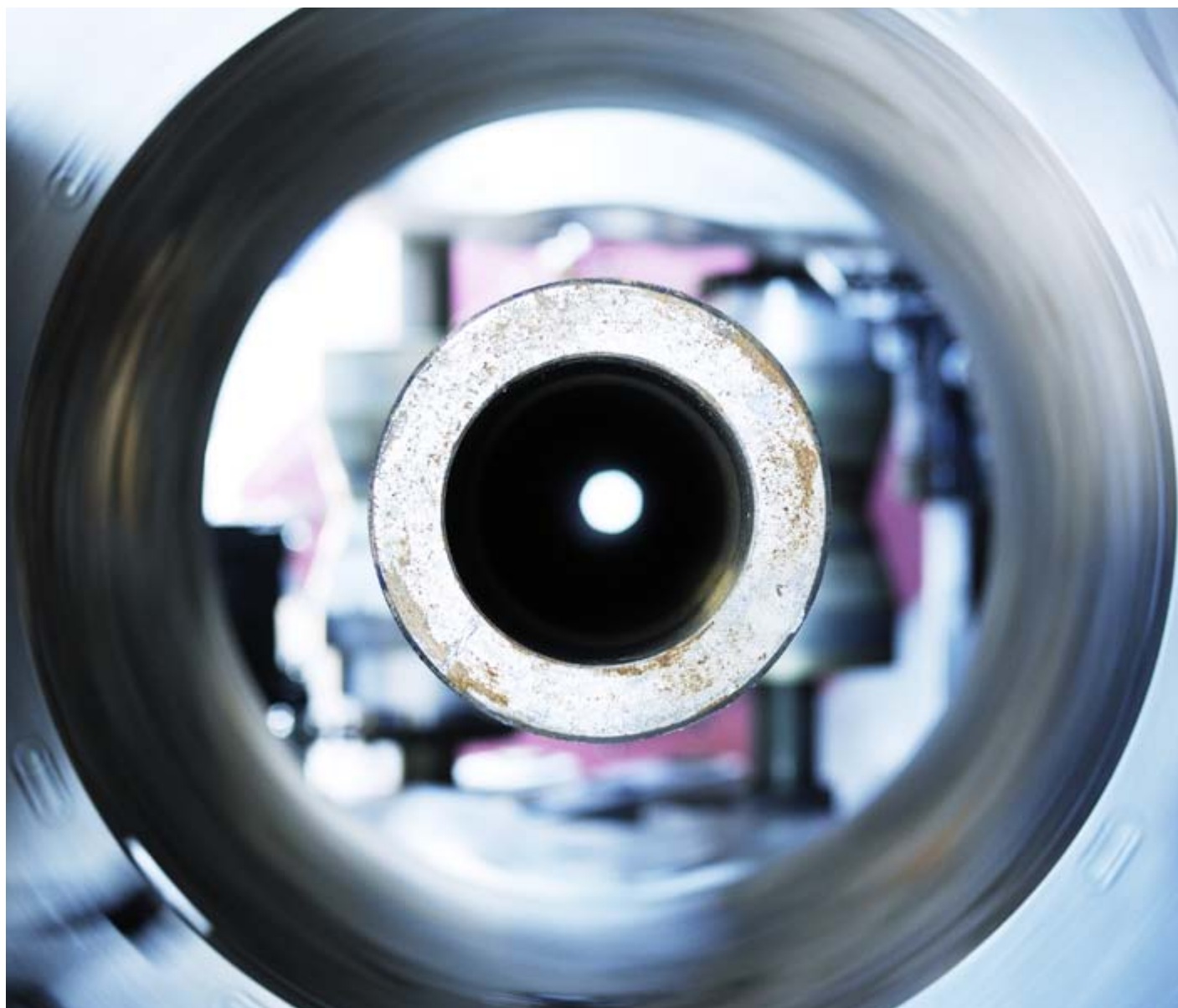
<sup>1</sup> Reference is made to Note 37

## CONTINUED OPERATION

AGR Group has financial covenants related to its loans and is in compliance with these at Q4 2010. As most other oil services companies, AGR Group was negatively affected by the financial crisis and general economic downturn in 2009, but drilling activity and the market for AGR in general has improved notably in 2010. In Q1 2011 the Group restructured its current Loan and Guarantee Facilities. The loan amortization structure was adjusted and the financial covenants were reset. The company has positive cash flow and is therefore able to comply with its interest and amortizations going forward. The board has considered the factors above in relation to continued operations and concluded that in accordance with the

Accounting Act §3-3a, we confirm that the financial statements have been prepared under the assumption of a going concern.

The key assumptions made in the impairment test reflect the Board's current assessment of AGR's potential to adapt to and benefit from trends in the oil services industry. Management believes that the expectations reflected in the forward looking forecasts used as a basis for the impairment reviews are reasonable. However, as the impairment valuations are based on forward looking information, they will involve risk and uncertainty. For more information, please refer to note 3.



# ANNUAL RESULT AND ALLOCATIONS

The Board proposes the following allocations of the Group's net profit for the financial year:

Retained earnings	5 810 TNOK
Non-controlling interests' share of profit/(loss) for the year	(1 559) TNOK
Total net income allocated	4 251 TNOK

The parent company's distributable equity at 31.12.2010 was:

Retained earnings	(120 511) TNOK
Distributable equity	0 TNOK

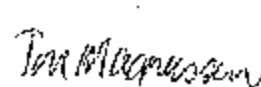
Oslo, 29 April 2011



**Reynir Indahl**  
Vice Chairman




**Eivind Reiten**  
Chairman



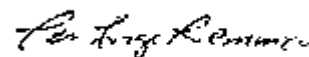
**Tove Magnussen**  
Board member



**Hugo Maurstad**  
Board member



**Thomas Nilsson**  
Board member



**Per Inge Remmen**  
Board member



**Maria Tallaksen**  
Board member



**Sverre Skogen**  
CEO

# CORPORATE GOVERNANCE REPORT – 2010

This statement presents a review of AGR Group's principles for corporate governance and compliance with the Norwegian Code of Practice for Corporate Governance of 4 December 2007 (Code of Practice) and notes AGR's actions and where relevant any deviations from each of the requirements. If no deviation is stated then there have been no deviations from the Code of Practice.

## Implementation and reporting on corporate governance

The Board of Directors of AGR Group ASA («AGR») originally adopted its Corporate Governance Policy on the 22 May 2006 and updated it 5 November 2007 and 26 February 2009. This is available on AGR's website ([www.agr.com](http://www.agr.com)).

AGR's principles for corporate governance detail an adequate division of the tasks and positions of AGR's owners, the Board and the executive management. An adequate division of tasks and positions provides for the adoption and implementation of objectives and strategies, and the achievement of the objectives is subject to evaluation and is followed up.

Furthermore, the principles contribute to keeping the business of AGR under appropriate supervision. An adequate division of tasks and supervision contributes to the best possible long term profitability, to the benefit of the shareholders and other stakeholders.

This statement sets out AGR's compliance with each section of the Code of Practice, and also notes any deviations from the Code of Practice and the reasons for such deviation.

AGR will not be issuing an extensive Annual Report in 2011. It is not a legal requirement that AGR issue such an annual report and instead, AGR is issuing this statement of compliance with the Code of Practice, the Directors Report and a summary of the 2010 figures together with the full audited annual accounts. This approach has been taken as a result of AGR's shareholder base, whereby AGR has one major shareholder owning 78% of AGR. With fewer retail investors this approach is seen as more cost effective and environment friendly whilst still providing all shareholders with sufficient information and reporting as required by the law.

The Board of AGR has laid down AGR's values and ethical guidelines. The values of AGR are outlined on AGR's website.

## Business

AGR's objectives are laid down in article 3 of the Articles of Association which reads as follows: The objective, as laid down in the Articles, outlines the parameters within which AGR operates, and offers the shareholders certainty with regards to the type of activities which AGR will undertake. AGR's main objectives and strategies are presented on AGR's website.

«The Company is engaged in trade, industry, real estate investments and related activities, including participation in other companies with similar activities as well as investments in real property, securities and other assets»

## Equity and dividends

The book equity of AGR as of 31 December 2010 was NOK 679 million which represents an equity ratio of 26%. Based on the company's objectives, strategies and risk profile, AGR considers the equity ratio as satisfactory. It is an objective for AGR to yield a competitive profit from the shareholders' investment. AGR's dividend profile shall at the same time ensure AGR's need for stability and development in accordance with its objectives and strategies. AGR has not distributed any dividends the last years.

## Equal treatment of shareholders and transactions with close associates

AGR has one class of shares, and all shares hold equal voting rights in AGR. AGR prioritises the furtherance of the interests of the shareholders, and equal treatment of shareholders.

AGR's Corporate Governance Policy establishes the guiding principle that the Board shall act in the best interests of all shareholders. During 2010, the company has bought 1,498,505 AGR shares in order to comply with its obligations under the employees' incentive scheme. In total, the company now owns 1,815,845 AGR shares.

In the event of transactions, other than immaterial transactions, between AGR and shareholders, Board members, members of the executive management or any persons related to these, the Board shall in accordance with its policies, procure that the transaction is based on a valuation prepared by an independent third party. If required pursuant to section 3-8 of the Public Limited Companies Act and when the consideration exceeds 5% of AGR's share capital, the transaction will be put to the general meeting for approval.

AGR's Corporate Governance Policy establishes principles which require members of the Board and the executive management to report to the Board in the event that they have any material interest in AGR's agreements.

### Freely negotiable shares

AGR's shares are listed on the Oslo Stock Exchange and are freely negotiable. No form of restriction on the negotiability of the shares is included in the Articles of Association.

### General meeting

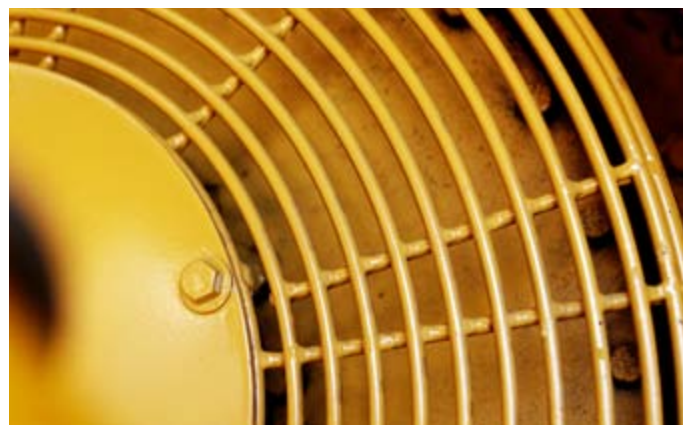
AGR encourages shareholders to attend AGR's general meetings. AGR's Corporate Governance Policy details, that notices for general meetings shall be distributed no later than two weeks in advance and placed on its website 21 days in advance of a general meeting.

AGR seeks to ensure that the notice of meeting and accompanying materials include sufficient information about the items on the agenda. For practical purposes the company includes in its notices to general meetings a combined notice of attendance and proxy form which the shareholders are invited to use for registering attendance and submitting proxies. However, the Articles of Association of AGR does not provide for the use of mandatory prior notices of attendance at the general meeting and all shareholders who wish to attend will be welcome at the General Meeting.

AGR ensures that those shareholders not able to attend the general meeting in person can vote via proxy and proxy forms are supplied with the notice of meeting.

It is AGR's preference to have the members of the Board, the Nomination Committee and the auditor attend the general meeting. A representative of AGR's auditors, PWC, has been present or available at all general meetings during the reporting period.

Proxy forms have been supplied with all notices of a general meeting. In accordance with the Public Limited Companies Act



shareholders may raise items for consideration by the meeting prior to the meeting, provided that such suggestions are submitted at least two weeks prior to the general meeting.

The notices of meeting issued during the reporting period note the address of the AGR web page and note that copies of the notices of meeting and supporting materials are available or referred to on the website. All notices issued since this recommendation was included in the Code of Practice clearly state on which web page the notice and supporting documents are made available.

AGR had a copy of the notice of meeting for all general meetings held during the period available or referred to on its website and the notices include proxy forms. Each candidate nominated for election was described by the Chairman of the Nomination Committee and elected by voting for all, as a group. AGR did not conduct a vote on each candidate for election, however, if this had been requested by the shareholders present then this would have been done.

### Nomination committee

Pursuant to AGR's Articles of Association AGR has established a Nomination Committee, which is comprised of three members elected by the general meeting.

The remuneration of the members of the Nomination Committee was resolved at the extraordinary general meeting of April 2008. Article 6 of AGR's Articles of Association requires AGR to establish a Nomination Committee

The first Nomination Committee of AGR was elected at the Annual General Meeting in 2007. The current Nomination Committee is comprised of 3 members. The Nomination Committee does not include the chief executive officer nor any member of the executive team. The chairman of the Nomination Committee is also a board member.

The Nomination Committee instructions state that the purpose of the committee is to nominate candidates for election as Board members, and make recommendations for the remuneration of the members of the Board. In the notice of meetings sent during the reporting period the Nomination Committee supplies sufficient information regarding proposed candidates and their background to justify the recommendations made to shareholders.

During the reporting period AGR has provided information regarding the membership of its Nomination Committee with the notices of meeting issued for the 2010 AGM.

There has been no specific mention on the Company's website or in the notices or accompanying documentation to the effect that the shareholders may propose candidates to the board of directors. However, this is acknowledged in the Nomination Committee Instructions and the Nomination Committee has approached the major shareholders of AGR when formulating its recommendations.

### **Corporate assembly and board of directors: composition and independence**

AGR does not have a corporate assembly. The Board of Directors is elected by the General Meeting.

Pursuant to the Company's Articles of Association the Board shall be comprised of between 3 to 9 members.

The experience of all the board members demonstrates a broad range of experience amongst the individuals on the board. The skills represented include a range of general business administration skills, financial markets competence and industry appropriate operational experience. In selecting the members of the board, consideration was given to how the individual members would operate as a collegiate body.

According to AGR's Corporate Governance Policy a majority of the members of the board shall be independent of AGR's management and main business partners. Furthermore, at least two board members shall be independent of the company's major shareholders. This is the case with the current composition of the board.

There are no representatives from the executive management among the members of the Board.

Article 5 of AGR's Articles of Association states that the chairman shall be appointed by the general meeting. The term of office for the board members is two years pursuant to the Public Limited Companies Act.

A summary of the expertise and capacity of the board members, noting which members are independent has been placed on AGR's website.

Directors' shareholdings are noted in note 17 in the Annual Accounts.

### **The work of the board of directors**

The Board has adopted and implemented a code regulating board proceedings. The guidelines are evaluated in connection with the Board's annual review of its own work. The Board prepares an annual plan for its work, particularly focusing on objectives, strategies and implementation, as well as any other tasks devolved as a consequence of the Board's by Laws, Regulations, resolutions of the general meeting or the Stock Exchange Rules.

The Board assesses on a continuous basis the need for sub committees of the Board.

The Board established in 2008 an Audit Committee, headed by Thomas Nilsson. Furthermore a Remuneration Committee has been established, providing advice to the Board on CEO compensation, Executive Compensation and overall guidance on bonus, share awards and remuneration for the employees of AGR.

### **Risk management and internal Control**

AGR's approach to risk management is described in the Director's Report. In addition to monthly operational reporting the board carries out an annual evaluation of the Group's major risks.

### **Remuneration of the board of Directors**

Remuneration of the Board is decided by the general meeting and is believed to reflect the responsibilities, time commitment, complexity of the company's activities and expertise of the board members. The Board's remuneration is not linked to AGR's performance. No member of the Board has been granted share options. With the exception of Per Inge Remmen who has worked part time for AGR Petroleum Services, no Board members of AGR have been engaged in any specific assignments for AGR or its associated companies in addition to their appointment to the board. The remuneration of the board of directors is detailed in the accounts, which can be viewed on the AGR website.

## Remuneration of the executive Management

The Board has set guidelines for remuneration of the executive management. The guidelines are presented to the General Meeting for an advisory vote. Although advisory, the guidelines will be binding, and thus subject to the general meetings approval, in respect of any remuneration related to shares in the Company. Salary and other remuneration to the CEO are determined by the Board. AGR's guidelines for remuneration to the executive management are described in the attachment to the AGM notice and therefore appear on AGR's website and remuneration to the members of the executive management is presented in footnote 25 in the Annual Accounts. The executive management of AGR has the opportunity to be members of AGR's management share scheme, in which management can buy shares directly in the three business units.

Executive Management of AGR is also entitled to bonuses of up to 40% of their salary. The bonus scheme is linked to company performance. Except for a very few tailored incentives, AGR does not offer any other form of remuneration to executives other than where expatriate packages may require some additional benefits. AGR does not have a share option scheme.

## Information and communications

AGR has adopted and implemented an Insider Trading Policy and a management code with associated guidelines for the reporting of financial and other information.

It is a paramount principle of AGR that all information and communications shall be timely and relevant.

AGR's financial calendar is available on AGR's website, and provides an overview of the dates of major events. Other information is continuously made available to shareholders via AGR's website.

AGR ensures through policy and established practice that all information provided to the market or to shareholders is also posted on the AGR website to keep all stakeholders informed of AGR's activities.

## Takeovers

The board of directors has established guiding principles for how it will act in the event of a takeover bid. These guiding principles are included in the Corporate Governance Policy. AGR's Corporate Governance Policy states that the Board shall not carry out measures to prevent take-overs, unless otherwise resolved by the general meeting by no less than a 2/3 supermajority vote.

## Auditor

In compliance with the Code of Practice and pursuant to AGR's Corporate Governance Policy, AGR's auditor attends Board meetings which deal with the Annual Accounts. The auditor meets annually with the Board for an evaluation of the auditor's views on the Company's accounting principles, risk exposures, internal control etc. The Board has not met with the auditor without the CEO or management being present. However, the Board has communicated to the auditor that the auditor should notify the board if the auditor ever wishes to have such a meeting with the board without management being present. The Board has adopted a management code which includes, inter alia, guidelines for the management's use of the auditor for tasks other than the statutory audit. The auditor has been instructed to provide the board with a report annually detailing all the work undertaken by PWC for AGR in addition to the audit work and to provide confirmation of the auditors continued independence. The remuneration to the auditor is presented in footnote 25 in the Annual Accounts.

# BOARD'S STATEMENT OF SALARIES

## Main Principles

The main principles for AGR Group ASA's management remuneration policy are that executive management shall be offered competitive compensation, when salaries, benefits in kind, bonuses, share awards and pension arrangements are taken into consideration.

Salaries and other benefits for executive management to be determined in the current year will be in accordance with the abovementioned main principles.

## Remuneration Committee

The Board has formed a Remuneration Committee to provide advice to the Board on CEO compensation, Executive Compensation and overall guidance on bonus, share awards and remuneration for the employees of AGR. Hugo Maurstad, Reynir Indahl and Maria Tallaksen are the current members of the Committee. No additional compensation is awarded to the Committee members for their participation in the work of the Committee.

## Bonuses and other additional benefits

As a guideline, annual bonuses in addition to base salary may be offered to executive management. Such bonuses shall however, be limited to certain percentages of the base salary and to achievement of certain predetermined objectives. Guidelines for distribution of bonuses shall be determined by the Board of Directors. Bonuses to the Group CEO shall be determined by the Board of Directors, after consulting with the company's Remuneration committee.

Executive management shall as a general rule, be entitled to participate in pension schemes that ensure pension benefits in proportion to their level of salary as employees. The executive management of the company are members of the company's collective pension scheme.

The members of the company's executive management have other ordinary benefits in kind, such as free phone, newspapers and trade magazines etc, but do not have other material benefits in kind. Some members of the current executive management are entitled to car allowances. Where appropriate employees working under expatriate conditions may also receive a car allowance. As a guideline car allowances shall not be offered to Group employees, and existing arrangements will be phased out when the employment contracts are due for renegotiation.

