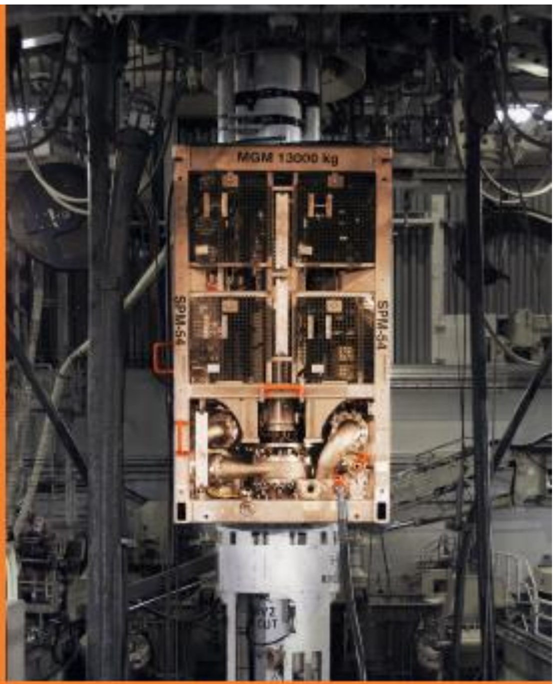
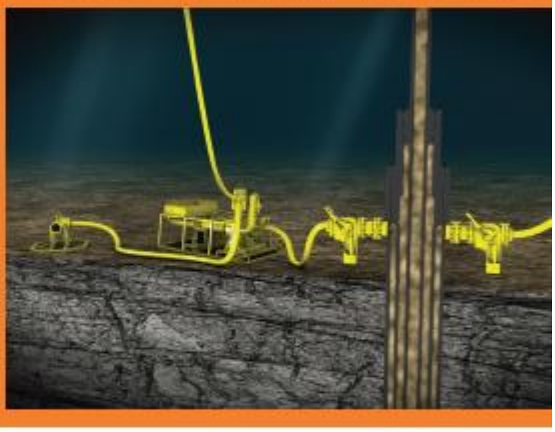




EDS Group AS

Annual Report **2013**

ENHANCED
DRILLING

Proforma accounts EDS Group

Full year figures

Revenues and expenses from continuing operations	**2013**	**2012**
Revenue	445 445	484 169
Other operating revenue	5 572	3 565
Total operating revenue	**451 017**	**487 735**
Project costs	87 900	151 898
Payroll expenses	221 853	196 364
Depreciation and amortisation	73 660	78 399
Other operating expenses	70 519	92 258
Total operating expenses	**453 932**	**518 919**
Net operating income	**(2 914)**	**(31 184)**
Financial income	89 439	77 573
Financial expenses	132 952	116 949
Net financial items	**(43 514)**	**(39 376)**
Income before tax	**(46 428)**	**(70 560)**
Income tax	4 963	104 480
Net income from continued operations	**(51 391)**	**(175 040)**
Net income after tax from discontinued operations	(5 145)	(4 773)
Net income for the year	**(56 536)**	**(179 813)**
Non-controlling interests' share of profit for the year	1 761	(2 497)
Profit attributable to equity holders	(58 297)	(177 316)
	(56 536)	**(179 813)**

EDS Group pr segment Proforma figures

Full year figures

Business Segment	Enhanced Drilling	Cannseal	Group	Elim	Total
External operating revenues	447 463 892	14 075	3 539 398		451 017 365
Intercompany operating revenues	139 453	-	3 983 296	-4 122 749	-
Project expenses/payroll expenses/ other expe	368 630 160	90 537	15 750 168	-4 122 749	380 348 116
Other operating expenses					-
EBITDA	78 973 185	-76 462	**-8 227 474**	-	**70 669 249**
Depreciation and amortisation	73 319 384	73 757	267 181		73 660 322
Operating profit(loss)	5 653 801	-150 219	-8 494 655	-	-2 991 073
Net financial items	-15 575 328	-6 465 101	-21 473 300		-43 513 729
Tax	6 244 985	-1 648 963	367 384		4 963 406

Consolidated balance as of 31 December 2013

Assets	Note	2013
Non-current assets		
Intangible assets		
Deferred tax assets	20	12 458
Other intangibles	8	266 992
Goodwill	8	32 942
Total intangible assets		**312 392**
Tangible fixed assets		
Machinery and operati	9	276 258
Total tangible fixed assets		**276 258**
Financial non-current assets		
Investments in shares		1 334
Long term receivables		17 782
Total financial non-cu	31	**19 116**
Total non-current asse	6	**607 766**
Current assets		
Inventories		
Inventories	11	32 460
Total inventories		**32 460**
Current receivables		
Trade receivables	12,13,27	140 525
Other receivables	14	40 994
Total current receivab	16	**181 519**
Bank deposits, cash in hand, etc.		
Bank deposits, cash in hand, etc.		58 407
Total bank deposits, ca	15,16	**58 407**
Total current assets		**272 386**
Total assets		**880 151**

