



AGR Group ASA

1st Quarter 2008



Background

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

- Petroleum Services
 - Drilling Services
 - Field Operations
- After increasing its shareholding in AGR Group to over 40%, Altor Oil Service Invest AS launched a mandatory bid on 6 March 2008 for all outstanding shares of AGR Group as required under the listing rules of the Oslo Børs. At the close of the mandatory offer on 3 April 2008 Altor Oil Service Invest AS had increased their shareholding in AGR Group to 53 877 099 shares in AGR, representing 76.58% of the issued and outstanding shares in the company.
- At an Extraordinary General Meeting held on 7 April 2008 a new board was elected - Hugo Maurstad was elected Chairman and Per Inge Remmen, Sjur Talstad, Thomas Nilsson, Reynir Indahl and Maria Tallaksen were elected to the board. Tove Magnussen and Fiona Walker continued as board members.
- On 8 April 2008 it was announced that AGR Group intended to work towards listing Petroleum Services as a separate listed company by the end of 2008. In addition, Drilling Services and Field Operations will be managed as stand-alone businesses and the corporate center will be gradually reduced and eventually removed when non-core businesses are sold. During 2008, the plan is to find new owners for a number of smaller businesses.

Applied accounting principles

This quarterly report is prepared in accordance with International Financial Reporting Standards (IFRS) and the standard for quarterly reporting (IAS 34). The quarterly accounts are based on the current IFRS standards and interpretations. Changes in standards and interpretations may result in other figures. The same accounting principles as for the most recent financial statement are applied throughout this document.

The report does not include pro forma figures as there have not been any significant acquisitions over the last 15 months.

Income statement at the end of Q1 2008

Primary segment reporting per. 31.03.2008 (NOK 1.000)

Virksomhetsområder / segments	Business	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external		278 234	71 164	225 562	3 942	-	578 902
Driftsinnt., int. / Operating revenue, internal		52 268	16 246	15 540	21 467	(105 521)	-
Driftskost. f. avskr. / Op. ex. before depr.		(248 651)	(75 472)	(226 905)	(79 344)	105 521	(524 851)
EBITDA		81 851	11 938	14 197	(53 935)	-	54 051
Avskrivninger / Depreciation		(7 497)	(14 274)	(13 118)	(2 071)	-	(36 960)
Nedskr. og avsetn./ Write downs and provisions		-	-	-	-	-	-
EBIT		74 354	(2 336)	1 079	(56 006)	-	17 091

Primary segment reporting per. 31.03.2007 (NOK 1.000)

Virksomhetsområder / segments	Business	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external		193 547	58 195	216 418	(172)	463	468 450
Driftsinnt., int. / Operating revenue, internal		5 545	6 181	16 774	5 609	(34 109)	-
Driftskost. f. avskr. / Op. ex. before depr.		(171 897)	(39 824)	(199 368)	(20 026)	33 100	(398 014)
EBITDA		27 195	24 552	33 824	(14 589)	(546)	70 436
Avskrivninger / Depreciation		(2 618)	(10 536)	(13 671)	(8 605)	-	(35 430)
Nedskr. og avsetn./ Write downs and provisions		-	1 279	-	(1 279)	-	-
EBIT		24 577	15 295	20 153	(24 473)	(546)	35 006

* EBITDA; Earnings before interest, tax, depreciation and amortisation, excluding stock write downs

** The total figure is changed compared to the Q1 2007 report due to i) based on a ruling from the Norwegian FSA the purchase price allocation in relation to the acquisitions of Reservoir Evaluation Services AS and the Peak Group has been revised and, ii) the sale of the RC Group (reference is made to Information Memorandum dated 15 June 2007 regarding the sale of 100% of the shares in RC Consultants)

*** See additional segment information for more information regarding composition of the segments

- Operating income for Q1 2008 grew by 24% to NOK 579 million compared to NOK 468 million in Q1 2007.
- Q1 2008 EBITDA before cost related to Altor's bid amounted to NOK 62 million (11%) compared to NOK 70 million (15%) for 2007. After bid costs, the EBITDA Q1 2008 was NOK 54 million.
- The overdue receivables owed by AED to AGR Group subsidiary are expected to be paid in full and AED has communicated payment during June/July. The provision of NOK 18 million made in Petroleum Services at year end 2007 has therefore been reversed. However, an equivalent provision has been made on Group level for potential similar instances going forward.
- All business within *Petroleum Services* are performing very well and delivering top-line growth of 44% to NOK 278 million and EBITDA of NOK 82 million including reversal of provision, up from NOK 27 million last year.
- *Field Operations* is delivering 4% top-line growth to NOK 226 million, while the European business is continuing to deliver solid growth and EBITDA margins of around 11%. The newly included Australian business (Upstream) had short term issues and made a loss of NOK 3 million in Q1. Problems in this business are being addressed and AGR expect to see results of these activities in the second half of 2008.
- Within *Drilling Services*, the Well Services and Subsea Excavation business are progressing very well and in combination delivering NOK 9 million before allocated business area overhead. The RMR business is continuing to experience strong demand, but the rapid build-up of the RMR fleet

and operators continue to put pressure on performance. This unit delivered NOK 8 million before allocating business area overhead cost. In total the business area was delivering an EBITDA of NOK 12 million compared to NOK 25 million in Q1 2007.