In respect of severance payments these will be agreed on an individual basis. Some of the current members of the executive management have rights to severance payment, corresponding from 6 to 18 months base salary, if their employment is terminated by the company. As a guideline severance payments shall be in accordance with the company's main principles, i.e. that the level of remuneration shall be competitive when all benefits are seen as a whole.

## Share related incentive schemes

AGR does not have a share option scheme for its employees or other forms of remuneration which are linked to the shares in the company or the quoted price of the company's shares. Some employees have, however, invested directly in the three holding companies owning AGR's three divisions.

Please also refer to footnote 25 for AGR Group ASA's annual accounts for details about remuneration of the executive management in 2010.

## CONSOLIDATED INCOME STATEMENT

Figures in TNOK

GROUP	Note	Year ended 31 December	
		2010	2009
Continuing operations			
Net revenue	6,7,29	2 415 207	2 345 471
Other operating revenue	6,7,29	70 267	50 361
<b>Total operating revenue</b>		<b>2 485 474</b>	<b>2 395 832</b>
Raw materials and consumables used	34	1 007 923	947 342
Payroll expenses	19,25	945 867	909 618
Depreciation, amortisation and impairments	8,9,11	172 045	498 188
Other operating expenses	25,27,30	227 542	270 049
<b>Total operating expenses</b>		<b>2 353 377</b>	<b>2 625 197</b>
<b>Operating profit/(loss)</b>		<b>132 097</b>	<b>(229 366)</b>
Financial income	28	367 167	195 924
Financial expenses	28	482 821	398 882
<b>Net financial items</b>		<b>(115 654)</b>	<b>(202 958)</b>
Share of profit of associated companies	10	-	-
<b>Profit/(loss) before income tax</b>		<b>16 444</b>	<b>(432 324)</b>
Income tax expense/(benefit)	20	12 055	(82 234)
<b>Profit/(loss) from continued operations</b>		<b>4 389</b>	<b>(350 090)</b>
Profit after tax from discontinued operations	36	(138)	18 069
Gain from sale of discontinued operations	36	-	9 102
<b>Profit/(loss) for the year</b>		<b>4 251</b>	<b>(322 919)</b>
Non-controlling interests' share of profit/(loss) for the year		(1 559)	-
Profit/(loss) attributable to equity holders		5 810	(322 919)
<b>Earnings per share (basic and dilutive in NOK)</b>	24	<b>0,05</b>	<b>(3,80)</b>

## CONSOLIDATED BALANCE SHEET

Figures in TNOK		As at 31 December	
GROUP	Note	2010	2009
<b>Assets</b>			
Deferred tax assets	20	173 291	137 422
Other intangibles	4,8	183 214	185 911
Goodwill	4,8	921 887	901 849
<b>Intangible assets</b>		<b>1 278 392</b>	<b>1 225 182</b>
Land, buildings and other property	9	33	44
Machinery and operating equipment	9	467 621	513 805
<b>Tangible fixed assets</b>		<b>467 654</b>	<b>513 849</b>
Investments in associated companies	10	256	-
Long term receivables		30 841	120
<b>Financial fixed assets</b>		<b>31 097</b>	<b>120</b>
<b>Total non current assets</b>		<b>1 777 143</b>	<b>1 739 151</b>
<b>Inventories</b>	11	<b>13 266</b>	<b>10 674</b>
Trade receivables	12,13,16,29	727 270	634 057
Other receivables	14,16,23	112 349	93 453
<b>Receivables</b>		<b>839 619</b>	<b>727 510</b>
Financial assets at fair value	33	93	-
Assets of disposal group classified as held for sale	36	6	13 457
<b>Cash and cash equivalents</b>	15,16	<b>45 519</b>	<b>31 645</b>
<b>Current assets</b>		<b>898 503</b>	<b>783 286</b>
<b>Total assets</b>		<b>2 675 646</b>	<b>2 522 437</b>

## CONSOLIDATED BALANCE SHEET

Figures in TNOK		As at 31 December	
GROUP	Note	2010	2009
<b>Equity and liabilities</b>			
Share capital	17,18	251 797	251 797
Treasury Shares	17,18	(3 631)	(635)
Share premium fund	17,18	827 543	846 526
<b>Total paid-in equity</b>		<b>1 075 709</b>	<b>1 097 688</b>
Retained earnings		(420 371)	(478 388)
Non-controlling interest in equity		23 820	-
<b>Total equity</b>		<b>679 158</b>	<b>619 300</b>
Pension liabilities	19	10 830	9 583
Deferred tax	20	13 038	26 996
Provisions	26	7 599	33 125
Debt to credit institutions	21	877 949	1 098 435
<b>Total non-current liabilities</b>		<b>909 416</b>	<b>1 168 139</b>
Debt to credit institutions	21	275 175	174 234
Trade payables	29	441 156	241 960
Tax payable	20	45 584	50 966
VAT payable and other taxes payable		60 478	42 140
Other current liabilities	22,23	264 679	224 665
Liabilities of disposal group classified as held for sale	36	-	1 033
<b>Total current liabilities</b>		<b>1 087 072</b>	<b>734 998</b>
<b>Total liabilities</b>		<b>1 996 488</b>	<b>1 903 137</b>
<b>Total equity and liabilities</b>		<b>2 675 646</b>	<b>2 522 437</b>

Oslo, 29.04.2011

Eivind Reiten  
ChairmanHugo Lund Maurstad  
Board memberThomas Nilsson  
Board memberPer Inge Remmen  
Board memberTove Magnussen  
Board memberReynir Kjær Indahl  
Vice chairmanMaria Tallaksen  
Board memberSverre Skogen  
CEO

## COMPREHENSIVE INCOME

Statement of comprehensive income	Twelve months ended 31. December	
	2010	2009
<b>Profit for the period</b>	<b>4 251</b>	<b>(322 919)</b>
<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	33 866	(10 099)
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>38 117</b>	<b>(333 018)</b>
<b>Profit attributable to:</b>		
- owners of the company	5 810	(322 919)
- non-controlling interest	(1 559)	-

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in TNOK

GROUP	Share capital	Treasury Shares	Share premium fund	Total paid-in equity	Translation effects	Retained earnings	Total group	Non-controlling interests	Total equity
<b>Opening balance 01.01.09</b>	<b>142 422</b>	<b>-</b>	<b>790 602</b>	<b>933 024</b>	<b>(10 987)</b>	<b>(133 483)</b>	<b>788 554</b>	<b>16 957</b>	<b>805 511</b>
Increase in share capital from cash deposit	109 375	-	60 041	169 416	-	-	169 416	-	169 416
Non-controlling share of equity issue	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(635)	(4 117)	(4 752)	-	-	(4 752)	-	(4 752)
Non-controlling interest, sale of subsidiary	-	-	-	-	-	-	-	(16 957)	(16 957)
<b>Total other equity movements 2009</b>	<b>109 375</b>	<b>(635)</b>	<b>55 924</b>	<b>164 664</b>	<b>-</b>	<b>-</b>	<b>164 664</b>	<b>(16 957)</b>	<b>147 707</b>
Profit for the period	-	-	-	-	-	(322 919)	(322 919)	-	(322 919)
Translation effects foreign subsidiaries	-	-	-	-	(10 999)	-	(10 999)	-	(10 999)
<b>Total recognised income and expense for 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 999)</b>	<b>(322 919)</b>	<b>(333 918)</b>	<b>-</b>	<b>(333 918)</b>
<b>Adjustment to equity for 2009</b>	<b>109 375</b>	<b>(635)</b>	<b>55 924</b>	<b>164 664</b>	<b>(10 999)</b>	<b>(322 919)</b>	<b>(169 254)</b>	<b>(16 957)</b>	<b>(186 211)</b>
<b>Closing balance 31.12.09</b>	<b>251 797</b>	<b>(635)</b>	<b>846 526</b>	<b>1 097 688</b>	<b>(21 986)</b>	<b>(456 402)</b>	<b>619 300</b>	<b>-</b>	<b>619 300</b>
<b>Opening balance 01.01.10</b>	<b>251 797</b>	<b>(635)</b>	<b>846 526</b>	<b>1 097 688</b>	<b>(21 986)</b>	<b>(456 402)</b>	<b>619 300</b>	<b>-</b>	<b>619 300</b>
Increase in share capital from cash deposit	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(2 997)	(18 982)	(21 979)	-	-	(21 979)	-	(21 979)
Capital contribution from non-controlling interest	-	-	-	-	-	18 032	18 032	25 379	43 411
<b>Total other equity movements 2010</b>	<b>-</b>	<b>(2 997)</b>	<b>(18 982)</b>	<b>(21 979)</b>	<b>-</b>	<b>18 032</b>	<b>(3 947)</b>	<b>25 379</b>	<b>21 432</b>
Profit for the period	-	-	-	-	-	5 810	5 810	(1 559)	4 251
Equity effect convertible loans	-	-	-	-	-	-	-	-	-
Translation effects foreign subsidiaries	-	-	-	-	34 175	-	34 175	-	34 175
<b>Total recognised income and expense for 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34 175</b>	<b>5 810</b>	<b>39 985</b>	<b>(1 559)</b>	<b>38 426</b>
<b>Adjustment to equity for 2010</b>	<b>-</b>	<b>(2 997)</b>	<b>(18 982)</b>	<b>(21 979)</b>	<b>34 175</b>	<b>23 842</b>	<b>36 038</b>	<b>23 820</b>	<b>59 858</b>
<b>Closing balance 31.12.10</b>	<b>251 797</b>	<b>(3 631)</b>	<b>827 543</b>	<b>1 075 709</b>	<b>12 189</b>	<b>(432 560)</b>	<b>655 338</b>	<b>23 820</b>	<b>679 158</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

Figures in TNOK	Year ended 31 December	
GROUP	2010	2009
3) Ordinary profit/(loss) before taxes	16 306	(456 380)
Taxes paid	(48 712)	(55 397)
Depreciation, amortisation and impairment of tangible assets	172 045	498 188
Adjustment for market value on shares	-	482
Share of loss/(profit) from associates	122	9 776
Change in inventory	(2 592)	6 381
1) Change in trade receivables	(93 213)	390 745
1) Change in trade payables	199 042	(486 921)
Change in pension liabilities	1 247	(1 047)
1) Change in other accruals	33 959	(3 552)
<b>Net cash flow from operational activities</b>	<b>278 204</b>	<b>(97 725)</b>
Cash inflows from sale of property, plant and equipment and other assets	1 713	80 776
2) Cash outflows for additions to property, plant and equipment and intangible assets	(112 213)	(123 016)
Cash outflows for acquisitions less acquired cash	-	-
Cash outflows for investments in associated companies	(260)	(9 795)
<b>Net cash flow from investment activities</b>	<b>(110 760)</b>	<b>(52 035)</b>
Issuance/Repayments of debt	(146 821)	(381 518)
Issuance of shares	(6 749)	169 416
<b>Net cash flow from finance activities</b>	<b>(153 570)</b>	<b>(212 102)</b>
<b>Net change in cash and cash equivalents</b>	<b>13 874</b>	<b>(361 862)</b>
<b>Cash and cash equivalents at start of period</b>	<b>31 645</b>	<b>393 508</b>
<b>Cash and cash equivalents at end of period</b>	<b>45 519</b>	<b>31 645</b>

- 1) Adjustment for acquisition has been made in trade receivables, payables and other accruals.
- 2) Applies to fixed asset investments in existing operation as well as acquisition of new operation.
- 3) Includes loss before taxes from discontinued operations of TNOK (138) (2009: TNOK (24.056)).

**NOTE 1 Accounting principles****Fundamental Policies**

AGR Group ASA ('the Company') and its subsidiaries (together 'the Group'), is a leading supplier of services and technology to the oil and gas offshore industry. The group's main operations are based at Straume (Bergen), with other offices around the world including Stavanger, Kristiansund, Oslo, Aberdeen, Houston, Melbourne, Brisbane, Perth, Almaty, Varberg, Dubai and Kuala Lumpur.

The company has provided goods and services for several of the world's major oil and gas fields, with a customer base comprising several small and medium sized operators as well as a number of the large international oil companies

The company is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Smålonane 12-14, 5353 Straume.

The Company is listed on the Oslo stock exchange.

The group consolidated financial statements were authorised for issue by the board of directors on 29. April 2011.

**Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of AGR Group ASA have been prepared in accordance with International Financial Reporting Standards as adopted by EU (IFRS) and IFRIC Interpretations.

The Group's financial statements have been prepared under the historical cost convention, with exception of certain items: Financial assets and financial liabilities (including derivative instruments), which are reflected at fair value through profit or loss.

The financial year follows the calendar year. Income statement items are classified by nature.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

**Consolidation principles****a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is

transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquire's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**(b) Transactions and non-controlling interests**

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(c) Associates**

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The primary reporting segment is business segment and the secondary reporting segment is geographical segment. Segment revenues and costs constitute the group's operating revenue and operating costs that can be directly classified as activities in the segments. Segment assets and liabilities are balance sheet items that can be directly related to the segment activity. Segment revenue and costs include transactions between the different segments (group-internal transactions). Geographical segment information is presented and is specified if the region's accumulated external revenues and assets exceed 10 % of total revenue/assets for the regions as a whole. Secondary segment information that fails to satisfy the requirement for specified reporting is presented as other revenues. Transactions between segments are made on arm's length terms.

**Functional currency and presentation currency***(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner ('NOK'), which is the company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expense'. All other foreign exchange gains and losses are presented in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have

a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Classification of assets and liabilities**

Assets are classified as current assets when:

- the asset is a part of the unit's service cycle and is expected to be realised or used during the course of the unit's normal production period;
- the asset is held for trading purposes and is expected to be realised within 12 months of balance sheet date;
- the asset is cash or cash equivalent

All other assets are classified as non-current.

Liabilities are classified as current liabilities when:

- the liability is a part of the unit's service range, and is expected to be settled during the course of normal production period;
- the liability is kept for trading purposes;
- settlement has been agreed within 12 months after balance sheet date;
- the unit does not have an unconditional right to postpone settlement of the liability until at least 12 months after balance sheet date;

All other liabilities are classified as non-current.

**Property, plant and equipment**

Property, plant and equipment, are valued at cost less accumulated depreciation and write-downs. When assets are sold or divested, cost and accumulated depreciation are reversed in the financial statements, and any loss or gain on the disposal is recognised in the income statement.

The cost of property, plant and equipment comprises the purchase price, including duties/taxes and direct acquisition costs linked to making the asset fit for use. Expenses accrued after the asset has been taken into use, such as repairs and maintenance, are normally recognised in the income statement. In cases where increased earnings can be demonstrated as a result of repairs/maintenance, the expenditure on this will be recognised in the balance sheet as additions to property, plant and equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Machinery 5-10 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction are classified as property, plant and equipment. Assets under construction are not depreciated until the asset has been taken into use.

The write-down requirement for fixed assets is assessed if there are indications of impairment. If the carrying amount of an asset is higher than the recoverable amount, a write-down is recognised in the income statement. The recoverable amount is the higher of fair value less expected costs to sell and value in use.

Fair value less expected costs to sell is the amount which can be obtained if the asset is sold to an independent third party, less costs to sell. Recoverable amounts are determined separately for all assets, but – if impossible – recoverable amount is calculated together with the unit to which the asset belongs.

Write-downs which have been recognised in the income statement in previous periods are reversed if there is information to suggest that the write-down no longer exists. However, no reversal is made if the carrying amount is higher than it would have been if normal depreciation had been used.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating revenue' in the income statement.

### Intangible assets

#### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

#### (b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

#### (c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contrac-

tual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship (3-8 years)

#### (d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3-4 years).

Costs associated with maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are probable to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3-4 years).

#### (e) Research and development

Expenses relating to research are recognised in the income statement when they are incurred. Expenses relating to development are recognised in the income statement when they are incurred unless the following criteria are met in full:

- ability to measure reliably the expenditure attributable to the intangible asset during its development;
- the technical feasibility of completing the intangible asset so that it will be available for use or sale, has been demonstrated;
- the intention and ability to complete the intangible asset and sell it or use it in the company's operations has been demonstrated;
- the intangible asset will generate probable future economic benefits; and
- availability of sufficient technical, financial and other resources for completing the project are present.

When all the above criteria are met, the costs relating to development start to be recognised in the balance sheet. Costs that have been charged as expenses in previous accounting periods are not recognised in the balance sheet.

Recognised development costs are depreciated on a straight-line basis over the estimated useful life of the asset (5-8 years). The recoverable amount of the development costs will be estimated when there is an indication of a impairment or that the need for previous periods' impairment losses no longer exists and should be reversed to the original cost.

#### (f) Other intangible assets

Acquired technology, licenses and customer relationships are capitalized and carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives.

### Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

#### **Financial assets**

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet

##### *(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement.

#### **Impairment of financial assets**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

#### **Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not use hedge accounting according to IAS 39, and all financial

derivatives are thus posted at fair value where changes in values are accounted for in the income statement.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials

Obsolete inventories have been fully recognised as impairment losses.

#### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

The cash and cash equivalent amount in the cash flow statement includes overdraft facilities.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement

over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity, respectively

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **Employee benefits**

##### *(a) Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies, determined by periodic actuarial calculations. The Group has both

defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or present value of the defined benefit obligation at the end of the previous reporting period, are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### *(b) Share-based compensation*

AGR has established a share investment program where the company and the employees invest in the Company's shares. (For further description of the programme see note 37) The fair value of the employee services received in exchange for the grant of shares is recognised as an expense. The total amount to be expensed over the lock in period is determined by reference to the fair value of the investment program.

#### *(c) Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more

than 12 months after the balance sheet date are discounted to their present value.

#### *d) Bonus plans*

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Provisions**

Provisions are recognised when, and only when, the company has a present liability (legal or constructive) as a result of events that have taken place, it is probable that a financial outflow will take place as a result of this liability, and that the size of the amount can be estimated reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

#### **Contingent liabilities:**

Contingent liabilities are defined as:

- (i) possible obligations resulting from past events whose existence depends on future events;
- (ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources; and
- (iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements, apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the annual financial statement unless deemed virtually certain to give rise to an inflow, but are disclosed where it is deemed probable that a benefit will accrue to the Group.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, when an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's operations mainly consist of services related to personnel and equipment hire. Consequently, the revenue recognition is based on daily/monthly rates and actual registered hours. Revenue is recognised when it is probable that transactions will generate future economic benefits that will flow to the company and the revenue amount can be reliably estimated. Revenues from the sale of goods are recognised in the income statement once delivery has taken place, the risk has been transferred and the company has established a receivable due by customer.

Revenues relating to projects are recognised in the income statement in line with the project's progress and when the project's results can be reliably estimated. Level of completion is calculated as an incurred cost's percentage of anticipated total cost. For projects expected to generate a loss, the full estimated loss is recorded as cost immediately.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### Public grants

Grants received are classified as either income grants or investment grants. Income grants are accounted for together with the income as reduction of the costs to which it relates. Investment grants are posted as a pre-tax figure by recording the asset at gross acquisition cost and the asset is depreciated over its useful life. The grant is treated as deferred income, and is accounted for as an adjustment entry for depreciations in line with the depreciation period.

#### Other grants

The Group receives grants from some of its collaborating partners to develop new technology. The grant is treated as deferred income, and is accounted for as an adjustment entry for depreciations in line with the depreciation period.

#### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### Earnings per share

Earnings per share are calculated by the majority's share of the result for the period being divided by a time-weighted average of ordinary shares for the period.

#### Events after date of balance sheet

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events

after the balance sheet date that do not affect the company's position at the balance sheet date but which will affect the company's position in the future are disclosed if significant.

#### Cash Flow Statement

The cash flow statement presents the accumulated cash flow for operational, investment and financial activities. The statement outlines the effect each activity has on liquid assets. The cash flow statement has been prepared in line with the indirect model.