Equity and liabilities	Note	2013
Equity		
Paid in equity		
Share capital	17,18	109 254
Total paid in equity		**109 254**
Earned equity		
Retained earnings		103 241
Non-controlling interest in equity		88 766
Total earned equity		**192 007**
Total equity		**301 261**
Liabilities		
Provisions for liabilities		
Pension liabilities	19	464
Deferred tax	20	367
Total provisions for liabilities		**831**
Non-current liabilities		
Debt to credit institutic	21	219 974
Other long term liability		27 206
Total non-current liabilities		**247 180**
Current liabilities		
Trade payables	27	94 039
Income tax payable	20	12 265
Other taxes payable		18 112
Other current liabilities	22,29	206 461
Total current liabilities		**330 878**
Total liabilities		**578 890**
Total equity and liabilities		**880 151**

Director's report 2013

EDS Group AS was formed in April 2013. The purpose for this was to split AGR Group ASA into two separate companies. In August 2013 the split was formalized and the division AGR Petroleum Services changed name to AGR and is traded on the stock exchange in Oslo as AGR Group ASA. The division AGR Drilling Services was moved into EDS Group AS and the company is not listed on the stock exchange.

The official and audited financial results for EDS Group AS are for the period August to December 2013. We have also included pro-forma figures for the full year of 2013. Most of the overall comments are based on a full year operation.

It has been an exciting and challenging year for EDS Group. Most of the focus has been on streamlining the Enhanced Drilling part of the business and divest the non-core areas.

After the successful merger with ORS in 2012, EDS has intensified the work with the EC-Drill technology. 2013 has been the time for building, testing and delivery of the kit for Statoil.

For RMR the activity level has been higher than expected for 2013 as the drilling plans for Azerbaijan changed during the year, which also included the use of MPC. We also had a record year in Australia which also included a long campaign for Shell.

Europe performed well, both within RMR and CTS. The CTS activity in Canada was also strengthened and it was a positive year for all the products.

We met a smaller, however important milestone on our technology journey last year, - the field testing of CannSeal which sets an Epoxy seal in annulus in an existing well. The market for this technology seems good with a significant number of existing wells experiencing integrity-, leak-, flow- and similar challenges.
As the demand for our services continues to grow in 2014 we will continue to have health, safety and the environment (HSEQ) as our foremost priority. We will continue to work diligently to attract new and skilled professionals, retain current personnel, as well as maintaining the positive spirit in our hard working and loyal employees.

The opportunity to trade under our own brand and company name will be positively received in this regards.

Company Overview

EDS Group AS (EDS) 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) and Houston, with other offices around the world including, Baku, Stavanger, Oslo, Aberdeen, St. Johns and Perth.

The company provides technology, expertise and services to several of the world's major oil and gas fields, with a customer base comprising several medium sized operators, and a number of the large international oil companies. At the end of 2013, the Group had 254 professionals, whereof 211 permanent employees, 43 project employees/contracted-in staff. The annual turnover was NOK 451 million.

Operations

Following the sale of AGR SET Ltd and AGR Seabed Intervention Ltd, which was the trenching and excavation part of the business, in December 2013 the EDS Group AS consists of the segments Enhanced Drilling, Cannseal and Other.

Segments:

Enhanced Drilling

EC-Drill® is a step-change solution, solving a challenge commonly encountered in deep-water wells: drilling in narrow pressure windows. This is achieved by manipulating the bottom hole pressure in the wellbore by altering the level of drilling fluid in the riser. This is done by means of a pump fitted onto the riser. It is possible to cost-effectively negotiate narrow pressure windows and reach deep targets that would otherwise be impractical. Other benefits include improved safety due to faster kick/loss detection, rig-time savings, drilling capabilities with near-constant BHP, reduced casing strings and the ability to change riser mud levels within minutes, rather than mud weights within hours.

In 2013 a new EC-Drill® kit was built for Statoil’s pilot on the Troll field outside Norway. The operation was done in April 2014 and was a success. During the operation 9.5 kilometers was drilled on three lateral wells. Statoil will also introduce the EC-Drill® in Gulf of Mexico later in 2014 on a multi-well project. The kit has been built during 2013.