- Earnings per share for Q1 2008 were negative NOK 0.23 compared with NOK 0.28 in Q1 2007.

Balance Sheet at the end of Q1 2008

The Group had total assets of NOK 3 736 million at March 31 which is unchanged from year end 2007. Interest-bearing debt has increased to finance increased need for working capital mainly due to the unpaid receivables from AED in Petroleum Services, and capex, mainly related to the RMR business.

Net interest-bearing debt for the Group was NOK 1 397 million at the end of Q1 2008 compared with NOK 1 040 million at the end of 2007. The average interest rate in Q1 2008 was 6.96 per cent. As part of the plan to build three stand-alone businesses and separating out Petroleum Services, a new debt structure will be put in place. AGR is currently in discussions that are progressing well with the banks on the new structure. As a result of this and the fact that AGR is marginally in breach of the EBITDA-covenant, all debt to credit institutions has been classified as short-term debt in Q1 2008 according to IFRS (IAS. 1.65).

At the end of March 2008, NOK 534 million of interest bearing debt is fixed through interest swaps constituting 36% of total interest bearing debt.

Netto rentebærende gjeld / Net interest-bearing debt	Faktisk/Actual	Faktisk/Actual	Faktisk/Actual
NOK 1.000	31.03.2008	31.03.2007	31.12.2007
Annen langsiktig lån / Other long term debt	5 211	0	2 175
Langsiktig gjeld til finansinstitusjoner / Long term debt to credit institutions	0	879 116	936 369
Kortsiktig gjeld til finansinstitusjoner/Short term debt to credit institutions	935 899		
1. års avdrag langs. renteb. gjeld / Installments on interest-bearing debt (short term)	540 000	41 530	240 000
Sum rentebærende gjeld / Total interest-bearing debt	1 481 110	920 646	1 178 544
Likvide midler / Cash and cash equivalents	83 895	26 170	138 634
Netto rentebærende gjeld / Net interest-bearing debt	1 397 215	894 476	1 039 910

As at 31 March 2008, the Group's equity was NOK 1 003 million compared with NOK 1 053 million at year end 2007. The equity-to-assets ratio was 27 percent.

Egenkapitaloppstilling / Equity reconciliation			
NOK 1.000	01.01 - 31.03 2008	01.01 - 31.03 2007	01.01 - 31.12 2007
Egenkapital ved periodens begynnelse / Equity at opening balance	1 053 132	901 837	899 989
Konsernets resultat i perioden / Profit after taxes	(16 699)	18 119	142 134
Exchange differences	(44 286)	(5 734)	(73 716)
Minority interest	11 076	-	12 531
Emisjon / Share issue	-	-	72 192
Egenkapitaleffekt ved opptak av konvertibelt lån / Equity effect of convertible loans	-	-	-
Egenkapital ved periodens slutt / Equity at period end	1 003 223	914 221	1 053 132

Cash-flow – Q1 2008

The Group had a total net cash-flow of negative NOK 54 million for Q1 2008 compared with negative NOK 122 million for the same period last year. Cash-flow from operating activities amounted to negative NOK 283 million, while cash-flow from operating activities in Q1 2007 was NOK 9 million. The main reason for the difference between profit before tax and cash flow from operating activities in Q1 2008 is an increase in net working capital mainly due to AED. Investments are mainly related to the RMR business.

During Q1 2008, cash-flow from investment and financing activities were negative NOK 74 million, and NOK 303 million respectively. For the same period in 2007 these figures were negative NOK 484 million and NOK 354 million.

On 31 March 2008, cash and cash equivalents amounted to NOK 84 million.