#### Discontinued operations.

If a significant part of the Group's operations is divested or a decision has been made to divest it, this business is presented as "Discontinued operations" on a separate line of the income statement and the balance sheet. As a result, all the other figures presented are exclusive of the discontinued operations. The comparative figures in the income statement are restated and presented on a single line with the discontinued operations. Comparative figures in the balance sheet are not correspondingly restated.

#### Changes in accounting policy and disclosures

##### (a) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1. January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1. July 2009.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

##### (b) New and amended standards mandatory but not currently relevant to the group

IAS 38 (amendment), 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 36 (amendment), 'Impairment of assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment.

##### (c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1. January 2010 and not early adopted

The assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, 'Financial instruments'. This standard is the first step in the process to replace IAS 39. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1. January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

IAS 24 (revised), 'Related party disclosures'. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1. January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the revised standard from 1. January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates.

## NOTE 2 Financial risk management

### Financial risk factors

The Group's activities are exposed to a variety of financial risks. Market risks including currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses debt and derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in co-operation with the group's operating units. The board provides risk management policies covering specific areas, such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

### (a) Market risk

#### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Australian Dollar and the UK Pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's financial risk policy is that 12 month forecasted net currency exposure shall be maximum 60 million in NOK equivalents. Positions are reviewed quarterly. Hedging is conducted by applying combination of long term foreign currency term loans and currency derivatives.

If the NOK currency in 2010 had weakened/strengthened by 10% against the US Dollar with all other variables held constant, EBITDA for the year would have been approximately NOK 8.5 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of net US Dollar revenues.

If the NOK currency had weakened/strengthened by 10% against the AUD Dollar with all other variables held constant, EBITDA for the year would have been approximately NOK 0.3 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of net Australian Dollar revenues.

If the NOK currency had weakened/strengthened 10% against the UK pound with all other variables held constant, EBITDA for the year would have been approximately NOK 4.1 million lower/higher, mainly as a result of foreign exchange gains/losses on translation of net UK Pound costs..

At 31. December 2010 the Group's 12 months forecasted net currency exposure amounted to 52 million NOK.

#### (ii) Price risk

The Group is exposed to equity securities price risk due to investments held by the Group and classified on the consolidated balance sheet as fair value through profit or loss.

The Group is indirectly exposed to changes in the oil price, however current group policy is to not hedge oil price changes.

#### (iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Group policy is that long-term borrowings shall be based on floating interest rates, however interest rate derivatives shall be applied in order to avoid catastrophic losses due to interest rate changes.

The Group manages its interest rate risk by applying derivatives such as interest rate collar swaps, in order to establish a cap on interest rates in case of significant increase in market interest rates. In addition, the group has applied floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

Based on the risk analysis where a 1% interest rate increase/decrease is applied, the impact of pre-tax profit would be NOK (5.3) million and NOK 2.2 million respectively.

At 31. December 2010 the Group held 4 interest rate swap contracts with a total amount of NOK 493 million and 1 interest rate collar swap amounting to NOK 318 million, which in aggregate constitutes approximately 70% of the Group's long-term interest bearing debt.

**(b) Credit risk**

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customers, including receivables and committed transactions.

The majority of the Group's debtors are publicly listed Norwegian and international oil companies. The Group's customers in the divisions Drilling Services and Field Operations are mainly the large international oil companies with limited to low credit risk potential. The Petroleum Services customers consist of medium to small oil companies. Some of these customers have moderate credit risk potential. The Group seeks to obtain financial guarantees from debtors where the credit risk and exposure is considered to be high. In addition, the Group has taken out credit insurance where a significant share of the Group's trade receivables is insured to avoid potential losses. The credit risk is thus considered to be low.

The Group's main bank is DnB NOR where all long- and short term loan facilities are placed. In addition the Group has other local banking relations mainly for cash management purpose.

The table below shows the rating of the Group main bank.

Counterparty	Rating		31.12 2010		31.12 2009	
	Moody's	S&P	Credit limit	Balance	Credit limit	Balance
DnB NOR ASA	Aa3	A+	100 000	16 607	100 000	(15 756)

**(c) Liquidity risk**

The Group has relatively few, large customers. Delayed payments from several large customers at the same time could have a significant impact on the Group liquidity situation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines. At 31. December 2010 the Group had undrawn committed credit lines amounting to NOK 170 million. Further, at 31. December 2010, current liabilities include NOK 195 million of installment on long-term debt. This has been reduced significantly as part of the amended and restructured loan agreement. Please refer to note 35.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of short-term and long-term cash flow forecasts.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

<b>31.12 2010 (TNOK)</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Borrowings - DnB NOR (see note 21)	275 175	294 064	591 706	-
Derivative financial instruments (interest rate swaps & collars)	-	-	14 942	-
Trade and other payables	786 443	-	-	-
<b>31.12 2009 (TNOK)</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Borrowings - DnB NOR	195 566	200 000	914 405	-
Derivative financial instruments (interest rate swaps & collars)	-	-	12 055	-
Trade and other payables	710 144	-	-	-
<b>31.12 2010 (TNOK)</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Forward exchange contracts - cash flow hedges	99	-	-	-
Forward exchange contracts - held for trading	-	-	-	-
<b>31.12 2009 (TNOK)</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Forward exchange contracts - cash flow hedges	(125)	-	-	-
Forward exchange contracts - held for trading	-	-	-	-

**Capital risk management**

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios, defined as net debt to total capital, at 31. December 2010 and 31. December 2009 were as follows:

	<b>2010</b>	<b>2009</b>
Total borrowings (excluding capitalized arrangement fees)	1 160 946	1 309 971
Less: cash and cash equivalents	(45 519)	(31 645)
Net debt	1 115 427	1 278 326
Total equity	679 158	619 300
Total capital	2 675 646	2 522 437
<b>Gearing ratio</b>	<b>42%</b>	<b>51%</b>

**Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### NOTE 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 8).

According to the impairment tests performed for 2010 the recoverable amounts exceed the carrying amounts for Petroleum Services and Field Operations. The impairment test of goodwill is not sensitive to an increase of 1% in the discount rate or a 2% decrease in margins compared to management's estimates for any of the two business areas. After impairment charges in 2009 there is no carrying amount in Drilling Services.

#### Capitalized development costs

Certain development costs are capitalized when it is probable that a development project will generate future economic benefits and certain criteria, including commercial and technological feasibility, have been met. These costs are then amortised on a systematic basis over their expected useful lives. During the development stage, management must estimate the commercial and technological feasibility of these projects as well as their expected useful lives.

Whenever there is an indicator that development costs capitalized for a specific project may be impaired, the recoverable amount of the asset is estimated. An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's net selling price and value in use. Value in use is the present value of discounted estimated future cash flows. While we believe that the assumptions are appropriate, such amounts estimated could differ materially from what will actually occur in the future.

There have not been any write-downs as a consequence of impairment testing in 2010.

#### Estimated impairment of intangible and physical assets

As for goodwill and capitalized development costs, the Group tests annually whether intangible and physical assets have suffered any impairment in accordance with the accounting policy stated in note 1. These calculations also require the use of estimates. There have not been any write-downs as a consequence of impairment testing in 2010.

#### Trade receivables

Calculation of provision for impairment of trade receivables is based on a number of estimates. Areas including significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are all considered indicators that the trade receivable is impaired. However, assessing the fair value of the amounts recoverable is highly judgemental and incomplete or incorrect information could lead to significant changes in the recoverable amounts.

#### Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Valuation allowances are recorded to reduce the deferred tax assets to an amount that is more likely than not to be realised. The valuation allowances primarily relate to the foreign operations. Deferred tax assets are recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. We have considered future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised.

However, assessing the fair value of the amounts recoverable is highly judgemental and incomplete or incorrect information could lead to significant changes in the recoverable amounts.

## NOTE 4 Business combinations

### Acquisitions in 2010:

There were no acquisitions in the year ended 31. December 2010.

### Acquisitions in 2009:

There were no acquisitions in the year ended 31. December 2009.

All the activities of the acquired companies have continued after acquisition. Excess value analyses are shown below. Payment for the acquisitions was made in cash and shares. For some acquisitions purchase price is determined by financial performance in subsequent financial years (earn-out). Cost prices include earn-out where it is likely that such payments will occur. Excess value related to patents/databases is depreciated in line with the underlying items' anticipated useful life (2.5 - 4 years).

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group's acquisitions of the different businesses mentioned below:

The group's acquisition of operations	Acquisition date	Owner share	Excess value goodwill	Identifiable intangible assets patents /database	Deferred tax on intangible assets	Net booked value at acquisition date	Acquisition cost
<b>Acquisition cost 01.01.09</b>			<b>1 178 646</b>	<b>526 558</b>	<b>(141 460)</b>	<b>302 232</b>	<b>1 887 141</b>
Disposal of Horton Deepwater Dev. Systems Inc	02/11/09	51%	-	(10 270)	2 876	-	(7 394)
Tracs International Ltd Adjustments in 2009			(11 597)	-	-	-	(11 597)
Exchange differences			(27 200)	(16 233)	3 478	-	-
<b>Acquisition cost 31.12.09</b>			<b>1 139 849</b>	<b>500 055</b>	<b>(135 106)</b>	<b>302 232</b>	<b>1 868 150</b>
Tracs International Ltd Adjustments in 2010			(1 076)	-	-	-	(1 076)
Exchange differences			21 131	3 828	(1 080)	-	-
<b>Acquisition cost 31.12.10</b>			<b>1 159 904</b>	<b>503 883</b>	<b>(136 186)</b>	<b>302 232</b>	<b>1 867 074</b>
Accumulated depreciations 01.01.09			-	279 399	76 828	-	-
Depreciations of excess value in 2009			-	62 040	17 193	-	-
Depreciations of excess value in 2010			-	56 636	15 811	-	-
Accumulated Impairment 01.01.09			100 829	24 974	6 993	-	-
Impairment 2009			139 712	34 998	7 700	-	-
Impairment 2010			-	-	-	-	-
<b>Accumulated depreciations 31.12.10</b>			<b>240 541</b>	<b>458 047</b>	<b>124 525</b>	<b>-</b>	<b>-</b>
<b>Carrying value at 31.12.10</b>			<b>919 363</b>	<b>45 836</b>	<b>(11 661)</b>	<b>-</b>	<b>-</b>
<b>Depreciations and amortisation for the year</b>			<b>-</b>	<b>56 636</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation period</b>				<b>2,5-8 years</b>	<b>2,5-8 years</b>		
<b>Depreciation plan</b>				<b>Straightline</b>	<b>Straightline</b>		

In connection with the acquisitions, book value was considered the best estimate of fair value for tangible assets or liabilities. Allocation of excess value of intangible assets is outlined in the table above. Furthermore, deferred tax related to patents/databases are accounted for at nominale value.

In 2009 and 2010 the PPA for Tracs was adjusted due to final calculation of acquisition cost and final acceptance of closing balance. This is reflected in the adjustments reflected in the table above.

**NOTE 5 Segment information**

At 31. December 2010, the Group is organized on a worldwide basis into three main business segments as indicated in the table below.

The segment results are as follows:

Figures in TNOK Business areas	Petroleum Services	Drilling Services	Field Operation	Group	Elimin.	Total
<b>Profit and Loss Account 2010</b>						
External operating revenues	1 093 004	341 242	1 048 545	1 441	1 242	2 485 474
Intercompany operating revenues	11 220	13 023	21 222	11 647	(57 112)	-
Project expenses/payroll expenses	(955 043)	(288 917)	(963 375)	(29 867)	55 870	(2 181 332)
<b>EBITDA<sup>1</sup></b>	<b>149 181</b>	<b>65 348</b>	<b>106 392</b>	<b>(16 779)</b>	-	<b>304 142</b>
Depreciation and amortisation	(42 372)	(69 140)	(59 599)	(934)	-	(172 045)
<b>Operating profit(loss)</b>	<b>106 809</b>	<b>(3 792)</b>	<b>46 793</b>	<b>(17 713)</b>	-	<b>132 097</b>
Net financial items	<b>(66 555)</b>	<b>(39 412)</b>	<b>(25 322)</b>	<b>(107 903)</b>	<b>123 538</b>	<b>(115 654)</b>
Tax	(8 141)	4 462	(8 318)	(58)	-	(12 055)
<b>Key figures 2010</b>						
Assets	2 091 369	846 309	880 970	1 016 809	(2 159 817)	2 675 640
Liabilities	2 030 680	496 288	664 765	261 310	(1 456 555)	1 996 488
Assets from discontinued operations					6	6
Liabilities from discontinued operations					-	-
Investments	10 352	42 532	38 483	20 835	-	112 202
Investments ex.acquisition	10 352	42 532	38 483	20 835	-	112 202
<b>Business areas</b>						
<b>Profit and loss Account 2009</b>						
External operating revenues	1 028 837	315 684	1 039 202	11 427	681	2 395 831
Intercompany operating revenues	9 744	11 085	33 095	5 374	(59 299)	-
Project expenses/payroll expenses	(911 301)	(256 329)	(968 142)	(49 855)	58 618	(2 127 008)
<b>EBITDA<sup>1</sup></b>	<b>127 281</b>	<b>70 440</b>	<b>104 155</b>	<b>(33 053)</b>	-	<b>268 822</b>
Depreciation and amortisation	(90 898)	(352 058)	(54 387)	(845)	-	(498 188)
<b>Operating profit(loss)</b>	<b>36 382</b>	<b>(281 618)</b>	<b>49 768</b>	<b>(33 898)</b>	-	<b>(229 366)</b>
Net financial items	(105 604)	(95 257)	(39 212)	39 197	(2 082)	(202 958)
Tax	(19 271)	(66 379)	4 361	(944)	-	(82 234)
<b>Key figures 2009</b>						
Assets	1 680 591	938 652	826 747	987 246	(1 922 476)	2 510 760
Liabilities	1 738 655	1 112 496	692 331	88 916	(1 730 294)	1 902 104
Assets from discontinued operations					11 677	11 677
Liabilities from discontinued operations					1 033	1 033
Investments	11 657	43 765	37 197	22 336	-	114 954
Investments ex.acquisition	11 657	43 765	37 197	22 336	-	114 954

<sup>1</sup> EBITDA is short for Earnings Before Interest, Tax, Depreciation and Amortization, excluding stock write downs and is a non-GAAP measure which management uses to measure operations.

Inter-segment transactions are entered into on normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, and cash and cash equivalents.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings including related hedging derivatives.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

## NOTE 6 Geographical segment information

Geographical segment information presents the location of customer's part of the Group's turnover.

Figures in TNOK

<b>Operating revenues</b>	<b>2010</b>	<b>2009</b>
Norway	866 644	955 836
Europe excl. Norway	331 762	348 691
Australia	682 595	549 570
Asia	273 059	213 837
America	193 934	217 899
Africa	137 480	109 999
<b>Total</b>	<b>2 485 474</b>	<b>2 395 832</b>

AGR has not allocated total assets due to the fact that total assets constantly are moved between regions based on the location of the different projects.

## NOTE 7 Operating revenues

Figures in TNOK

<b>Operating revenue comprises:</b>	<b>2010</b>	<b>2009</b>
Net sale of goods	38 104	49 827
Net sale of services	2 377 103	2 295 644
<b>Total net sales revenue</b>	<b>2 415 207</b>	<b>2 345 471</b>
Profit from sale of assets	4	13 952
Other sales	70 263	36 409
<b>Total other operating revenue</b>	<b>70 267</b>	<b>50 361</b>
<b>Total operating revenue</b>	<b>2 485 474</b>	<b>2 395 832</b>

## NOTE 8 Intangible assets

Figures in TNOK

	<b>Goodwill</b>	<b>Acquired patents development projects</b>	<b>Self-developed patents developm. projects</b>	<b>Total</b>
<b>2009</b>				
Historical cost 01.01.09	1 182 262	510 840	242 555	1 935 657
Additions	-	-	40 704	40 704
Disposals	12 205	10 567	63 122	85 893
Exchange differences	(27 668)	(15 998)	(10 264)	(53 929)
<b>Historical cost 31.12.09</b>	<b>1 142 390</b>	<b>484 275</b>	<b>209 873</b>	<b>1 836 538</b>
Accumulated amortisation 01.01.09	-	248 997	23 835	272 832
Amortisation of the year	-	61 261	25 660	86 921
Disposals amortisation during the year	-	-	3 406	3 406
Conversion variances	-	-	(7 541)	(7 541)
<b>Amortisation 31.12.09</b>	<b>-</b>	<b>310 258</b>	<b>38 548</b>	<b>348 806</b>
Accumulated impairments 01.01.09	100 829	37 500	11 759	150 088
Impairments for the year	139 712	34 998	75 196	249 907
Conversion variances	-	4 374	(4 397)	(23)
<b>Accumulated impairments 31.12.09</b>	<b>240 541</b>	<b>76 872</b>	<b>82 558</b>	<b>399 971</b>
<b>Book value 31.12.09</b>	<b>901 850</b>	<b>97 145</b>	<b>88 766</b>	<b>1 087 760</b>
Amortisation rates		2.5 - 5 years	5 years	
Amortisation method		Linear	Linear	

Figures in TNOK				
2010	Goodwill	Acquired patents development projects	Self-developed patents developm. projects	Total
Historical cost 01.01.10	1 142 390	484 275	209 873	1 836 538
Additions	-	-	60 960	60 960
Disposals	1 076	-	10 420	11 496
Exchange differences	21 114	3 742	(158)	24 699
<b>Historical cost 31.12.10</b>	<b>1 162 428</b>	<b>488 018</b>	<b>260 255</b>	<b>1 910 700</b>
Accumulated amortisation 01.01.10	-	310 258	38 548	348 806
Amortisation of the year	-	55 848	11 329	67 177
Disposals amortisation during the year	-	-	10 241	10 241
Conversion variances	-	-	(114)	(114)
<b>Amortisation 31.12.10</b>	<b>-</b>	<b>366 106</b>	<b>39 522</b>	<b>405 628</b>
Accumulated impairments 01.01.10	240 541	76 872	82 558	399 971
Impairments for the year	-	-	-	-
Conversion variances	-	-	-	-
<b>Accumulated impairments 31.12.10</b>	<b>240 541</b>	<b>76 872</b>	<b>82 558</b>	<b>399 971</b>
<b>Book value 31.12.10</b>	<b>921 887</b>	<b>45 039</b>	<b>138 174</b>	<b>1 105 101</b>
Amortisation rates		2.5 - 5 years	5 years	
Amortisation method		Linear	Linear	

Based on impairment testing, a one-off write down of NOK 140 million of goodwill and NOK 110 million of intangible assets was made in 2009. The majority is related to an evaluation of goodwill and intangible assets in Drilling Services. After the current write downs there is no goodwill in the Group accounts in relation to Drilling Services. Within Petroleum Services certain customer related intangible values have been written down in 2009.