MPC® (Managed Pressure cementing) has also been introduced to the marked. MPC® uses conventional cement to facilitate the safe isolation of challenging pressure zones (shallow gas or water) in narrow pressure window scenarios. The system resolves two major challenges: effective cement slurry placement, plus gas flow after cementing. The technology provides operators with precise control over the pressure and flow parameters of returning cement. Constant pressure is achieved at weak zones, preventing losses to the formation. The system is safety enhancing in that any influx or loss is quickly detected, enabling a rapid operator response to prevent the situation from escalating. The technology has been operational in Azerbaijan during 2013.

In addition to these solutions the cornerstone technologies remain as Cutting Transportation System (CTS®) and Riserless Mud Recovery system (RMR®). Both technologies has been developed internally.

The RMR® encompasses a subsea pump thereby enabling a closed-loop circulation system. The system improves drilling operations by reducing the risk and cost of drilling top-hole sections; it also replaces “pump-and-dump” and ensures zero discharge to the environment. The system has been in use since 2003 and is a well proven concept.

CTS® consists of a powerful and versatile subsea electrical-drive pump. The system enables the operator to keep the well-head area clear of cuttings by transporting them away from the site. This means later procedures, such as tying in umbilical, are more swiftly carried out, plus the system can create drilling opportunities in areas deemed to be environmentally sensitive (coral reefs, etc).

During 2013, 21 wells were drilled with RMR® and 32 with CTS®.

2013 saw zero major incidents, 1 near miss, 2 first aid incidents (FAI) and 1 lost time incident (LTIs). This is considered acceptable considering the number of operations, but we continue to strive for a clean record and keep safety as our highest priority. In 2013 the strong HSEQ focus will be followed up and further developed.

Our Global Internal Audit Team (GIAT) is up and running. To date, results are positive thanks to internal ownership and cross-functional scrutiny, as well as improved process compliance and transparency.

The sick and employee turnover rates remained below the industry average.

In line with the business plan, the Perth workshop/facilities were upgraded to our operating standards. In Houston the workshop for Chevron DGD project was opened.

AGR CannSeal

CannSeal is a unique tool for sealing off water and gas inflow into oil wells. The wireline tool carries a specialized resin that provides zonal isolation in the annulus after the well has been completed. The tool has been further developed during 2013 and field trials are initiated. Development funding from international oil companies has been granted and there are a positive outlook for the commercialization of the technology.

GROUP/OTHER

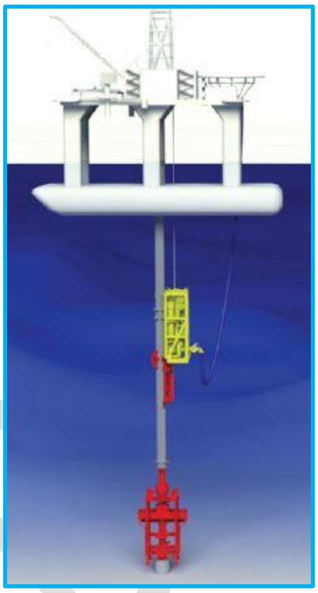
Group consists of some corporate administration shared cost AGR Subsea Ltd and AGR Marine Engineering AS which is companies that has no operation.
During 2013 the claim related to the excavation project in 2012 is not resolved and the provision in AGR Subsea Ltd is still in force. Arbitration has started and is expected to be finalized during 2014. AGR Subsea Ltd has also received a tax claim from Norwegian tax authorities relating to the Ormen Lange excavation work in 2011. The size of the tax claim is disputed.

Research & development 2013

Technology is a core part of EDS Group´s business and it has a number of technologies in development. During 2013 NOK 114 million (gross amount before client and public funding) was invested in research and development and this includes some significant projects that were still in development at year end 2013, 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 EDS. The goal of the project is to demonstrate dual gradient drilling capabilities by employing Enhanced Drilling developed pump technology after the blow out preventer (BOP) and riser have been mounted on the wellhead. Field trial has been conducted on the Troll field outside Norway in May 2014.



EC-Drill™

Equivalent Circulating Density (ECD) effects arise from fluid frictional losses in the wellbore during pumping and circulation. ECD effects cause undesirable variations in bottom hole pressure during drilling. The EC-Drill™ concept compensate for these effects and moves AGR into the field of Managed Pressure Drilling (MPD).

2013 Key Events

February:
The AGR Drilling Services division (now EDS Group) refinanced its debt in a separate bank agreement. This was done as a traditional bank loan with DNB.