The table below specifies goodwill per acquisition for the Group:

Goodwill	DPT	Triangle	AGR
Acquired 2004	-	-	331 878
Acquired 2005	87 468	25 162	-
Acquired 2006	20 000	-	-
Acquired 2007	-	-	-
Acquired 2008	-	-	-
Acquired 2009	-	-	-
Acquired over the year	-	-	-
Disposal during the year	-	-	-
Exchange differences	-	-	-
<b>Acquisition cost 31.12.10</b>	<b>107 468</b>	<b>25 162</b>	<b>331 878</b>
Amortisation for the year	-	-	-
<b>Amortisation 31.12.10</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated impairments 01.01.10	-	-	189 747
Impairments for the year	-	-	-
<b>Accumulated impairments 31.12.10</b>	<b>-</b>	<b>-</b>	<b>189 747</b>
<b>Book value 01.01.10</b>	<b>107 468</b>	<b>25 162</b>	<b>142 131</b>
<b>Book value 31.12.10</b>	<b>107 468</b>	<b>25 162</b>	<b>142 131</b>

Goodwill	Cleanup	Well	TD	RES
Acquired 2004	9 893	13 558	-	-
Acquired 2005	-	-	-	-
Acquired 2006	-	-	-	103 462
Acquired 2007	-	-	-	-
Acquired 2008	-	-	-	-
Acquired 2009	-	-	-	-
Acquired over the year	-	-	-	-
Disposal during the year	-	-	-	-
Exchange differences	-	-	-	-
<b>Acquisition cost 31.12.10</b>	<b>9 893</b>	<b>13 558</b>	<b>-</b>	<b>103 462</b>
Amortisation for the year	-	-	-	-
<b>Amortisation 31.12.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated impairments 01.01.10	9 893	13 558	-	-
Impairments for the year	-	-	-	-
<b>Accumulated impairments 31.12.10</b>	<b>9 893</b>	<b>13 558</b>	<b>-</b>	<b>-</b>

<b>Book value 01.01.10</b>	-	-	-	<b>103 462</b>
<b>Book value 31.12.10</b>	-	-	-	<b>103 462</b>

Goodwill	Peak	SeaVation	Upstream	FJ Brown
Acquired 2004	-	-	-	-
Acquired 2005	-	-	-	-
Acquired 2006	241 626	38 683	-	-
Acquired 2007	(5 241)	(6 053)	169 762	69 452
Acquired 2008	-	-	-	-
Acquired 2009	-	-	-	-
Acquired over the year	-	-	-	-
Disposal during the year	-	-	-	-
Exchange differences	(48 816)	(5 287)	36 129	(1 157)
<b>Acquisition cost 31.12.10</b>	<b>187 570</b>	<b>27 343</b>	<b>205 891</b>	<b>68 295</b>
Amortisation for the year	-	-	-	-
<b>Amortisation 31.12.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated impairments 01.01.10	-	27 343	-	-
Impairments for the year	-	-	-	-
<b>Accumulated impairments 31.12.10</b>	<b>-</b>	<b>27 343</b>	<b>-</b>	<b>-</b>

<b>Book value 01.01.10</b>	<b>192 100</b>	-	<b>179 285</b>	<b>67 221</b>
<b>Book value 31.12.10</b>	<b>187 570</b>	-	<b>205 891</b>	<b>68 295</b>

Goodwill	SafeControl	Marine Engineering	Tracs	Total
Acquired 2004	-	-	-	355 329
Acquired 2005	-	-	-	112 630
Acquired 2006	-	-	-	403 771
Acquired 2007	-	-	-	227 920
Acquired 2008	-	1 800	101 956	103 756
Acquired 2009	-	-	(12 205)	(12 205)
Acquired over the year	-	-	(1 076)	(1 076)
Disposal during the year	-	-	-	-
Exchange differences	-	-	(8 567)	(27 698)
<b>Acquisition cost 31.12.10</b>	<b>-</b>	<b>1 800</b>	<b>80 108</b>	<b>1 162 428</b>
Amortisation for the year	-	-	-	-
<b>Amortisation 31.12.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accumulated impairments 01.01.10	-	-	-	240 541
Impairments for the year	-	-	-	-
<b>Accumulated impairments 31.12.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240 541</b>

<b>Book value 01.01.10</b>	-	<b>1 800</b>	<b>83 214</b>	<b>901 850</b>
<b>Book value 31.12.10</b>	-	<b>1 800</b>	<b>80 108</b>	<b>921 887</b>

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to the business segment. A segment-level summary of the goodwill allocation is presented below.

Goodwill per segment	Petroleum Services	Drilling Services	Field Operation	Total
Goodwill as of 31.12.10	572 065	-	349 822	921 887
Goodwill as of 31.12.09	578 628	-	323 221	901 850
Goodwill as of 31.12.08	629 904	139 712	311 818	1 081 434
Goodwill as of 31.12.07	687 856	213 198	204 516	1 105 570

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

	Petroleum Services	Field Operation
EBITDA-margin <sup>1</sup>	14.6%-16.0%	10.5%-12.4%
Growth rate <sup>2</sup>	2.5%	2.5%
Discount rate <sup>3</sup>	12.9%	12.9%

<sup>1</sup> Budgeted EBITDA-margin. The margin varies in the budget period.

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.

<sup>3</sup> After-tax discount rate applied to the cash flow projections.

Based on the input factors described above, a negative change in such factors could result in impairment for the goodwill allocated to the different segments.

## NOTE 9 Fixed assets

2009	Machinery and operating equipment	Land and real estate	Total
Historical cost 01.01.09	812 636	194	812 830
Additions	236 495	-	236 495
Disposals	118 867	-	118 867
Conversion variances	(4 714)	-	(4 714)
<b>Historical cost 31.12.09</b>	<b>925 550</b>	<b>194</b>	<b>925 744</b>
Accumulated depreciation 01.01.09	191 261	138	191 399
Amortisation of the year	94 789	12	94 801
Disposals depreciation during the year	(45 007)	-	(45 007)
Conversion variances	(1 432)	-	(1 432)
<b>Accumulated depreciations 31.12.09</b>	<b>329 625</b>	<b>150</b>	<b>329 775</b>
Accumulated impairments 01.01.09	21 844	-	21 844
Impairments for the year	60 276	-	60 276
<b>Accumulated impairments 31.12.09</b>	<b>82 120</b>	<b>-</b>	<b>82 120</b>
<b>Book value 31.12.09</b>	<b>513 805</b>	<b>44</b>	<b>513 849</b>
Depreciation rates	3 - 8 years	20 years/indefinitely	
Depreciation method	Linear	Linear	

2010	Machinery and operating equipment	Land and real estate	Total
Historical cost 01.01.10	925 550	194	925 744
Additions	65 927	-	65 927
Disposals	26 932	-	26 932
Conversion variances	7 413	-	7 413
<b>Historical cost 31.12.10</b>	<b>971 958</b>	<b>194</b>	<b>972 152</b>
Accumulated depreciation 01.01.10	329 625	150	329 775
Amortisation of the year	103 266	12	103 278
Disposals depreciation during the year	11 098	-	11 098
Conversion variances	203	(1)	202
<b>Accumulated depreciations 31.12.10</b>	<b>421 997</b>	<b>161</b>	<b>422 158</b>
Accumulated impairments 01.01.10	82 120	-	82 120
Impairments for the year	218	-	218
<b>Accumulated impairments 31.12.10</b>	<b>82 338</b>	<b>-</b>	<b>82 338</b>
<b>Book value 31.12.10</b>	<b>467 621</b>	<b>33</b>	<b>467 654</b>
Depreciation rates	3-8 years	20 years/indefinitely	
Depreciation method	Linear	Linear	

## NOTE 10 Group entities and investments in joint ventures and associated companies

Figures in TNOK

Group	Equity interest	Voting share
<b>Joint Ventures / Associated companies</b>		
FPSO Shiraz Pty Ltd	50%	50%
Hemla II AS (from 2010)	50%	50%

Overview of balance sheet value	Hemla II AS 2010	FPSO Shiraz Pty Ltd 2010	FPSO Shiraz Pty Ltd 2009
Share of fair value associate's identifiable net assets at acquisition	-	-	15
Excess value recorded as identifiable assets	-	-	-
Excess value recognised as goodwill	-	-	-
<b>Historical cost 31.12.</b>	<b>-</b>	<b>-</b>	<b>15</b>
Share of annual net result	-	-	(9 776)
Depreciation excess value identifiable assets	-	-	-
Depreciation goodwill	-	-	-
<b>Share of profit for the year</b>	<b>-</b>	<b>-</b>	<b>(9 776)</b>
Book value 01.01.	-	1 780	1 174
Additions	260	-	11 385
Provision for Impairment	(260)	(1 524)	(1 003)
Share of profit for the year	-	-	(9 776)
<b>Book value 31.12.</b>	<b>-</b>	<b>256</b>	<b>1 780</b>
Excess value goodwill	-	-	-
Excess value identifiable assets	-	-	-
<b>Excess value not depreciated 31.12.</b>	<b>-</b>	<b>-</b>	<b>-</b>

The companies follow the same financial year as the Group. In 2010 the companies had a revenue of TNOK 20 029 (2009: TNOK 359) and a net result of TNOK (5 622) (2009: TNOK (15 828)) inclusive provision for impairment. Book value of total assets at 31. December 2010 was TNOK 13 126 (2009: TNOK 10 316) and book value of liabilities at 31 December 2010 was TNOK 83 023 (2009: TNOK 1 859). Equity accounted for TNOK (656 216) (2009: TNOK (8 457)).

FPSO Shiraz Pty Ltd is held for sale, and is reported in the line for discontinued operations.

**NOTE 10 Group entities**

The following subsidiaries are included in the consolidated financial statements:

<b>Overview group companies</b>	<b>Head Office</b>	<b>Equity interest</b>	<b>Voting share</b>
<b>Subsidiary companies:</b>			
AGR Petroleum Services Holdings AS	Fjell - Norway	100%	100%
AGR EmiTeam AS	Fjell - Norway	100%	100%
AGR Pipetech AS	Fjell - Norway	100%	100%
AGR Subsea AS	Fjell - Norway	100%	100%
AGR Petroleum Services AS	Oslo - Norway	100%	100%
AGR Peak Group Holdings Ltd	Aberdeen - UK	100%	100%
AGR Group Americas Inc	Houston-USA	100%	100%
AGR Asia Pacific Pty Ltd	Melbourne - Australia	100%	100%
AGR Asia Pacific Sdn Bhd	Kuala Lumpur - Malaysia	100%	100%
AGR Malaysia Sdn Bhd	Kuala Lumpur - Malaysia	100%	100%
AGR Asia Pacific NZ Ltd	New Plymouth - New Zealand	100%	100%
AGR Business Partner AS	Fjell - Norway	100%	100%
Altinex Inc	Houston-USA	100%	100%
AGR Consultancy Services AS	Stavanger - Norway	100%	100%
AGR Technology Design Ltd	Manchester - UK	100%	100%
AGR Subsea Ltd	Aberdeen - UK	100%	100%
AGR Subsea Inc	Houston-USA	100%	100%
AGR Integrity UK Ltd	Aberdeen - UK	100%	100%
AGR Peak Well Management Ltd	Aberdeen - UK	100%	100%
AGR Peak Consultancy Services Ltd	Aberdeen - UK	100%	100%
AGR Peak Solutions Systems Ltd	Aberdeen - UK	100%	100%
AGR Peak Well Mangagement M.E. Ltd	Dubai - United Arab Emirates	100%	100%
AGR Peak Group Asia Pacific Pty Ltd	Perth - Australia	100%	100%
Liquegas Energy Pty Ltd	Melbourne - Australia	100%	100%
Teredo AS	Oslo - Norway	100%	100%
AGR Reservoir Evaluation Services Kazakstan Ltd	Aberdeen - UK	100%	100%
AGR Reservoir Evaluation Services Kazakstan - Branch	Almaty - Kazakstan	100%	100%
AGR Reservoir Evaluation Services LLP	Almaty - Kazakstan	100%	100%
AGR Central Asia AS (Branch)	Almaty - Kazakstan	100%	100%
AGR Central Asia AS	Oslo - Norway	100%	100%
AGR EmiTeam AB	Varberg - Sweden	100%	100%
AGR Group Mexico Inc	Houston-USA	100%	100%
AGR Petroleum Services Inc.	Houston-USA	100%	100%
AGR Group Canada Inc	Houston-USA	100%	100%
AGR FJ Brown Inc	Houston-USA	100%	100%
AGR Group Field Operations Inc	Houston-USA	100%	100%
AGR Oil and Gas Services Pty Ltd	Melbourne - Australia	100%	100%
AGR Drilling Services Holdings AS	Fjell - Norway	93%	93%
AGR Field Operations Holdings AS	Fjell - Norway	95%	95%
AGR CannSeal AS	Fjell - Norway	95%	95%
AGR Marine Engineering AS	Ålesund - Norway	100%	100%
AGR Facilities Solutions AS	Oslo - Norway	100%	100%
AGR Peak Solutions Systems Pty Ltd	Perth - Australia	100%	100%
Tracs International Consultancy Ltd	Aberdeen - UK	100%	100%
Tracs International Training Ltd	Aberdeen - UK	100%	100%
Tracs Consult LLC	Moscow - Russia	100%	100%
AGR Deepwater Tecnology Inc	Delaware-USA	100%	100%
AGR Drilling Services Pty Ltd	Perth - Australia	100%	100%
AGR Drilling Services Canada Inc	Houston-USA	100%	100%
AGR Drilling Services do Brasil Ltd	Rio de Janeiro - Brasil	100%	100%
AGR Group Brazil Servicos de Petroleo Ltda	Rio de Janeiro - Brasil	100%	100%
AGR Group Abu Dhabi (Branch)	Abu Dhabi - United Arab Emirates	100%	100%

During 2010 Turn Key Drilling Inc has merged with FJ Brown and AGR Dpal AS has merged with AGR Drilling Services Holdings AS and Dpt canada Ltd is closed down. Equity interest in AGR CannSeal AS, AGR Field Operations Holdings AS and AGR Drilling Services Holdings AS is reduced from 100% in 2009 to respectively 95%, 95% and 93% in 2010 following the introduction of an incentive scheme, refer to Note 37. AGR Tunisia AS has changed its name to AGR Facilities Solutions AS.

**NOTE 11 Inventory**

Figures in TNOK	2010	2009
Stocks	3 558	3 494
Work in progress	123	-
Finished goods	9 584	7 179
<b>Total inventories 31.12.</b>	<b>13 266</b>	<b>10 674</b>
Goods valued at historical cost	13 266	16 959
Writedown	-	(6 285)
<b>Total inventories 31.12.</b>	<b>13 266</b>	<b>10 674</b>

The inventory at Turnkey Inc has been written down with TNOK 1 371 (2009: TNOK 6 285). The value at the time of the merge with FJ Brown was zero. The writedown is reported under depreciation, amortization and impairments.

**NOTE 12 Trade receivables**

Figures in TNOK	2010	2009
Trade debtors at nominal value	586 019	515 279
Revenues not invoiced	148 437	121 755
Provisions for bad debt	(7 186)	(2 977)
<b>Trade receivables 31.12.</b>	<b>727 270</b>	<b>634 057</b>

**NOTE 13 Aging trade debtors at nominal value**

Figures in TNOK	2010	2009
Receivables not overdue	439 007	353 963
Receivables overdue up to 3 months	241 213	255 600
Receivables overdue more than 3 months	54 237	27 095
Provision	(7 186)	(2 599)
<b>Trade debtors 31.12.</b>	<b>727 270</b>	<b>634 057</b>

**NOTE 14 Other current receivables**

Figures in TNOK	2010	2009
Other taxes receivables	34 523	9 684
Advanced payments to suppliers	33 082	3 029
Overseas withholding taxes	807	4 588
Advanced payments employees	1 709	2 488
Other prepaid expenses	38 640	72 089
Other current assets	3 587	1 576
<b>Other current receivables 31.12.</b>	<b>112 349</b>	<b>93 453</b>

**NOTE 15 Cash and cash equivalents**

Figures in TNOK	2010	2009
Cash	8 437	5 528
Bank deposits	37 082	26 117
<b>Cash and cash equivalents 31.12.</b>	<b>45 519</b>	<b>31 645</b>
<b>Of which is restricted deposits*</b>	<b>782</b>	<b>1 934</b>
<b>Unused overdraft facilities 31.12.</b>	<b>170 000</b>	<b>154 244</b>

\*Deducted employee tax due within 3 months

**NOTE 16 Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

Figures in TNOK

	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31.12.2010</b>			
<b>Assets as per balance sheet</b>			
Derivative financial instruments	-	-	-
Trade and other receivables	839 619	-	839 619
Other financial assets at fair value	-	-	-
Cash and cash equivalents	45 519	-	45 519
<b>Total</b>	<b>859 687</b>	<b>-</b>	<b>859 687</b>

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
<b>Liabilities as per balance sheet</b>				
Borrowings - DnB NOR/Nordea	-	-	1 160 946	1 160 946
Derivative financial instruments	(14 842)	-	-	-
<b>Total</b>	<b>(14 842)</b>	<b>-</b>	<b>1 160 946</b>	<b>1 160 946</b>

	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31.12.2009</b>			
<b>Assets as per balance sheet</b>			
Derivative financial instruments	-	-	-
Trade and other receivables	1 361 567	-	724 344
Other financial assets at fair value	-	-	-
Cash and cash equivalents	31 645	-	31 645
<b>Total</b>	<b>755 989</b>	<b>-</b>	<b>755 989</b>

	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
<b>Liabilities as per balance sheet</b>				
Borrowings - DnB NOR/Nordea	-	-	1 309 971	1 309 971
Derivative financial instruments	(12 180)	-	-	-
<b>Total</b>	<b>(12 180)</b>	<b>-</b>	<b>1 309 971</b>	<b>1 309 971</b>

**NOTE 17 Share Capital and Shareholder Information**

Figures in TNOK

**Share capital:** At 31. December 2010 and at 31. December 2009, AGR Group ASA had a share capital of TNOK 251 795 distributed in 125 898 308 shares, each with a nominal value of NOK 2.

At 05. October 2009, the company completed a rights offering, resulting in the issue of a total of 54 687 500 new shares at a price of NOK 3.20 per share. Gross proceeds from the share capital increase amounted to TNOK 175 000. The related transaction costs amounting to TNOK 5 584 have been netted off with the deemed proceeds.

**Treasury shares:** During 2010, the company has bought 1 498 505 of its own shares in order to comply with obligations under the employees' incentive scheme. The total amount paid to acquire the shares was TNOK 21 979. The nominal value of the shares is TNOK 2 997 and the premium TNOK 18 982. In total, the company owns 1 815 845 AGR shares per 31. December 2010.

The company acquired 317 340 of its own shares through purchase of shares in AGR Ansattefond I AS during 2009. The total amount paid to acquire the shares was TNOK 4 752. The nominal value of the shares is TNOK 634 and the premium TNOK 4 118. In connection with the share issue in AGR Group ASA, the company increased their shareholdings with 105 091 shares from subscription rights. As of 31. December 2009 the company owned in total 423 431 treasury shares.

**Shareholder overview:** Shareholders in AGR Group ASA with a minimum of 1% share of ownership, as well as shares held by executive employees and board members including shares owned by affiliated individuals and companies, were at 31. December 2010 as follows:

<b>Shareholders 31.12.10</b>	<b>Number of shares</b>	<b>Equity interest</b>
Altor Oil Service Invest AS	97 659 680	77.6 %
RBC Dexia Investor Services Bank	8 358 096	6.6 %
Hemca AS	3 489 759	2.8 %
Bank of New York Mellon SA/NV	1 835 687	1.5 %
AGR Group ASA	1 815 845	1.4 %
DNB NOR SMB	1 454 289	1.2 %
The Northern Trust Co	1 384 000	1.1 %
JP Morgan Bank Luxembourg	1 211 052	1.0 %
<b>Total</b>	<b>117 208 408</b>	<b>93.1 %</b>

<b>Board:</b>			
Eivind Reiten	(indirectly owned via Mocca Invest AS)	17 679	0.0 %
Tove Magnussen		30 065	0.0 %
Per Inge Remmen	(indirectly owned via PIR AS)	4 208	0.0 %
<b>Total shares owned by board members</b>		<b>51 952</b>	<b>0.0 %</b>

<b>Management:</b>			
Sverre Skogen	(indirectly owned via Hemaca AS)	3 489 759	2.8 %
<b>Total shares owned by the management group</b>		<b>3 489 759</b>	<b>2.8 %</b>

**Shareholder overview:** Shareholders in AGR Group ASA with a minimum of 1% share of ownership, as well as shares held by executive employees and board members including shares owned by affiliated individuals and companies, were at 31. December 2009 as follows:

<b>Shareholders 31.12.09</b>	<b>Number of shares</b>	<b>Equity interest</b>
Altor Oil Service Invest AS	97 659 680	77.6 %
RBC Dexia Investor Services Bank	8 358 096	6.6 %
Hemca AS	3 489 759	2.8 %
Bank of New York Mellon SA/NV	1 835 687	1.5 %
AGR Ansattefond I AS	1 684 749	1.3 %
DNB NOR SMB	1 469 197	1.2 %
JP Morgan Bank Luxembourg	1 211 052	1.0 %
The Northern Trust CO.	1 197 328	1.0 %
<b>Total owned by board members</b>	<b>116 905 548</b>	<b>92.9 %</b>

<b>Board:</b>			
Eivind Reiten	(indirectly owned via Mocca Invest AS)	17 679	0.0 %
Tove Magnussen	(indirectly owned and indirect owned via employee fond)	56 070	0.1 %
Per Inge Remmen	(indirectly owned via PIR AS)	4 208	0.0 %
Fiona Walker	(indirectly owned via employee fond)	6 791	0.0 %
<b>Total owned by board members</b>		<b>84 748</b>	<b>0.1 %</b>

**Management**

Sverre Skogen	(indirectly owned via Hemaca AS and the employee fond)	3 632 225	2.9%
Åge Landro	(indirectly owned via the employee fond)	52 010	0.0%
Tom Hasler	(indirectly owned via the employee fond)	25 999	0.0%
Svein Sollund	(indirectly owned via the employee fond)	52 010	0.0%
<b>Total shares owned by executive employees</b>		<b>3 762 244</b>	<b>3.0%</b>

**NOTE 18 Share capital and premium**

	Number of shares (thousands)	Ordinary shares	Treasury shares	Share premium	Total
<b>01.01.06</b>	10 510	105 099		4	105 103
Share issue 2005 registered in 2006	117	1 173		1 173	2 346
Prior to the IPO the the share was split in a ratio 1:5	42 509	-		-	-
- Proceeds from IPO issued July 2006	12 217	24 434	-	530 972	555 406
- Proceeds from shares issued December 2006	3 421	6 842	-	157 335	164 178
<b>31.12.06</b>	<b>68 774</b>	<b>137 548</b>		<b>689 484</b>	<b>827 032</b>
Employee share option scheme:					
- Proceeds from shares issued December 2007	1 582	3 164	-	69 028	72 192
<b>31.12.07</b>	<b>70 356</b>	<b>140 712</b>		<b>758 513</b>	<b>899 224</b>
- Proceeds from shares issued June 2008	855	1 710	-	32 090	33 800
<b>31.12.08</b>	<b>71 211</b>	<b>142 422</b>		<b>790 603</b>	<b>933 024</b>
- Proceeds from shares issued October 2009	54 688	109 375	-	60 041	169 416
- Purchase of treasury shares	-	-	(634)	(4 118)	(4 752)
<b>31.12.09</b>	<b>125 898</b>	<b>251 797</b>	<b>(634)</b>	<b>846 526</b>	<b>1 097 688</b>
- Proceeds from shares issued	-	-	-	-	0
- Purchase of treasury shares			(2 997)	(18 982)	(21 979)
<b>31.12.10</b>	<b>125 898</b>	<b>251 797</b>	<b>(3 631)</b>	<b>827 544</b>	<b>1 075 709</b>

**NOTE 19 Pensions and pension commitments**

The Group's pension costs show the future pension entitlement earned by employees in the financial year. In a defined contribution plan the company is responsible for paying an agreed contribution to the employee's pension assets. The employee bears the risk related to the investment return on the pension assets. In a defined benefit plan, the company is responsible for paying an agreed pension to the employee based on his or her final pay.

**Contribution plans**

Contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the return on the pension plan assets will determine the amount of the pension. The premium related to the contribution plans are expensed when occurred as operating expenses. In 2009 the total expense for defined contribution schemes was MNOK 18.1 and in 2010 MNOK 18.4.

**Defined benefit plans**

The Group also has pension plans that are classified as funded benefit plans and benefit plans that are financed through the companies' operations. The Group's benefit plans are concentrated in Norway.

Some employees in Norway are covered by contribution-based pension plans. Net pension liabilities in Norway largely consist of special pension schemes financed through company operations and contractual early retirement (AFP) schemes.

379 employees in Norway are covered by contractual early retirement (AFP) schemes. A new retirement (AFP) scheme is implemented 1. January 2011. The new retirement (AFP) scheme is classified as a defined multi-employer scheme. In principle, the system recognized the company's proportionate share of the scheme's liabilities, asset, and cost. This assumes that there is sufficient information to account for the scheme as a multi-employer scheme. Currently there is not sufficient information to make necessary calculations. The scheme is therefore recognized as a defined contribution plan, and the premium related to the scheme are expensed when occurred as operating expenses. The scheme will be accounted for as a defined benefit plan at the time there is sufficient information.

The Group's secured pension plan is invested with an insurance company which manages the plan assets. The special pension schemes financed through company operations covers 11 employees.

<b>Specification of the year's pension cost</b>	<b>2010</b>	<b>2009</b>
Costs according to defined benefit schemes:		
Current service cost	1 696	2 606
Interest cost	941	725
Expected return on plan assets	(888)	(857)
Net actuarial losses	(129)	(146)
Administrative expenses	128	-
Non-recurring cost regarding amendment of pension plans	1 659	-
<b>Pension cost excl. social security tax</b>	<b>3 407</b>	<b>2 328</b>
Employers' social security tax	204	349
<b>Pension cost incl. social security tax</b>	<b>3 611</b>	<b>2 677</b>

<b>Balance sheet specification of net pension commitments</b>	<b>2010</b>	<b>2009</b>
Guaranteed schemes:		
Accumulated benefit obligation	19 401	14 499
Estimated effect of future wage adjustment	6 719	5 028
<b>Gross pension commitments</b>	<b>26 120</b>	<b>19 527</b>
Pension funds as of 31.12	(17 518)	(15 200)
<b>Net pension commitments</b>	<b>8 602</b>	<b>4 327</b>
Social security tax	854	610
Estimate deviations not recognised in the profit and loss accounts	1 374	4 645
<b>Net pension commitment on the balance sheet 31.12</b>	<b>10 830</b>	<b>9 583</b>

<b>The movement in the defined benefit obligation over the year is as follows:</b>	<b>2010</b>	<b>2009</b>
Beginning of year	9 583	10 630
Net pension cost	3 611	2 676
Estimated payment to pension funds including administration costs	(2 364)	(3 723)
<b>Net pension commitment on the balance sheet 31.12.</b>	<b>10 830</b>	<b>9 583</b>

<b>Actuarial assumptions for the group</b>	<b>2010</b>	<b>2008</b>
Expected return on funds	5.40%	5.40%
Discount rate	4.00%	4.50%
Annual salary increase	4.00%	4.50%
Annual adjustment of the national insurance base amounts	3.75%	4.25%
Annual adjustment of current pension payments	1.30%	1.40%
Turnover	2-5%	2-5%
Expected average remaining servicetime	12	12
Demographic tariff	K2005	K2005

**NOTE 20 Tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets and liabilities are reversed after more than 12 months. The weighted average applicable tax rate was 20% (2009 28.2%).

	<b>2010</b>	<b>2009</b>
Tax payable Norway	2 862	35 560
Tax payable abroad	53 962	11 398
Changes in deferred tax Norway	(17 102)	(111 266)
Change in deferred tax abroad	(26 774)	(16 173)
Corrections for previous years	(893)	(1 753)
<b>Tax on ordinary results</b>	<b>12 055</b>	<b>(82 234)</b>
<b>Reconciliation of tax payable</b>		
Tax payable in profit and loss account	49 830	29 441
Prepaid tax	-	(8 175)
Credit deduction, international	(5 210)	(4 419)
Tax, international	1 413	2 086
Opening balance, tax from 2009 not paid in 2010	226	29 157
Corrections previous years	(675)	2 876
<b>Tax payable in balance sheet</b>	<b>45 584</b>	<b>50 966</b>
<b>Reconciliation of nominal and effective tax rate</b>		
Pre-tax result	16 443	(432 324)
<b>Applicable tax with average tax rate</b>	<b>6 979</b>	<b>(122 394)</b>
<b>Variance, actual and expected income tax expense</b>		
	<b>5 076</b>	<b>40 160</b>
Tax effect from non-deductible costs	3 342	1 346
Tax effect from non-taxable income	(968)	(3 298)
Tax effect impairments	-	39 119
Tax losses for which no deferred income tax asset was recognised	(2 082)	2 328
International tax rate deviates from Norwegian tax rate	5 647	3 733
Corrections previous years	(863)	(3 068)
<b>Variance compared to applicable tax rate</b>	<b>5 076</b>	<b>40 160</b>
<b>Change in book value of deferred tax</b>		
Balance sheet value at 01.01.	(110 426)	34 345
Currency conversion	(11 354)	(17 332)
Charged to income in the period	(43 543)	(127 439)
Corrections previous years	5 070	-
<b>Balance sheet value</b>	<b>(160 253)</b>	<b>(110 426)</b>
Deferred tax assets as of 31.12.	173 291	137 422
Deferred tax liability as of 31.12.	13 038	26 996
<b>Balance sheet value</b>	<b>(160 253)</b>	<b>(110 426)</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of TNOK 66 775 (2009: TNOK 2 328) in respect of losses amounting to TNOK 249 722 (2009: TNOK 8 314) that can be carried forward against future taxable income. The majority of the deferred income tax assets is related to taxation in Norway.

**Deferred tax**

Below is a specification of temporary differences between accounting and tax values, as well as calculation of deferred tax / tax advantage at the end of the financial year.

All deferred tax liability and assets will be recovered after more than 12 months.

<b>Basis for deferred tax</b>	<b>2010</b>	<b>2009</b>
Receivables	(25 388)	(12 802)
Inventory	-	-
Other current balance sheet items	(4 840)	24 839
<b>Amount linked to current balance sheet items</b>	<b>(30 228)</b>	<b>12 037</b>
Fixed assets and intangible assets	9 427	51 662
Pensions	(11 519)	(9 544)
Profit and loss account	(59 772)	(3 993)
Loss carried forward	(701 479)	(407 325)
<b>Amount linked to long-term balance sheet items</b>	<b>(763 343)</b>	<b>(369 200)</b>
<b>Total basis for deferred tax assets</b>	<b>(793 571)</b>	<b>(357 163)</b>

**NOTE 21 Debt to Credit Institutions**

Figures in TNOK

<b>Overview of long-term debt to credit institutions</b>	<b>2010</b>	<b>2009</b>
Long-term debt to credit institutions	885 771	1 114 316
Capitalized arrangement fee deducted	(7 822)	(15 881)
<b>Total long-term debt to credit institutions</b>	<b>877 949</b>	<b>1 098 435</b>

The Group has a revolving credit facility of TNOK 150 000 and an overdraft facility of TNOK 100 000. At 31. December 2010 TNOK 80 000 and TNOK 0 respectively was used of the revolving and overdraft facilities. Accordingly the Group had total unused credit facilities of TNOK 170 000. Debt to credit institution is recorded at amortised cost, and the table below specifies the actual repayment schedule. TNOK 748 131 of the total long-term borrowings is denominated in NOK TNOK 204 198 is denominated in GBP and the remaining TNOK 128 616 is denominated in USD as of 31. December 2010

<b>Guaranteed liabilities</b>	<b>2010</b>	<b>2009</b>
Long-term and Short-term debt to credit institutions	1 160 945	1 309 971
Total guaranteed liabilities	1 160 945	1 309 971
<b>Average interest rate NOK loans</b>	<b>6.6 %</b>	<b>6.9 %</b>

<b>Instalment profile Debt to Credit Institutions</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Thereafter</b>	<b>Total</b>
Revolving and overdraft credit facilities	80 000	-	-	-	80 000
Long-term loans*	195 175	294 064	591 706	-	1 080 945
<b>Total*</b>	<b>275 175</b>	<b>294 064</b>	<b>591 706</b>	<b>-</b>	<b>1 160 945</b>

\*NOK 195 million of term loans is due in 2011 and has been classified as short-term debt

**Financial Covenants**

The Credit Facilities Agreement entered into with DnBNOR and Nordea includes the following financial covenants as per 31. Desember 2010:

## (a) Gross Interest Bearing Debt (GIBD) to EBITDA:

the ratio of GIBD to EBITDA for each period referred to in Column A below shall not be greater than the ratio set out in Column B below opposite that period:

Period (preceding twelve months to the respective dates set out below)	Ratio
31.12.2010	3.72
31.03.2011	3.24
30.06.2011	2.84
30.09.2011	2.51
31.12.2011	2.50
31.03.2012 and each quarter thereafter	2.50

## (b) EBITDA to Gross Cash Interest Expenses (GCIE):

the ratio of EBITDA to GCIE for each period referred to in Column A below shall not be greater than the ratio set out in Column B below opposite that period:

Period (preceding twelve months to the respective dates set out below)	Ratio
31.12.2010	2.47
31.03.2011	2.86
30.06.2011	3.30
30.09.2011	4.12
31.12.2011	4.45
31.03.2012 and each quarter thereafter	5.00

## c) Book equity to total assets:

The ratio book equity to total assets of the Group for each period referred to in Column A below shall not be greater than the ratio set out in Column B below opposite that period:

Period (preceding twelve months to the respective dates set out below)	Ratio
31.12.2010	19.70
31.03.2011	19.60
30.06.2011	20.90
30.09.2011	22.50
31.12.2011	24.70
31.03.2012 and each quarter thereafter	25.00

According to the borrowing agreement with DnBNOR and Nordea, there are other conditions related to negative pledge, disposals of assets, substantial change in the nature of business, mergers and further encumbrances.

Start	Currency	Amount per 31.12.10	Expiration	Interest rate	Market value per 31.12.10
08.06.2007	NOK	36 000 TNOK	10.12.12	5.27% p.a.	(1 143) TNOK
29.10.2008	NOK	247 059 TNOK	28.06.13	4.38% p.a.	(6 221) TNOK
15.12.2009	USD	81 978 TNOK	17.06.13	3.15% p.a.	(3 539) TNOK
15.12.2009	GBP	127 642 TNOK	17.06.13	3.20% p.a.	(4 038) TNOK
<b>Total</b>					<b>(14 942) TNOK</b>

**Subsequent event: Group debt restructuring**

In March 2011 the Group's multicurrency revolving credit facility, term loans and guarantee facilities was restructured with effect from 16. March 2011. Please refer to note 35 for further details.

**NOTE 22 Other current liabilities**

Figures in TNOK	2010	2009
Holiday pay and wages due	93 500	74 055
Advances from customers	63 541	4 603
Incurring interest cost	3 504	3 817
Accrued grants received for R&D	36 685	27 214
Other creditors	13 395	6 370
Current portion of earn-out	24 750	28 786
Accrued cost	15 116	18 361
Other current liabilities	14 188	61 458
<b>Current liabilities</b>	<b>264 679</b>	<b>224 665</b>

**NOTE 23 Outstanding from associated companies**

Figures in TNOK	2010	2009
<b>Specification of outstanding from associated companies</b>		
Other receivables	36 423	32 001
Provision	(34 723)	(32 001)
<b>Net outstanding from associated companies</b>	<b>1 700</b>	<b>-</b>

The receivable against FPSO Shiraz is fully written off in 2009.

**NOTE 24 Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (note 18). There are no dilution effects.

Basis for calculation of earnings per share	2010	2009
Weighted average number of outstanding shares	125 898 308	84 882 683
Earnings per share from continuing operations (NOK)	0.05	(4.12)
<b>Earnings per share including discontinuing operations (NOK)</b>	<b>0.05</b>	<b>(3.80)</b>

**NOTE 25 Wages, fees, number of employees etc.**

Figures in TNOK	2010	2009
Wages	783 075	724 681
Employers' social security contributions	93 142	87 678
Pension costs	22 088	20 381
Other remunerations	47 562	76 877
<b>Total</b>	<b>945 867</b>	<b>909 618</b>
Average number of man-labour years	1 113	1 151

Wages is presentet net above, during 2010 there is capitalized wages for TNOK 10 933.

Pension costs are described in detail in note 19.

Accumulated expenses for wages, pension premiums and other remuneration to managing director, other Group executives and members of the parent company's board accordingly for 2009 and 2010 were:

<b>2010 Management Directors (MD):</b>	<b>Wages</b>	<b>Pension premiums</b>	<b>Other remuneration</b>	<b>Total</b>
Sverre Skogen - Chief Executive Officer	3 031	65	50	3 146
Svein Sollund - Chief Financial Officer	3 584	60	42	3 686
Åge Landro - EVP Field Operations	3 589	58	46	3 693
Tom Arthur Hasler - EVP Drilling Services 01.01.10-31.03.10	807	14	110	930
Johan Jacob Møller Warmedal - EVP Drilling Services 15.02.10-31.12.10	1 577	56	38	1 672
Sjur Talstad - Chief Executive Officer Petroleum Services	3 986	61	235	4 282
<b>Total</b>	<b>16 575</b>	<b>314</b>	<b>521</b>	<b>17 409</b>

Pr. 31. December 2010 there are no loans or guarantees to the group CEO or to members of the board. One member of the Executive management group has been granted a loan of MNOK 1. No related parties to these have loans or guarantees from AGR.

All Executive directors have a bonus agreement that entitle them to up to 40% bonus of annual salary. In 2011 there will be paid out a bonus related to 2010 to the Group CEO of TNOK 143, to the CFO of TNOK 110 and TNOK 364 to the CEO Petroleum Services.

The Executive management has between a 3 and 12 month notice period and their wage is paid during the notice period. The Group CEO and CFO have 12 month severance pay. The Executive Officers for the business units have from 6 - 12 month severance pay in addition to the severance pay for the notice period, with deduction of any other wages received during this period.

The chairman of the board has a remuneration of TNOK 450, and two of the eight board members have a remuneration of TNOK 150. The chairman of the board has 17 679 shares, and two board members have combined 34 273 shares in AGR Group ASA.

<b>2009 Management Directors (MD):</b>	<b>Wages</b>	<b>Pension premiums</b>	<b>Other remuneration</b>	<b>Total</b>
Sverre Skogen - Chief Executive Officer	1 955	57	29	2 041
Svein Sollund - Chief Financial Officer	2 117	52	15	2 184
Åge Landro - EVP Field Operations	1 929	57	76	2 062
Tom Hasler - EVP Drilling Services	1 880	56	450	2 386
Sjur Talstad - Chief Executive Officer Petroleum Services	2 384	77	1 280	3 741
<b>Total</b>	<b>10 265</b>	<b>299</b>	<b>1 851</b>	<b>12 414</b>

Pr. 31. December 2009 there are no loans or guarantees to the group CEO or to members of the board. One member of the Executive management group has been granted a loan of MNOK 1 which was terminated March 2010. No related parties to these have loans or guarantees from AGR.

All Executive directors have a bonus agreement that entitle them to up to 40% bonus of annual salary. In 2010 there will be paid out a bonus related to 2009 to the Group CEO of TNOK 720, to the CFO of TNOK 280 and TNOK 640 to the EVP Field Operations. 2009 bonus to the CEO Petroleum Services has been paid during 2009 and to some extent during 2010, totaling TNOK 840.

The Executive management has an incentive program over a 3 years program, where they received an individual offer between 150 000 and 1 600 000 shares in the companies AGR Ansattefond 1 AS and AGR Ansattefond 1A AS in 2007, that equals 4 739 and 75 830 shares in AGR Group ASA. The company matched with 94.7% of the amount of shares the employee purchased. The employee cannot sell the shares before the expiration of 3 years from the purchasing date. The price per shares was NOK 46, this was inclusive a rebate of NOK 13 per share based on valuation from FIRST over the lockup period. The Executive management has together 3 840 371 shares in AGR Ansattefond 1 AS and Ansattefond 1 A AS in 2009. That equals 272 485 shares in AGR Group ASA.