March:
AGR Cleanup AS and AGR Well Services AS were divested.

June:
Sign 3 MUSD RMR contract for Sakhalin, Russia

July:
Sign letter of intent with Statoil for a 120 MNOK contract for EC-Drill
Sign agreement for use of RMR and CTS with BG Group

August:
The demerger from AGR Group ASA was completed. The AGR Group shares were split and EDS Group AS were delisted from Oslo Stock Exchange.

The contract for BP Exploration (Caspian Sea) was extended with two years.

November:
Celebrating 10 years of RMR service

December:
AGR Seabead Intervention Ltd and AGR Set Ltd sold

During the year the Management Team has been strengthened with new EVP Finance & Business Support, VP Europe and VP APAC.

Working environment and personnel

A core objective of EDS Group is to have a safe and healthy working environment. We manage our business in accordance with the OSHAS 18001:2004 standard and parts of the company is certified. We monitor our performance continuously, and report status to the Executive Management Team and the Board of Directors on a regular basis.

We have functioning safety organizations and Working Environment Committees; ensuring employee involvement in HSE related issues.

Average illness related absence during 2013 was 3,2 %. There are some variations between the regions, Europe 5.5 %, ACIS 0.9 %, APAC 0.6 % and Americas 0,6 %.

During 2013, Enhanced Drilling had one lost time injury, zero medical treatment incidents and 2 first aid incidents. The frequency of lost time incidents per million working hours (H-value) was 2,45 - an improvement from 2012. In 2013 the main focus has been to grow the audit competence into a global level. One other focus areas has been on dropped objects. This will continue into 2014.

Enhanced Drilling run an annual, worldwide engagement survey, monitoring employee satisfaction, involvement and engagement with our business. We use the results of this survey for further improving our performance.

The focus for 2014 will be recruitment and retention.

Gender equality

As at 31st December 2013 the Board of EDS had 7 Board Members of which 3 are women.

EDS 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 conditions 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 yearly salary evaluation, attention is shown to possible inequality regarding average level of pay for men and women. The EDS Group provides equal pay for equal work and rewards good results.

Environmental Reporting

All EDS activities that effect the environment are managed by means of well established systems and processes in order to identify and eliminate or reduce any negative impact, and to ensure, as a minimum, compliance with legislation and regulations set out by the authorities. The environmental aspects of our activities are identified and managed. EDS aims to facilitate the continuous environmental improvement in our operations by adopting the principles of ISO 14001:2007, international standard for environmental management, and an increasing part of the EDS business are being certified. We are running internal control activities to verify compliance.

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 2013

- Energy consumption is at a normal level for our type of business
- Waste management is performed to minimize waste amounts, and to facilitate for reuse and recycling of generated waste
- Chemicals are managed to reduce use and planned discharge of environmentally hazardous chemicals
- We had zero spills from our operations during 2013

2014 Operations

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

Enhanced Drilling

2013 was good year in terms of Managed Pressure Drilling solutions for floating rigs with EC-Drill® . The building of the kit for the Statoil Troll pilot was finalized and the contract for another kit for Statoil in Gulf of Mexico was signed. Several other oil companies are following these projects closely and are in discussions with Enhanced Drilling in order to learn more about the technology. The demand for this product is likely to expand in 2014 based on the successful pilot that was done on the Troll field in April and May 2014.

We also see real interest in the marketplace for MPC® as a complimentary technology to RMR®, with new customers making inquiries as to the system's capabilities. 2014 will see a continued drive to further raise awareness of MPC® and the benefits it offers and thereby expand it into the rest of the regions.

RMR® itself saw sustained growth in all active markets during 2013. The system become further established in the marketplace both by its continued use by customers who see the benefits RMR® can deliver, as well as active Sales and Marketing efforts.

CannSeal

AGR CannSeal continued it's testing in 2013 and expect to have the equipment ready for operation during 2014. The company is in close dialog with several oil companies in order to start operation. For two of the operators it is expected to go operational in 2H 2014.

Other

AGR Marine Engineering is not expected to conduct any business in 2014. AGR Subsea Ltd will not be operational in 2014.

Remuneration

Information concerning remuneration of the Board of Directors and the Chief Executive Officer can be found in Note 24 to the consolidated financial statements.

The compensation for the external auditor can also be found in Note 24.

Risk Management and Internal Control

Internal control

Effective controls ensure that the group is not exposed to avoidable risk, that proper accounting records have been maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The dynamics of the group and the environment within which it operates are continually evolving together with its exposure to risk. The internal control system is designed to manage rather than eliminate the risk of assets being unprotected and to guard against their unauthorized use and the failure to achieve business objective. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors confirm that there is an ongoing process for identifying, evaluating and managing the risk faced by the group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report and accounts. They also confirm that they have regularly reviewed the system of internal control utilizing the review process set out below.