The Executive management has between a 3 and 12 month notice period and their wage is paid during the notice period. The Group CEO and CFO have 12 month severance pay, with deduction of any other wages received during this period. The Executive Officers for the business units have from 6 - 12 month severance pay in addition to the severance pay for the notice period, with deduction of any other wages received during this period.

The chairman of the board does not receive any annual remuneration. Three of the eight board members have a remuneration of TNOK 150.

The board members have together 415 916 shares in AGR Ansattefond 1 AS in 2010. That equals 32 796 shares in AGR Group ASA. In addition two of the board members have together 34 273 AGR Shares.

## Remuneration policy:

### Main principles

The main principles for AGR management remuneration policy are that executive management shall be offered competitive remuneration, when salaries, benefits in kind, bonuses and pension arrangements are taken into consideration.

### Bonuses and other additional benefits

As a guideline, compensation in the form of a cash bonus in addition to base salary may be offered to executive management. Such bonuses shall however, be limited to certain percentages of the base salary and to achievement of certain predetermined objectives. Guidelines for distribution of bonuses shall be determined by the Board of Directors, after consulting with the company's remuneration committee.

Executive management shall as a general rule be entitled to participate in pension schemes that ensure pension benefits in proportion to their level of salary as employees. The executive management of the company are members of the company's collective pension scheme.

In respect of severance payments or benefits these will be agreed on an individual basis. Some of the current members of the executive management have rights to severance payment, corresponding to 6 to 18 months base salary, if their employment is terminated by the company. As a guideline severance payments shall be in accordance with the company's main principles, i.e. that the level of remuneration shall be competitive when all benefits are seen as a whole.

### Share investment program

Information concerning the share investment program is in note 37.

### Auditor's fee

The Board has reviewed the level and distribution of fees paid to our auditors, PwC, and considers them to be appropriate. The Board has also reviewed the proposed payments to PwC for 2010, and expects a reduction in overall payments unless the company undertakes additional new activity, not currently in our plans.

### Auditor's fee

The Board has reviewed the level and distribution of fees paid to the auditors, PwC, and considers them to be appropriate.

Specification of auditor's fee excl. VAT	2010	2009
Fees for audit of annual accounts	5 340	5 475
Fees for other attestation services	211	298
Fees for tax-related services	2 345	2 475
Fees for other services*	1 042	204
<b>Total</b>	<b>8 939</b>	<b>8 452</b>

\* Fees for other services includes due diligence service and various technical assistance.

## NOTE 26 Provisions

AGR acquired 100% of the outstanding share capital of F.J. Brown & Associates Inc (F.J. Brown) in 2007 for a cash consideration of TUSD 20 000. There will be an earn-out structure of maximum TUSD 5 000. The earn-out amount was paid to the sellers in May 2010.

AGR acquired 100% of the outstanding share capital of Tracs International Consultancy Ltd (Tracs) in June 2008 for a cash consideration of TGBP 14 600. The earn out structure has a maximum agreed amount of TGBP 5 400 divided in 3 instalments. The first instalment was paid in September 2009, TGBP 1 000. The condition for full payment is both employment in 30 months and revenue growth. The earn out was settled and paid out in January 2011.

The amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The interest element is charged through profit and loss.

Earnout 31.12.2010					
Company	Agreement	Maximum	Balance (NOK)	Due date	Company obligated
Tracs	TGBP 2 729	TGBP 2 729	24 750	31.01.11	AGR Peak Group Holdings Ltd
Current portion of earn-out (reclassified to current liability)			(24 750)		
Other provisions			7 599		
<b>Total provisions as of 31.12.10</b>			<b>7 599</b>		

Earnout 31.12.2009					
Company	Agreement	Maximum	Balance	Due date	Company obligated
F.J.Brown	TUSD 5 000	TUSD 5 000	28 786	05.05.10	AGR Group Americas Inc
Tracs	TGBP 2 861	TGBP 2 861	26 574	01.03.11	AGR Peak Group Holdings Ltd
Current portion of earn-out (reclassified to current liability)			(28 786)		
Other provisions			6 551		
<b>Total provisions as of 31.12.09</b>			<b>33 125</b>		

## NOTE 27 Leasing costs

The Group has entered into the following operating lease agreements for tangible assets not recognised in the balance sheet, but expensed as incurred:

Figures in TNOK	2010	2009
Land, buildings and permanent property	60 139	61 439
Apartments	2 165	3 697
Machinery and operating equipment	12 529	13 165
<b>Total</b>	<b>74 833</b>	<b>78 301</b>

The Group has entered into lease agreements for premises, among others at Straume, Oslo and Stavanger, in Norway, Houston in USA, Aberdeen and Manchester in UK, Perth and Melbourne in Australia, Kuala Lumpur in Malaysia, Almaty in Kazakhstan, Varberg in Sweden, Moscow in Russia, Baku in Azerbaijan and Abu Dhabi in United Arab Emirates.

## NOTE 28 Financial income and expences

Figures in TNOK	2010	2009
Interest income	27 945	2 346
Currency gain	339 212	177 020
Other financial income	9	134
Unrealised gain/(loss) of financial instruments calculated at fair value*	(2 887)	9 692
Interest expense	(126 404)	(127 262)
Currency loss	(326 967)	(233 085)
Other financial expense	(26 561)	(31 804)
<b>Total</b>	<b>(115 654)</b>	<b>(202 958)</b>

\* Loss on interest rate swap TNOK (2 887) in 2010 and gain TNOK 9 692 in 2009.

## NOTE 29 Financial market risk

The Group has financial instruments linked to ordinary activities such as trade debtors, trade creditors and similar.

Short-term and medium-term interest rate risk arises from floating interest rates on parts of the company's debt. The Group has entered into interest rate swaps of MNOK 493 accounted for at fair value in accordance with IAS 39. In 2010, a loss of TNOK 2 887 has been recognised for interest rate swaps under other financial income.

The majority of the Group's debtors are publicly listed Norwegian and international oil companies. The Group seeks to obtain financial guarantees from debtors where the credit risk and exposure is considered to be high. In addition, the Group has taken out credit insurance where significant shares of the Group's receivables are insured to avoid potential losses. The credit risk is thus considered to be low.

A proportion of the Group's turnover is in foreign currencies, primarily USD, GBP and AUD. As a result of the international operation, the Group is exposed to fluctuations in currency exchange rates. In accordance with the Group's financial risk policy some of this exposure is partly hedged with foreign currency debt in USD and GBP, and partly with FX-contracts. The existing FX-contracts are shown below. The Group's main foreign currency risk at the end of the year was NOK vs. USD and GBP. The Group is not directly exposed to fluctuations in commodity prices. Below is an outline of the Group's turnover, trade debtors and -creditors converted into NOK at balance sheet date:

Currency	Currency (1.000)	2010 TNOK	Share %	Currency (1.000)	2009 TNOK	Share %
<b>Turnover:</b>						
USD	77 984	469 964	19%	75 954	479 427	20%
NOK	934 399	934 399	38%	900 826	900 826	38%
GBP	35 526	333 389	13%	31 930	313 775	13%
AUD	125 881	697 961	28%	129 707	646 747	27%
EUR	3 483	27 727	1%	3 817	32 251	1%
CAD	2 000	11 720	0%	1 942	10 727	0%
SEK	7 377	6 199	0%	12 024	9 914	0%
Others	-	4 113	0%	-	2 165	0%
<b>Total</b>		<b>2 485 474</b>	<b>100%</b>		<b>2 395 832</b>	<b>100%</b>

<b>Debtors:</b>						
USD	15 354	91 933	13%	20 924	120 460	19%
NOK	343 368	342 520	47%	253 777	253 777	40%
GBP	15 222	139 153	19%	10 796	100 271	16%
AUD	12 748	141 199	19%	29 526	153 195	24%
EUR	1 155	9 231	1%	298	2 471	0%
CAD	140	821	0%	491	2 697	0%
SEK	713	621	0%	1 062	859	0%
DKK	739	646	0%	(124 583)	(139)	-0%
Others	-	1 145	0%	-	465	0%
<b>Total</b>		<b>727 270</b>	<b>100%</b>		<b>634 057</b>	<b>100%</b>

<b>Creditors:</b>						
USD	17 537	102 665	23%	5 923	34 025	14%
NOK	175 393	175 464	40%	110 963	110 963	46%
GBP	13 843	125 537	28%	7 075	65 716	27%
AUD	3 885	23 152	5%	5 667	29 403	12%
EUR	642	5 001	1%	87	720	0%
CAD	151	881	0%	12	65	0%
SEK	1 550	6 199	1%	-	-	0%
DKK	29	31	0%	-	-	0%
Others	-	2 227	1%	-	1 068	0%
<b>Total</b>		<b>441 156</b>	<b>100%</b>		<b>241 960</b>	<b>100%</b>

FX- forward contracts	Bought	Sold	Due date	Amount TNOK	Unrealised gain/(loss)
AGR Petroleum Services Holdings AS	GBP	NOK	04.01.11	23 605	(950)
AGR Petroleum Services Holdings AS	NOK	USD	11.03.11	6 558	696
AGR Petroleum Services Holdings AS	NOK	AUD	15.09.10	4 900	353
<b>Total</b>					<b>99</b>

## NOTE 30 Related parties

Figures in TNOK

<b>Purchase of goods / other operating costs</b>	<b>2010</b>	<b>2009</b>
AGR Eiendom AS	12 341	11 402
K&K Design AS	60	141
Altor Equity Partners AB	10	-
Altor Equity Partners AS	332	79
BroCo Marin AS	125	1 639
Combiunits AS	1 544	1 982
Grieg Logistics KS	2 717	1 543
Doroty Hasler	107	-
Acatos Consulting AS	750	-
G & G Consultans AS	3 100	-
Racso Ltd	681	-
PIR AS	400	-
Rent of premises from employees	268	291
<b>Total</b>	<b>22 433</b>	<b>17 077</b>

<b>Other income</b>	<b>2010</b>	<b>2009</b>
Altor Equity Partners AS (rental of premises)	1 942	1 446
K&K Design	10	5 165
<b>Total</b>	<b>1 952</b>	<b>6 611</b>

### **Altor Equity Partneres AB / AS:**

Investor Advisors to the main shareholder in parent company which has assisted in connection with acquisition of subsidiary companies.

### **Grieg Logistics KS/ Acatos Consulting AS/ PIR AS:**

One employee is a board member. All transactions with the company are carried out at market prices.

### **All other related parties:**

AGR employees have ownership interests in the other entities. All transactions with the companies are carried out at market prices.

The transactions in 2009 and 2010 relate to rental of premises.

## NOTE 31 Contingencies

The Group was not involved in any significant disputes or legal action in 2010. As a result, provision for possible claims has not been made.

## NOTE 32 Public grants

Figures in TNOK

The Group has received grants from the Research Council of Norway. No terms and conditions applies to these grants. The grants from the Research Council of Norway are recognised in the balance sheet and are posted as revenue in line with depreciation on the fixed assets to which they are linked.

<b>Specification of public grants received:</b>	<b>2010</b>	<b>2009</b>
The Research Council The Research Council of Norway	3 030	7 685
<b>Total</b>	<b>3 030</b>	<b>7 685</b>

**NOTE 33 Financial assets at fair value**

The company owned shares in Sonoran Energy Inc, this company went bankrupt in 2009 and the share value was written down to 0.

<b>Specification of market-based shares:</b>	<b>2010</b>	<b>2009</b>
Acquisition cost shares in Get Energy Inc	101	0
Acquisition cost shares in Sonoran Energy In	-	20 230
Conversion to market price at 31.12.	(7)	(20 230)
Market value 31.12.	93	-

**NOTE 34 Raw materials and consumables used**

Expenses classified as raw materials and consumables used are directly related to projects, such as project equipment, travelling expenses, loading etc.

**NOTE 35 Events after the balance sheet date**

On the 16. March 2011 AGR Group 's Multicurrency Revolving Credit Facility, Term loans and Guarantee facilities provided by a bank syndicate comprising DnB NOR and Nordea, was amended and restructured. The loan amortisation structure was adjusted and the financial covenants were reset. According to the Group's long term strategy for the various business units, the three divisions are to be financed individually. As a first step, the financing has been split in two whereby AGR Field Operations has been financed separately under a new loan agreement.

28.02.2011 Fiona Walker resigned from AGR and the Board.

**NOTE 36 Assets of disposal group classified as held for sale and discontinued operations**

Following the approval of the Board of Directors to dispose of the companies Liquegas Energy Pty Ltd and FPSO Shiraz Pty Ltd (joint venture), they have been presented as discontinued operations in the accounts for 2010 and a conclusion is expected during 2011.

In 2009, AGR Dpal AS, Liquegas Energy Pty Ltd, Horton Deepwater Development Systems Inc., and FPSO Shiraz Pty Ltd (joint venture company) were presented as discontinued operations. In May 2009 it was decided to close AGR Dpal AS and asset-sales of property and building, machinery and inventory were conducted. In October 2009 AGR Group closed a transaction whereby Wilson Heavy Industries acquired AGR's 50% share of Horton Deepwater Development Systems Inc. for USD 5 637 000.

	<b>2010</b>	<b>2009</b>
Operating cash-flows	(300)	(26 067)
Investing cash-flows	-	34 424
Financing cash-flows	-	(9 966)
<b>Total cash-flows</b>	<b>(300)</b>	<b>(1 609)</b>

<b>Assets of disposal group classified as held for sale:</b>	<b>2010</b>	<b>2009</b>
Patents, research and development	-	-
Deferred tax asset	-	9 573
Land, buildings and other property	-	-
Investments in associated companies	-	1 780
Trade receivables	-	24
Other receivables	-	1 774
Cash and cash equivalents	6	306
<b>Total</b>	<b>6</b>	<b>13 457</b>

<b>Liabilities of disposal group classified as held for sale</b>	<b>2010</b>	<b>2009</b>
Trade payables	-	154
Public charges	-	545
Other current liabilities	-	334
<b>Total</b>	<b>-</b>	<b>1 033</b>

<b>Analysis of the result of discontinued operations</b>	<b>2010</b>	<b>2009</b>
External operating revenues	1 001	9 287
Project expenses/payroll expenses	(1 144)	(18 031)
Other operating expenses	5	(7 195)
<b>EBITDA</b>	<b>(138)</b>	<b>(15 939)</b>
Depreciation and amortisation	-	2 960
<b>Operating profit(loss)</b>	<b>(138)</b>	<b>(12 979)</b>
Net financial items	-	(2 161)
Share of profit of associated companies	-	(9 776)
<b>Operating profit(loss) before tax</b>	<b>(138)</b>	<b>(24 916)</b>
Tax	-	42 985
<b>Profit after tax from discontinued operations</b>	<b>(138)</b>	<b>18 069</b>
<b>Gain from sale of discontinued operations</b>	<b>-</b>	<b>9 102</b>

## NOTE 37 Share-based payment

### Share investment program

In 2010 AGR introduced co-investment programs in AGR Drilling Services and AGR Field Operations. In September 2010 AGR Group ASA sold 73 453 A-shares in its subsidiary FieldCo Invest AS to key employees and board members in AGR Group and AGR Field Operations for NOK 102 per share. FieldCo Invest AS owns 166 812 shares in AGR Field Operations Holdings AS, corresponding to 5.5%. AGR Group ASA is the owner of the remaining 94.5%. Further, in September 2010 AGR Group ASA sold 69 000 A-shares in its subsidiary DrillCo Invest AS to key employees and board members in AGR Group and AGR Drilling Services for NOK 102 per share. DrillCo Invest AS owns 266 683 shares in AGR Drilling Services Holdings AS corresponding to 6.9%. AGR Group ASA is the owner of the remaining 93.1%.

AGR Group ASA's shareholding in DrillCo Invest AS and FieldCo Invest AS following the transaction was one controlling B-share respectively. DrillCo Invest AS and FieldCo Invest AS have been incorporated for the purpose of investing in AGR Drilling Services Holdings AS and AGR Field Operation Holdings AS respectively.

The price per share in DrillCo Invest AS and FieldCo Invest AS was determined based on the estimated fair value of AGR Drilling Services Holdings AS and AGR Field Operations Holdings AS, using over-the-cycle EV/EBITDA trading multiples in accordance with EVCA guidelines. Accordingly, the transactions have not affected the profit and loss accounts of AGR. In order to increase the investments made by DrillCo Invest AS and FieldCo Invest AS, AGR Group ASA has provided loans in the form of seller's credits with an annual interest rate of 8%. AGR Group ASA has an option to increase its shareholding in DrillCo Invest AS and FieldCo Invest AS by cash payment or set-off against any outstanding amount under the loan agreements.

The co-investment programs within AGR Drilling Services and AGR Field Operations are governed by the provisions in two separate shareholders agreements. The shareholders agreements are entered into by and between the holding companies, the investment companies and the participants in the program. Among other things the shareholder agreement will provide for drag-along and tag-along provisions for the event that AGR Group ASA should sell its shares in the holding companies. The participants cannot sell or transfer the shares in DrillCo Invest AS and FieldCo Invest AS without the consent of AGR. If a participant in the program gives or is given notice of termination of employment before the second anniversary of the program, AGR has an option to buy the shares at fair value.

A similar program will be implemented in AGR Petroleum Services in 2011.

In 2007 a Share Investment Program was launched. AGR invited the executives in Norway, UK, Australia and US to take part. The Employees invested up to NOK 800 000 each in the EBC I and EBC 1A, AGR Ansattefond I AS and AGR Ansattefond I A AS –limited liability companies registered in Norway and governed by Norwegian Law. The Employees received Class A shares in EBC I and EBC 1A. The Companies was registered in the Norwegian central Registry of Business Enterprises.

The purpose of EBC I and EBC 1A was to purchase shares in AGR to give the shareholders of EBC I and EBC 1A part of the future growth of AGR. AGR subscribed for 1 B-share in EBC I and EBC 1A with an amount equal to 94.7% of the amount invested by the Employees. Furthermore, a 12.5% debt financing agreement was put in place. The employees did not own shares directly but through a new company solely for the purpose of owning shares in AGR on behalf of Share Investment Program participants. The shares were "locked up" for three calendar years.

The Board of Directors was given an authority by the General Meeting to issue shares for NOK 46, by a private placing in EBC I. This share price had a discount of NOK 13, due to the lock-up period on these shares.

AGR owned one Class B share in EBC I and EBC 1A. The B share had 50 % voting rights, and did accordingly have the majority at the shareholders' meeting and also the power to prevent changes to the by-laws. The B shareholder did not have right to receive dividends under the by-laws of EBC I and EBC 1A.

A prerequisite to owning shares in EBC I and EBC 1A was to be employed in AGR. Should employment in AGR be terminated prior to the period starting 01. June 2007 and ending 01. June 2010 ("Lock-in Period"), the shares in EBC I and EBC 1A were to be redeemed by EBC I and EBC 1A. The compensation to the employees was in this case to be based on the actual value of the shares, limited upwards to the employee's initial investment. The compensation was to be deducted with a proportional part of finance- and administration cost.

The Employee's shares in EBC I and EBC 1A could not be sold, transferred or pledged before the expiration of the Lock-In Period. Shares may though be transferred to a company wholly-owned by the employee (private investment company).

Under the by-laws of EBC I and EBC 1A, dividends could not be determined before the expiration of the Lock-in period. At that date, EBC I and EBC 1A were wound up under its by-laws, and the equity were distributed to the shareholders provided that the Employee were still an employee at AGR or one of its subsidiaries at the end of the Lock-in Period. EBC I and EBC 1A was merged in 2008.

Subsequently, the Board of AGR gave the employees a guaranty stating that the potential losses arising from the EBC investments would be compensated by a one-time bonus. The cost of the bonus has been accrued based on the AGR share price at the relevant date of reporting. In September 2010 AGR closed the incentive program and acquired 100% of the shares in AGR Ansattefond I AS from current and former employees in the AGR Group. The price paid per share was NOK 0.80.