Standard

EDS has defined roles, responsibilities and timelines for the accounting procedures including guidelines on the minimum level of internal control that each of the subsidiary companies should exercise over specified processes. The internal control process has been formalized and implemented where all subsidiaries are carrying out a self-assessment of the internal control, and signing off on an internal control questionnaire.

The internal control questionnaire is standardized and similar for all subsidiaries, and includes questions about financial control, IT systems, transfer pricing, inventory, accounts receivables, fixed assets, cash, accounts payable, revenue recognition and cost accruals and so on. The questionnaire is based on the group policy, and provides adequate documentation that the policy is implemented.

All companies prepare annual operating plans and budgets, and business strategies are prepared at regional level and approved by the board. In addition EDS prepares financial forecast that are presented to the board at least two times per year. Detailed actual financial segment information is prepared monthly; performance compared to budget is monitored at company, regional and group level. In addition, actual performance is compared to latest forecast and prior year on a monthly basis including analysis of any significant variances.

Capital expenditure and investment decisions are treated as a part of the budget and forecast processes. Details about who has right to approve investments are described in an authorization matrix. The cash position of the group is monitored on a daily basis and variances from expected levels are investigated thoroughly.

An important factor in ensuring proper financial reporting is good IT controls. There are many IT controls in place to access the accounting systems for the year as a whole and at the year-end these controls have been intensified.

Results, Cash Flow, Investments, Finance and Liquidity

Figures for the operating period August to December 2013:

Turnover for EDS Group was NOK 218 million for the period in question. Operating profit for EDS was negative NOK 6 million and net profit for the period was negative NOK 50. For more information about the background for the results, see the operational section and the notes to the accounts.

Accumulated cash flow from EDS's operational activities was positive NOK 55 million. Total investments for EDS was NOK 10 million, and was mainly related to EC-Drill equipment and development projects such as CannSeal.

Cash and cash equivalents for the Group on 31.12.12 were NOK 58 million.

EDS's total interest-bearing debt at year end 2013 was NOK 220 million.

At the end of the year, total assets amounted to NOK 880 million. The equity to total assets ratio at 31.12.2013 was 34 %.

Financial Risk

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.

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 cooperation 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.

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 and Australian Dollar Foreign exchange risk arises from future commercial transactions, recognized 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. The group held no FX derivatives at year end 2013 or 2012.

(ii) Price risk

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 significant 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 net interest expenses would be negative NOK 3 million and positive NOK 3 million respectively.

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 exposure to customers, including receivables and committed transactions.

The Group's customers are mainly the large international oil companies with limited to low 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, majority of the Group´s receivables are credit insured in order to reduce credit risk.

The Group's main bank at 31st December 2013 is DNB

Liquidity risk

The Group has a customer portfolio with large, medium and small cap customers. Delayed payments from some of the largest customers at the same time could have a significant impact on the Group's 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 31st December 2013 the Group had undrawn committed short-term credit lines amounting to NOK 45 million plus cash deposits of NOK 58 million.

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.

Parent Company

EDS Group AS is the parent company and its main activity is to act as the owner of the shares in the companies. The revenue for 2013 was NOK 12 Million and operating result in 2013 was negative NOK 1 million.

The net result was positive NOK 3 million.

Accumulated cash flow from the company’s operations was NOK 0 million.

The total assets were NOK 510. The equity to asset ratio was 90 % at 31.12.2013.

Continued Operation

In Q1 2013 the Drilling Services division in AGR (now EDS Group) was refinanced through a 3 year traditional bank loan. The loan agreement was signed in February 2013.

EDS Group has met the financial covenants during 2013 and expects to meet them in 2014.

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 EDS’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 EDS Group's net profit for the financial year:

Loss for the year	(49 619) TNOK
Non-controlling interests' share of loss for the year	(1 128) TNOK
Total loss allocated to retained earnings	(48 491) TNOK

The parent company's distributable equity at 31.12.2013 was:

Profit for the year	3 193 TNOK
Total loss allocated to retained earnings	3 193 TNOK

Oslo, 27 May 2014

Reynir Indahl Vice Chairman	Eivind Reiten Chairman	Tove Magnussen Board member
Hugo Maurstad Board member	Thomas Nilsson Board member	
Maria Tallaksen Board member	Celeste Mackie Board member	David Maurice Hine CEO