## INCOME STATEMENT AGR GROUP ASA

Figures in TNOK

PARENT	Note	Year ended 31 December	
		2010	2009
Net revenue	3, 4, 17	925	-
Other operating revenue	3, 4, 17	9 963	863
<b>Total operating revenue</b>		<b>10 888</b>	<b>863</b>
Project cost		1 449	582
Payroll expenses	14	(3 331)	21 765
Depreciation, amortisation and impairments	7	52	-
Other operating expenses	14, 15	31 877	11 577
<b>Total operating expenses</b>		<b>30 047</b>	<b>33 923</b>
<b>Operating profit/(loss)</b>		<b>(19 159)</b>	<b>(33 060)</b>
Financial income	16	48 578	34 594
Financial expenses	16	150 711	277 997
<b>Net financial items</b>		<b>(102 133)</b>	<b>(243 403)</b>
<b>Profit/(loss) before income tax</b>		<b>(121 292)</b>	<b>(276 463)</b>
Income tax expense/(benefit)	10	(782)	(682)
<b>Profit/(loss) for the year</b>		<b>(120 511)</b>	<b>(275 781)</b>

## BALANCE SHEET AGR GROUP ASA

Figures in TNOK

		As at 31 December	
<b>PARENT</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>			
Deferred tax assets	10	1 463	682
<b>Intangible assets</b>		<b>1 463</b>	<b>682</b>
Machinery and operating equipment	7	603	-
<b>Tangible fixed assets</b>		<b>603</b>	<b>-</b>
Investment in subsidiaries and associated companies	2	738 780	339 519
Loan to subsidiaries	13	150 686	588 396
Other financial fixed assets	29 117	-	-
<b>Financial fixed assets</b>		<b>918 583</b>	<b>927 915</b>
<b>Total non current assets</b>		<b>920 650</b>	<b>928 597</b>
Trade receivables	17	915	-
Group receivables	13	10 217	5 861
Other receivables	5	5 560	2 017
<b>Receivables</b>		<b>16 692</b>	<b>7 878</b>
<b>Cash and cash equivalents</b>	6	<b>-</b>	<b>14 915</b>
<b>Current assets</b>		<b>16 692</b>	<b>22 794</b>
<b>Total assets</b>		<b>937 342</b>	<b>951 390</b>

## BALANCE SHEET AGR GROUP ASA

Figures in TNOK

		As at 31 December	
PARENT	Note	2010	2009
<b>Equity and liabilities</b>			
Share capital	8, 9	251 797	251 797
Treasury Shares	9	(3 632)	(635)
Share premium fund	9	827 544	846 526
<b>Total paid in equity</b>		<b>1 075 709</b>	<b>1 097 688</b>
Earned equity	9	(333 433)	(212 922)
<b>Total earned equity</b>		<b>(333 433)</b>	<b>(212 922)</b>
<b>Total equity</b>	9	<b>742 276</b>	<b>884 766</b>
Trade payables	17	4 233	517
Public duties payable		488	617
Group debt	13	188 618	52 652
Other current liabilities	12	1 726	12 840
<b>Total current liabilities</b>		<b>195 065</b>	<b>66 626</b>
<b>Total liabilities</b>		<b>195 065</b>	<b>66 625</b>
<b>Total equity and liabilities</b>		<b>937 342</b>	<b>951 390</b>

Oslo, 29.04.2011

Eivind Reiten  
ChairmanHugo Lund Maurstad  
Board memberThomas Nilsson  
Board memberPer Inge Remmen  
Board memberTove Magnussen  
Board memberReynir Kjær Indahl  
Vice chairmanMaria Tallaksen  
Board memberSverre Skogen  
CEO

## STATEMENT OF CASHFLOW AGR GROUP ASA

Figures in TNOK

PARENT	As at 31 December	
	2010	2009
Ordinary profit/(loss) before taxes	(121 292)	(276 463)
Impairment of financial assets	136 389	274 000
Depreciation, amortisation and impairment of tangible assets	52	-
Change in trade receivables	(915)	-
Change in trade payables	3 716	(1 424)
Change in other accruals	(43 916)	5 684
<b>Net cash flow from operational activities</b>	<b>(25 967)</b>	<b>1 797</b>
Cash outflows for additions to equipment	(653)	-
Cash inflows/outflows from group debtors	432 932	(142 022)
Cash outflows for acquisitions of shares in subsidiaries	(415 087)	-
Cash inflows from sale of shares in subsidiaries	15 840	-
Cash outflows for acquisitions less acquired cash	-	(240)
Cash outflows from purchase of treasury shares	(21 979)	-
<b>Net cash flow from investment activities</b>	<b>11 052</b>	<b>(142 262)</b>
Group contribution deposits	-	(14 191)
Issuance of shares	-	169 416
<b>Net cash flow from finance activities</b>	<b>-</b>	<b>155 225</b>
<b>Net change in cash and equivalents</b>	<b>(14 915)</b>	<b>14 760</b>
<b>Cash and equivalents at start of period</b>	<b>14 915</b>	<b>155</b>
<b>Cash and equivalents at end of period</b>	<b>0</b>	<b>14 915</b>

## NOTE 1 Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act and NGAAP.

AGR Group ASA and its subsidiaries, is a leading supplier of services and technology to the oil and gas offshore industry. The company's main operation is based at Straume (Bergen), and with office in Abu Dhabi.

The company is a limited liability company incorporated and domiciled in Norway. The address of registered offices is Smålonane 12-14, 5353 Straume. The consolidated income statement can be read on [www.agr.com](http://www.agr.com).

The company is listed on the Oslo stock exchange.

### Sales revenue

The company's business consists primarily of corporate services to subsidiaries of the group. Services are recognised in the time of execution. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Estimates are based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Income is presented without value added tax and after any discounts.

### Comparison Principle

Accrual in the financial statements is based on comparison of revenues and expenses during the period. Unrealised losses that are probable and quantifiable, and unconditional commitments and orders are expensed in accordance with generally accepted accounting principles.

### Classification and valuation of balance sheet items

Assets meant for permanent ownership or use is classified as non-current assets. Assets held as a part of the company's service cycle and is expected to be realized or used during the course of the unit's normal production period are classified as current assets. Receivables are classified as current if they are to be settled within one year. Analogous criteria apply for liabilities.

Current assets are valued at the lowest of acquisition cost and fair value. Current liabilities are entered at nominal value at the time they arise. Non-current assets are valued at historical cost. Tangible fixed assets that deteriorate in value are depreciated on a linear basis over estimated financial lifespan. Tangible fixed assets are written down to real value in the event of a permanent decrease in value. Long-term liabilities in NOK, excluding other provisions, are entered in the balance sheet at nominal value at the time they arise. Provisions are discounted if the interest rate element is material.

### Subsidiary companies

Subsidiary companies are valued in accordance with the cost method in the company accounts. The investment is calculated according to acquisition cost of the shares unless a write-down has been required.

Group contributions are entered as revenue in the same year as allocation in the subsidiary company is made. If payout exceeds ratio of retained earnings for the ownership in the period, the excess part is accounted for as a repayment of invested capital and recognised as a reduction of investment in the balance.

### Tangible fixed assets

Tangible fixed assets are valued at cost less accumulated depreciation and write-downs. When assets are sold or divested, cost and accumulated depreciation are reversed in the financial statements, and any loss or gain on the disposal is recognised in the income statement.

The cost tangible fixed assets comprise the purchase price, including duties/taxes and direct acquisition costs linked to making the asset fit for use. Expenses accrued after the asset has been taken into use, such as repairs and maintenance, are normally recognised in the income statement. In cases where increased earnings can be demonstrated as a result of repairs/maintenance, the expenditure on this will be recognised in the balance sheet as additions to property, plant and equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalue amounts to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The write-down requirement for fixed assets is assessed if there are indications of impairment. If the carrying amount of an asset is higher than the recoverable amount, a write-down is recognised in the income statement. The recoverable amount is the higher of fair value less expected costs to sell and value in use.

Fair value less expected costs to sell is the amount which can be obtained if the asset is sold to an independent third party, less costs to sell. Recoverable amounts are determined separately for all assets, but – if impossible – recoverable amount is calculated together with the unit to which the asset belongs.

Write-downs which have been recognised in the income statement in previous periods are reversed if there is information to suggest that the write-down no longer exists. However, no reversal is made if the carrying amount is higher than it would have been if normal depreciation had been used.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating revenue' in the income statement.

**Receivables**

Debtors and other receivables are entered in the balance sheet at nominal value less provision for bad debt. Provision for bad debt is estimated based on individual assessment of the debtors.

**Short-term investments**

Short-term investments (shares classified as current) are valued at lowest of average acquisition cost and fair value at the balance sheet date. Dividends and other disbursements are recognized as other financial income.

**Currency**

Monetary items in foreign currency are converted according to the exchange rate of the balance sheet date.

**Tax**

The cost of tax in the profit and loss account comprises both the period's tax payable, and changes in deferred tax. Deferred tax is calculated at a rate of 28% based on the temporary differences between accounting and tax values, as well as any loss to be carried forward at the end of the financial year. Deferred tax assets are recognized when it is probable that the company will have a sufficient future profit to utilize the tax asset. Tax increasing and tax reducing temporary differences are disclosed net.

**Cash Flow Statement**

The cash flow statement presents the accumulated cash flow for operational, investment and financial activities. The statement outlines the effect that each activity has on liquid assets. The cash flow statement has been prepared in line with the indirect model.

## NOTE 2 Group entities

Subsidiary companies:	Head Office	Equity interest	Voting share
AGR Petroleum Services Holdings AS	Fjell - Norway	100%	100%
AGR EmiTeam AS	Fjell - Norway	100%	100%
AGR Pipetech AS	Fjell - Norway	100%	100%
AGR Subsea AS	Fjell - Norway	100%	100%
AGR Petroleum Services AS	Oslo - Norway	100%	100%
AGR Peak Group Holdings Ltd	Aberdeen - UK	100%	100%
AGR Group Americas Inc	Houston-USA	100%	100%
AGR Asia Pacific Pty Ltd	Melbourne - Australia	100%	100%
AGR Asia Pacific Sdn Bhd	Kuala Lumpur - Malaysia	100%	100%
AGR Malaysia Sdn Bhd	Kuala Lumpur - Malaysia	100%	100%
AGR Asia Pacific NZ Ltd	New Plymouth - New Zealand	100%	100%
AGR Business Partner AS	Fjell - Norway	100%	100%
Altinex Inc	Houston-USA	100%	100%
AGR Consultancy Services AS	Stavanger - Norway	100%	100%
AGR Technology Design Ltd	Manchester - UK	100%	100%
AGR Subsea Ltd	Aberdeen - UK	100%	100%
AGR Subsea Inc	Houston-USA	100%	100%
AGR Integrity UK Ltd	Aberdeen - UK	100%	100%
AGR Peak Well Management Ltd	Aberdeen - UK	100%	100%
AGR Peak Consultancy Services Ltd	Aberdeen - UK	100%	100%
AGR Peak Solutions Systems Ltd	Aberdeen - UK	100%	100%
AGR Peak Well Management M.E. Ltd	Dubai - United Arab Emirates	100%	100%
AGR Peak Group Asia Pacific Pty Ltd	Perth - Australia	100%	100%
Liquegas Energy Pty Ltd	Melbourne - Australia	100%	100%
Teredo AS	Oslo - Norway	100%	100%
AGR Reservoir Evaluation Services Kazakstan Ltd	Aberdeen - UK	100%	100%
AGR Reservoir Evaluation Services Kazakstan - Branch	Almaty - Kazakstan	100%	100%
AGR Reservoir Evaluation Services LLP	Almaty - Kazakstan	100%	100%
AGR Central Asia AS (Branch)	Almaty - Kazakstan	100%	100%
AGR Central Asia AS	Oslo - Norway	100%	100%
AGR EmiTeam AB	Varberg - Sweden	100%	100%
AGR Group Mexico Inc	Houston-USA	100%	100%
AGR Petroleum Services Inc.	Houston-USA	100%	100%
AGR Group Canada Inc	Houston-USA	100%	100%
AGR FJ Brown Inc	Houston-USA	100%	100%
AGR Group Field Operations Inc	Houston-USA	100%	100%
AGR Oil and Gas Services Pty Ltd	Melbourne - Australia	100%	100%
AGR Drilling Services Holdings AS	Fjell - Norway	93%	93%
AGR Field Operations Holdings AS	Fjell - Norway	95%	95%
AGR CannSeal AS	Fjell - Norway	95%	95%
AGR Marine Engineering AS	Ålesund - Norway	100%	100%
AGR Facilities Solutions AS	Oslo - Norway	100%	100%
AGR Peak Solutions Systems Pty Ltd	Perth - Australia	100%	100%
Tracs International Consultancy Ltd	Aberdeen - UK	100%	100%
Tracs International Training Ltd	Aberdeen - UK	100%	100%
Tracs Consult LLC	Moscow - Russia	100%	100%
AGR Deepwater Technology Inc	Delaware-USA	100%	100%
AGR Drilling Services Pty Ltd	Perth - Australia	100%	100%
AGR Drilling Services Canada Inc	Houston-USA	100%	100%
AGR Drilling Services do Brasil Ltd	Rio de Janeiro - Brasil	100%	100%
AGR Group Brazil Servicos de Petroleo Ltda	Rio de Janeiro - Brasil	100%	100%
AGR Group Abu Dhabi (Branch)	Abu Dhabi - United Arab Emirates	100%	100%

During 2010 Turn Key Drilling Inc has merged with FJ Brown and AGR Dpal AS has merged with AGR Drilling Services Holdings AS and Dpt canada Ltd is closed down. Equity interest in AGR CannSeal AS, AGR Field Operations Holdings AS and AGR Drilling Services Holdings AS is reduced from 100% in 2009 to respectively 95%, 95% and 93% in 2010 following the introduction of an incentive scheme, refer to note 37. AGR Tunisia AS has changed its name to AGR Facilities Solutions AS.

Figures in TNOK

<b>Subsidiary companies owned from AGR Group ASA</b>				<b>Total Share capital</b>	<b>Equity</b>	<b>Result</b>	<b>Book</b>
	<b>Head office</b>	<b>Voting share</b>	<b>Shares</b>	<b>31.12.2010</b>	<b>31.12.2010</b>	<b>2010</b>	<b>value</b>
					<b>100%</b>	<b>100 %</b>	<b>31.12.2010</b>
AGR Petroleum Services Holdings AS	Fjell	100%	1	8 614	85 023	22 296	268 929
AGR Field Operations Holdings AS	Fjell	95%	3 027 966	6 056	153 933	14 222	145 710
AGR Drilling Services Holdings AS	Fjell	93%	3 864 969	7 730	228 559	5 740	288 610
AGR CannSeal AS	Fjell	95%	10 000	1 000	22 572	(1 893)	23 928
AGR Business Partner AS	Fjell	100%	100	100	450	34	-
AGR Deepwater Technology Inc	Delaware	100%	100	30 815	29 779	389	11 603
<b>Total subsidiary companies 31.12.10</b>					<b>520 316</b>	<b>40 788</b>	<b>738 780</b>

**NOTE 3 Geographical segment information**

Figures in TNOK

Geographical segment information presents the location of customer's part of the company's turnover

<b>Operating revenues:</b>	<b>2010</b>	<b>2009</b>
Norway	9 963	863
Asia	925	-
<b>Total</b>	<b>10 888</b>	<b>863</b>

**NOTE 4 Operating revenues**

<b>Operating revenue comprises:</b>	<b>2010</b>	<b>2009</b>
Net sale of services	925	-
Other operating revenue	1 226	-
Group services	8 737	863
<b>Total net sales revenue</b>	<b>10 888</b>	<b>863</b>

**NOTE 5 Other current receivables**

	<b>2010</b>	<b>2009</b>
Prepaid wages	-	52
Other current receivables	263	-
Prepaid costs	5 297	1 965
<b>Other current receivables</b>	<b>5 560</b>	<b>2 017</b>

**NOTE 6 Cash and cash equivalents**

	<b>2010</b>	<b>2009</b>
Cash	-	-
Bank deposits	-	14 915
<b>Cash and cash equivalents</b>	<b>-</b>	<b>14 915</b>

<b>Of which is restricted deposits:</b>	<b>-</b>	<b>-</b>
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The company has obtained a guarantee for tax deduction means of TNOK 400.

**NOTE 7 Fixed assets**

Figures in TNOK

	<b>Machinery and operating equipment</b>	<b>Total</b>
Historical cost	-	-
Additions	655	655
Disposal	-	-
<b>Historical cost</b>	<b>655</b>	<b>655</b>
Accumulated depreciation	-	-
Amortisation of the year	52	52
Disposal depreciation during the year	-	-
<b>Accumulated depreciation</b>	<b>52</b>	<b>52</b>
<b>Book value</b>	<b>603</b>	<b>603</b>
Depreciation rates	3 years	
Depreciation method	Linear	

**NOTE 8 Capital and Shareholder Information**

**Share capital:** At 31. December 2010 and at 31. December 2009, the company had a share capital of TNOK 251 795 distributed in 125 898 308 shares, each with a nominal value of NOK 2.

At 05. October 2009, the company completed a rights offering, resulting in the issue of a total of 54 687 500 new shares at a price of NOK 3.20 per share. Gross proceeds from the share capital increase amounted to TNOK 175 000. The related transaction costs amounting to TNOK 5 584 have been netted off with the deemed proceeds.

**Treasury shares:** During 2010, the company has bought 1 498 505 of its own shares in order to comply with obligations under the employees' incentive scheme. The total amount paid to acquire the shares was TNOK 21 979. The nominal value of the shares is TNOK 2 997 and the premium TNOK 18 982. In total, the company owns 1 815 845 AGR shares per 31. December 2010.

The company acquired 317 340 of its own shares through purchase of shares in AGR Ansattefond I AS during 2009. The total amount paid to acquire the shares was TNOK 4 752. The nominal value of the shares is TNOK 634 and the premium TNOK 4 118. In connection with the share issue in AGR Group ASA, the company increased their shareholdings with 105 091 shares from subscription rights. As of 31. December 2009 the company owns in total 423 431 treasury shares.

**Shareholder overview:** Shareholders in AGR Group ASA with a minimum of 1% share of ownership, as well as shares held by executive employees and board members including shares owned by affiliated individuals and companies, were at 31. December 2010 as follows:

Figures in TNOK

<b>Shareholders</b>	<b>Number of shares</b>	<b>Equity interest</b>
Altor Oil Service Invest AS	97 659 680	77.6 %
RBC Dexia Investor Services Bank	8 358 096	6.6 %
Hemca AS	3 489 759	2.8 %
Bank of New York Mellon SA/NV	1 835 687	1.5 %
AGR Group ASA	1 815 845	1.4 %
DNB NOR SMB	1 454 289	1.2 %
The Northern Trust Co	1 384 000	1.1 %
JP Morgan Bank Luxembourg	1 211 052	1.0 %
<b>Total</b>	<b>117 208 408</b>	<b>93.1 %</b>
<b>Board:</b>		
Eivind Reiten (indirectly owned via Mocca Invest AS)	17 679	0.0 %
Tove Magnussen	30 065	0.0 %
Per Inge Remmen (indirectly owned via PIR AS)	4 208	0.0 %
<b>Total shares owned by board members</b>	<b>51 952</b>	<b>0.0 %</b>
<b>Management:</b>		
Sverre Skogen (indirectly owned via Hemaca AS)	3 489 759	2.8 %
<b>Total shares owned by the management group</b>	<b>3 489 759</b>	<b>2.8 %</b>

**Shareholder overview:** Shareholders in AGR Group ASA with a minimum of 1% share of ownership, as well as shares held by executive employees and board members including shares owned by affiliated individuals and companies, were at 31. December 2009 as follows:

Shareholders	Number of shares	Equity interest
Altor Oil Service Invest AS	97 659 680	77.6 %
RBC Dexia Investor Services Bank	8 358 096	6.6 %
Hemca AS	3 489 759	2.8 %
Bank of New York Mellon SA/NV	1 835 687	1.5 %
AGR Ansattefond I AS	1 684 749	1.3 %
DNB NOR SMB	1 469 197	1.2 %
JP Morgan Bank Luxembourg	1 211 052	1.0 %
The Northern Trust Co	1 197 328	1.0 %
<b>Total</b>	<b>116 905 548</b>	<b>92.9 %</b>

**Board:**

Eivind Reiten	(indirectly owned via Mocca Invest AS)	17 679	0%
Tove Magnussen	(direct own and indirectly owned via employee fond)	56 070	0%
Per Inge Remmen	(indirectly owned via PIR AS)	4 208	0%
Fiona Walker	(indirectly owned via employee fond)	6 791	0%
<b>Total of shares owned by board members</b>		<b>84 748</b>	<b>0.1 %</b>

**Management**

Sverre Skogen	(indirectly owned via Hemaca AS and the employee fond)	3 632 225	2.9 %
Åge Landro	(indirectly owned via the employee fond)	52 010	0.0 %
Tom Hasler	(indirectly owned via the employee fond)	25 999	0.0 %
Svein Sollund	(indirectly owned via the employee fond)	52 010	0.0 %
<b>Total of shares owned by executive employees</b>		<b>3 762 244</b>	<b>3.0%</b>

## NOTE 9 Changes in equity

Figures in TNOK	Share capital	Premium funds	Treasury Shares	Total invested capital	Reserves	Total equity
<b>Opening balance 01.01.10</b>	<b>251 797</b>	<b>846 526</b>	<b>(635)</b>	<b>1 097 688</b>	<b>(212 922)</b>	<b>884 766</b>
Result for financial year	-	-	-	-	(120 511)	(120 511)
Treasury shares	-	(18 982)	(2 997)	(21 979)	-	(21 979)
<b>Adjustment to equity for 2010</b>	<b>-</b>	<b>(18 982)</b>	<b>(2 997)</b>	<b>(21 979)</b>	<b>(120 511)</b>	<b>(142 490)</b>
<b>Closing balance 31.12.10</b>	<b>251 797</b>	<b>827 544</b>	<b>(3 632)</b>	<b>1 075 709</b>	<b>(333 433)</b>	<b>742 276</b>

**NOTE 10 Tax**

Figures in TNOK	<b>2010</b>	<b>2009</b>
Tax payable Norway	-	-
Amendments, deferred tax Norway	(782)	(682)
<b>Income tax expense</b>	<b>(782)</b>	<b>(682)</b>

**Reconciliation of tax payable**

Tax payable	-	-
Tax payable of group contribution	-	-
<b>Tax payable in balance sheet</b>	<b>-</b>	<b>-</b>

**Reconciliation of tax payable**

Pre-tax result	(121 292)	(276 463)
<b>Expected 28% tax cost</b>	<b>(33 962)</b>	<b>(77 410)</b>

<b>Variance, actual and expected tax cost</b>	<b>33 180</b>	<b>76 728</b>
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**Explanation why actual tax cost deviates from expected tax cost:**

Tax effect from non-deductible costs	346	76 728
Tax effect from non-taxable income	(36 023)	-
Tax effect from unrecognized tax loss carryforwards	68 857	-
<b>Variance compared to expected tax cost</b>	<b>33 180</b>	<b>76 728</b>

**Calculation of tax payable:**

	<b>2010</b>	<b>2009</b>
Pre-tax result	(121 292)	(276 463)
Tax effect from non deductible costs from impairment of shares and receivables	1 237	274 000
Non-deductible costs	(123 071)	28
Amendments, deferred tax	(109)	-
<b>Basis for tax calculation</b>	<b>(243 236)</b>	<b>(2 435)</b>

**Deferred tax**

Below is a specification of interim variations between account-related and tax-related values, as well as calculation of deferred tax / tax advantage at the end of the financial year.

Figures in TNOK

<b>Basis for deferred tax</b>	<b>2010</b>	<b>2009</b>
Fixed assets	109	-
Loss carried forward	(251 254)	(2 434)
<b>Amount linked to long-term balance sheet items</b>	<b>(251 145)</b>	<b>(2 434)</b>
Differences that are not included in the calculation of deferred tax	245 919	-
<b>Total basis for deferred tax assets</b>	<b>(5 226)</b>	<b>(2 434)</b>

**Calculation of deferred tax / tax advantage**

Deferred tax advantage entered in balance sheet	(1 463)	(682)
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**NOTE 11 Other long-term liabilities****Joint and severally responsibility:**

The company does not have any interest bearing loans, but they are joint and severally responsible for the long term loan for the group. The group has in its agreement with the bank issued a negative pledge, this also applies to all of the subsidiaries in the group.

For further information see the notes to the group accounts.

**NOTE 12 Other current liabilities**

Figures in TNOK	2010	2009
Advances from customers	308	-
Holiday pay and wages due	876	1 005
Other incurred costs	42	143
Other current liabilities	500	11 692
<b>Total current liabilities</b>	<b>1 726</b>	<b>12 840</b>

**NOTE 13 Intra group balances**

Figures in TNOK	2010	2009
<b>Specification of intra group balances</b>		
<b>Long term-loan:</b>		
AGR Petroleum Services Holdings AS	82 919	85 180
AGR Field Operations Holdings AS	38 443	33 037
AGR Drilling Services Holdings AS	-	439 934
AGR Cannseal AS	29 325	30 246
<b>Total long term-loan</b>	<b>150 686</b>	<b>588 396</b>
Long term-loan	150 686	697 926
Provision for bad debt	-	(109 530)
<b>Total long term-loan</b>	<b>150 686</b>	<b>588 396</b>

Interest charge on intra group loans is NIBOR + 3,88%.

<b>Short-term group receivables:</b>	<b>2010</b>	<b>2009</b>
AGR Cannseal AS	1 173	-
AGR Petroleum Services Holdings AS	-	247
AGR Field Operations Holdings AS	433	-
AGR Drilling Services Holdings AS	-	-
AGR Emiteam AS	918	298
AGR Subsea AS	3 745	3 075
AGR Pipetech AS	57	46
AGR Technology Design Ltd	61	64
AGR Petroleum Services AS	549	567
AGR Consultancy Services AS	102	-
AGR Group America Inc	-	4
AGR Subsea Inc	514	52
AGR Subsea Ltd	579	648
AGR Asia Pacific PTY Limited	882	-
F.J. Brown Associates Inc	172	166
AGR Asia Pacific Sdn Bhd-Co	26	-
AGR Peak Group Asia Pacific Ltd	134	73
AGR Integrity UK Ltd	-	2
AGR Peak Well Management Me	16	10
TRACS Int. Consultancy Ltd	186	186
AGR Marine Engineering AS	12	-
AGR Emiteam AB	6	11
AGR Petroleum Services Inc.	-	3
AGR Drilling Services Pty Ltd	102	35
AGR Drilling Services Canada Inc	18	4
AGR Central Asia AS	2	-
AGR Peak Well Management Ltd	310	85
AGR Group Field Operations Inc	-	2
AGR Peak Consultancy Services Ltd	200	264
AGR Peak Solutions Systems Ltd	19	19
<b>Total short term group receivables</b>	<b>10 217</b>	<b>5 861</b>

Figures in TNOK

<b>Short-term group payables:</b>	<b>2010</b>	<b>2009</b>
AGR Peak Consultancy Services Ltd	40	-
AGR Technology Design Ltd	3	-
AGR Petroleum Services Holdings AS	176 539	22 050
AGR Drilling Services Holdings AS	238	-
AGR Drilling Services Pty Ltd	28	-
AGR Consultancy Services AS	-	-
AGR Business Partner AS	6 766	6 226
AGR Field Operation Holdings AS	1 583	-
AGR Emiteam AS	-	2
AGR Petroleum Services AS	2	91
AGR Group Americas Inc	-	1
AGR Dpal AS	-	24 281
AGR Subsea AS	1 720	-
AGR Pipetech AS	1 362	-
AGR CannSeal AS	266	-
AGR Marine Engineering AS	73	-
<b>Total short-term group payables</b>	<b>188 618</b>	<b>52 652</b>

The Norwegian companies in the Group are part of a group account system. The companies covered by the scheme are jointly and severally liable for obligations under the scheme. In the list of short-term group payables the company's share of the corporate account is recognised as payables to AGR Petroleum Services Holdings AS.

#### NOTE 14 Wages, fees, number of employees etc.

Accumulated expenses for wages, pension premiums and other remuneration to managing director, other Group executives and members of the company's board accordingly for 2010 were:

Figures in TNOK	<b>2010</b>	<b>2009</b>
Wages	7 079	5 502
Employers' social security contributions	611	2 554
Other remunerations	231	69
Other wage costs	(11 251)	13 640
<b>Total</b>	<b>(3 331)</b>	<b>21 765</b>
Average number of man labour	2	2

AGR Group ASA has in 2009 recognised cost related to the share investment program (EBC) to other wage cost, refer note 21. Accrued expenses related to this program should have been distributed to the individual subsidiaries. This distribution is carried out in 2010 and the cost is reversed in AGR Group ASA in 2010.

	<b>Wages</b>	<b>Pension premiums</b>	<b>Other remuneration</b>	<b>Total</b>
Chief Executive Officer	3 031	65	50	3 146
<b>The board</b>				
Per Inge Remmen	150	-	-	150
Thomas Nilsson	150	-	-	150
Eivind Reiten	150	-	-	150
<b>Total board</b>	<b>450</b>	<b>-</b>	<b>-</b>	<b>450</b>
<b>Total</b>	<b>3 481</b>	<b>65</b>	<b>50</b>	<b>3 596</b>

Other remuneration to managing director, other Group executives and members of the company's board accordingly for 2009 were:

	Wages	Pension premiums	Other remuneration	Total
Chief Executive Officer	1 955	57	29	2 041
<b>The board</b>				
Sjur Talstad	50	-	-	50
Per Inge Remmen	150	-	-	150
Thomas Nilsson	150	-	-	150
Eivind Reiten	100	-	-	100
<b>Total board</b>	<b>450</b>	<b>-</b>	<b>-</b>	<b>450</b>
<b>Total</b>	<b>2 405</b>	<b>57</b>	<b>29</b>	<b>2 491</b>

Other remuneration mainly consists of electronic communication, car allowance, traveling expenses for the partner and assurance.

The Group CEO has a bonus agreement that entitle him to up to 40 % of his annual salary based on the group's profit. In 2011 there will be paid out a bonus related to 2010 of TNOK 143. In 2010 there was paid out a bonus related to 2009 of TNOK 720.

Per 31. December 2009 and per 31. December 2010 there are no loans or guarantees to the Group CEO, members of the board, members of the group management directors, or any related parties of these.

The Group CEO has a 12 month notice period and 12 month severance pay, with deduction of any other wages received during this period.

Specification of auditor's fee	2010	2009
Fees for audit of annual accounts	912	1 345
Fees for tax-related and corporate legislation advice	156	780
Fees for other attestation services	78	25
Fees for other services	418	43
<b>Total</b>	<b>1 564</b>	<b>2 193</b>

## NOTE 15 Leasing costs

The Company has entered into the following lease agreements for tangible assets not recognised in the balance sheet, but expensed as incurred.

Figures in TNOK	2010	2009
Land, Buildings and permanent property	12 455	275
Apartments	-	-
Machinery and operating equipment	32	13
<b>Total</b>	<b>12 487</b>	<b>288</b>

The company has entered into lease agreement for premises at Smålonane 12-14 with AGR Eiendom AS. The premises contract has been transported from Field Operations Holdings AS to AGR Group ASA from January 2010. Annual rental expense for the company is TNOK 12 455. Rental expense is allocated to subsidiaries based on the used area. The agreement with AGR Eiendom AS runs until 01. October 2016.

## NOTE 16 Financial income and expense

Figures in TNOK	2010	2009
Interest income from group companies	27 033	33 438
Other interest income	627	2
Other financial income	130 448	1 154
Interest cost from group companies	(6 520)	(528)
Depreciation of shares and receivables	(136 389)	(274 000)
Other interest expense	(1)	(5)
Other financial expense	(117 331)	(3 464)
<b>Total</b>	<b>(102 133)</b>	<b>(243 403)</b>

**NOTE 17 Financial market risk**

Figures in TNOK		2010		2009		
Currency	Currency	NOK	Share %	Currency	NOK	Share %
Turnover:						
NOK	10 186	10 186	94%	863	863	100%
USD	120	702	6%	-	-	0%
<b>Total</b>		<b>10 888</b>	<b>100%</b>	<b>863</b>	<b>863</b>	<b>100%</b>
Debtors:						
NOK	213	213	23%	-	-	0%
USD	120	702	77%	-	-	0%
<b>Total</b>		<b>915</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>0%</b>
Creditors:						
NOK	4 068	4 068	96%	517	517	100%
GBP	18	160	4%	-	-	0%
AUD	1	6	0%	-	-	0%
<b>Total</b>		<b>4 233</b>	<b>100%</b>	<b>517</b>	<b>517</b>	<b>100%</b>

**NOTE 18 Related parties**

Figures in TNOK

Purchase of goods/ other operating costs	2010	2009
AGR Eiendom AS	12 455	-
Altor Equity Partners AS	332	79
Altor Equity Partners AB	10	-
Racso Ltd	681	-
Acatos Consulting AS	750	-
<b>Total</b>	<b>14 227</b>	<b>79</b>

Refer to note 30 in the Group accounts.

**NOTE 19 Contingencies**

The Group was not involved in any significant disputes or legal action regarding contingencies as of 31. December 2010. As a result, provision for possible claims has not been made.

**NOTE 20 Events occurring after date of balance sheet**

Refer to note 35 in the Group accounts.

**NOTE 21 Share-based payment****Share investment program**

In 2010 AGR introduced co-investment programs in AGR Drilling Services and AGR Field Operations. In September 2010 AGR Group ASA sold 73 453 A-shares in its subsidiary FieldCo Invest AS to key employees and board members in AGR Group and AGR Field Operations for NOK 102 per share. FieldCo Invest AS owns 166 812 shares in AGR Field Operations Holdings AS, corresponding to 5.5%. AGR Group ASA is the owner of the remaining 94.5%. Further, in September 2010 AGR Group ASA sold 69 000 A-shares in its subsidiary DrillCo Invest AS to key employees and board members in AGR Group and AGR Drilling Services for NOK 102 per share. DrillCo Invest AS owns 266 683 shares in AGR Drilling Services Holdings AS corresponding to 6.9%. AGR Group ASA is the owner of the remaining 93.1%.

AGR Group ASA's shareholding in DrillCo Invest AS and FieldCo Invest AS following the transaction was one controlling B-share respectively. DrillCo Invest AS and FieldCo Invest AS have been incorporated for the purpose of investing in AGR Drilling Services Holdings AS and AGR Field Operation Holdings AS respectively.

The price per share in DrillCo Invest AS and FieldCo Invest AS was determined based on the estimated fair value of AGR Drilling Services Holdings AS and AGR Field Operations Holdings AS, using over-the-cycle EV/EBITDA trading multiples in accordance with EVCA guidelines. Accordingly, the transactions have not affected the profit and loss accounts of AGR. In order to increase the investments made by DrillCo Invest AS and FieldCo Invest AS, AGR Group ASA has provided loans in the form of seller's credits with an annual interest rate of 8%. AGR Group ASA has an option to increase its shareholding in DrillCo Invest AS and FieldCo Invest AS by cash payment or set-off against any outstanding amount under the loan agreements.

The co-investment programs within AGR Drilling Services and AGR Field Operations are governed by the provisions in two separate shareholders agreements. The shareholders agreements are entered into by and between the holding companies, the investment companies and the participants in the program. Among other things the shareholder agreement will provide for drag-along and tag-along provisions for the event that AGR Group ASA should sell its shares in the holding companies. The participants cannot sell or transfer the shares in DrillCo Invest AS and FieldCo Invest AS without the consent of AGR. If a participant in the program gives or is given notice of termination of employment before the second anniversary of the program, AGR has an option to buy the shares at fair value.

A similar program will be implemented in AGR Petroleum Services in 2011.

In 2007 a Share Investment Program was launched. AGR invited the executives in Norway, UK, Australia and US to take part. The Employees invested up to NOK 800 000 each in the EBC I and EBC 1A, AGR Ansattefond I AS and AGR Ansattefond I A AS –limited liability companies registered in Norway and governed by Norwegian Law. The Employees received Class A shares in EBC I and EBC 1A. The Companies was registered in the Norwegian central Registry of Business Enterprises.

The purpose of EBC I and EBC 1A was to purchase shares in AGR to give the shareholders of EBC I and EBC 1A part of the future growth of AGR. AGR subscribed for 1 B-share in EBC I and EBC 1A with an amount equal to 94.7% of the amount invested by the Employees. Furthermore, a 12,5% debt financing agreement was put in place. The employees did not own shares directly but through a new company solely for the purpose of owning shares in AGR on behalf of Share Investment Program participants. The shares were "locked up" for three calendar years.

The Board of Directors was given an authority by the General Meeting to issue shares for NOK 46, by a private placing in EBC I. This share price had a discount of NOK 13, due to the lock-up period on these shares.

AGR owned one Class B share in EBC I and EBC 1A. The B share had 50 % voting rights, and did accordingly have the majority at the shareholders' meeting and also the power to prevent changes to the by-laws. The B shareholder did not have right to receive dividends under the by-laws of EBC I and EBC 1A.

A prerequisite to owning shares in EBC I and EBC 1A was to be employed in AGR. Should employment in AGR be terminated prior to the period starting 01. June 2007 and ending 01. June 2010 ("Lock-in Period"), the shares in EBC I and EBC 1A were to be redeemed by EBC I and EBC 1A. The compensation to the employees were in this case to be based on the actual value of the shares, limited upwards to the employee's initial investment. The compensation were to be deducted with a proportional part of finance- and administration cost.

The Employee's shares in EBC I and EBC 1A could not be sold, transferred or pledged before the expiration of the Lock-In Period. Shares may though be transferred to a company wholly-owned by the shareholders (private investment company). In addition, shareholders (the employees) of the shareholders (private investment company) were obliged to not transfer any of their shares in the shareholders to other than companies wholly-owned by the shareholders of the shareholders.

Under the by-laws of EBC I and EBC 1A, dividends could not be determined before the expiration of the Lock-in period. At that date, EBC I and EBC 1A were wound up under its by-laws, and the equity were distributed to the shareholders provided that the Employee were still an employee at AGR or one of its subsidiaries at the end of the Lock-in Period. EBC I and EBC 1A was merged in 2008.

Subsequently, the Board of AGR gave the employees a guaranty stating that the potential losses arising from the EBC investments would be compensated by a one-time bonus. The cost of the bonus has been accrued based on the AGR share price at the relevant date of reporting. In September 2010 AGR closed the incentive program and acquired 100% of the shares in AGR Ansattefond I AS from current and former employees in the AGR Group. The price paid per share was NOK 0.80.



To the Annual Shareholders' Meeting of AGR GROUP ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of AGR Group ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2010, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2010, income statement, statement of comprehensive income, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company give a true and fair view of the financial position for AGR Group ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### *Opinion on the financial statements of the group*

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group AGR Group ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 29 April 2011

**PricewaterhouseCoopers AS**

Sturle Døsen  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2010 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Oslo, 29 April 2011



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**Reynir Indahl**  
Vice Chairman



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**Eivind Reiten**  
Chairman



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**Tove Magnussen**  
Board member



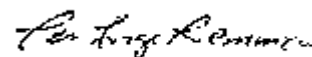
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**Hugo Maurstad**  
Board member




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**Thomas Nilsson**  
Board member



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**Per Inge Remmen**  
Board member



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**Maria Tallaksen**  
Board member



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**Sverre Skogen**  
CEO