Kontantstrømsoppstilling / Cash-flow analysis			
NOK 1.000	01.01 - 31.03 2008	01.01 - 31.03 2007	01.01 - 31.12 2007
Netto kontantstrøm fra operasjonelle aktiviteter / Net cash-flow from operational activities	(283 374)	8 891	122 007
Netto kontantstrøm fra investeringsaktiviteter / Net cash-flow from investment activities	(73 930)	(484 278)	(520 723)
Netto kontantstrøm fra finansieringsaktiviteter / Net cash-flow from financing activities	302 566	353 831	389 624
Netto endring i betalingsmidler / Net changes in cash and cash equivalents	(54 738)	(121 556)	(9 092)
Betalingsmidler ved periodens begynnelse / Cash and cash equivalents at start of period	138 634	147 726	147 726
Betalingsmidler ved periodens slutt / Cash and cash equivalents at end of period	83 896	26 170	138 634

Additional segment information

AGR reports segmented information on the following business units: *Petroleum Services, Drilling Services and Field Operations*.

Historical figures for Field Operations are excluding RC Consultants. The historic figures for the acquired Australian Upstream Petroleum business have been divided to the various business segments according to the relative share of related business. The majority of the company is related to Field Operations.

As part of the announced strategy to build three, strong stand alone businesses focused on their core offerings, DPAL, the pipeline assembly business, which is a standalone business, will be reported through Group financials, as opposed to, as previously reported, through Drilling Services. Drilling Services focus is drilling technology and excavation technology, and a stand alone pipeline assembly business is more appropriately reported through Group financials rather than within this business unit noting the corporate strategy. The special projects and smaller businesses to be divested will also be transferred to Group level above the three main businesses. Historical information is adjusted accordingly.

In addition, as AGR Group reduces corporate overhead as part of its costs saving exercise, and the three separate business units build their own capacity, shared services expenditure will be reported within Group financials. Historical information is adjusted accordingly. In the process of reducing corporate overhead, some build-up of corporate functions in the three areas is necessary.

Business segments:

Primary segment reporting per. 31.03.2008 (NOK 1.000)

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Nedskr. og avsetn./ Write downs and provisions		-	-	-	-	-	-
EBIT		74 354	(2 336)	1 079	(56 006)	-	17 091

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EBIT		24 577	15 295	20 153	(24 473)	(546)	35 006

EBITDA for **Petroleum Services** for the first quarter of 2008 was NOK 82 million, compared to NOK 27 million for the same period last year.

Petroleum Services has been operating 5 rigs in the UK, 1 in Norway, 1 in Tunisia and 1 in Australia. A total of 28 wells were drilled (or commenced drilling) in Q1 2008 compared to 5 in Q1 2007. The Wilcraft rig in Australia had its contract extended from drilling 13 wells to 16 wells and the rig contract for the UK based Ensco 100 was also extended.

Petroleum Services is continuing to progress towards its aim of providing integrated reservoir, well and field management services and expansion into the Gulf of Mexico the first half of 2008. As management has stated the preparations of the business for the previously stated aim of listing the business unit as a separate company in the latter half of 2008 is ongoing.

EBITDA for **Drilling Services** for the first quarter of 2008 was NOK 12 million excluding DPAL, compared to NOK 25 million for the same period last year.

The focus this year has been to build new RMRs going from 14 to 25, and hire and train new operators. The current focus in the business unit is to continue to build robustness in the organisation, with a particular focus on business development. In Q1 2008 5 wells were drilled utilising the RMR, with a management aim to build up this level over 2008, leveraging the global footprint of personnel now available for business development.

For the Well Service business there is focus on deploying the new desander and two more tools are in the construction phase of which one is already under contract. In addition the organisation is working to expand the sales of other products, such as the junk trapper, internationally.

The excavation business is progressing solidly and is on track to conduct the excavation project at Ormen Lange in mid 2008 with the new technology the Claycutter X. A new product offering, the water driven SeaVator has been successfully tested in Aberdeen. This equipment will allow the advantages of

Mass Flow Excavation to be enjoyed at water depths where oil hydraulics cease to be economic and opens up new opportunities for the excavation business.

The Drill Pipe Assembly Line (DPAL) has had some issues with production in Q1, however management continues with its aim to produce 400 pipes per week by end 2008, although EBITDA expectations for the line have been modified downwards.

EBITDA for **Field Operations** for the first quarter of 2008 was NOK 14 million, compared to NOK 34 million for the same period last year.

Financial reporting in the Field Operations division now also incorporates the acquired Australian Upstream Petroleum business (previously reported through the Petroleum Services division), which is currently in a period of reorganisation, expected to continue through to mid 2008. Currently that business is not performing to the level expected, which has impacted on Field Operations results.

Excluding the Upstream business, Field Operations is positioned to perform solidly over 2008, although some delays in the commencement of inspection contracts, pushed into Q2 and Q3, had some impact on the Q1 results.

Field Operations SOLV offering has a solid pipeline of work for 2008; the Maintenance Engineering business was awarded a new contract from a major Norwegian offshore service company in the heavy equipment transportation and installation sector; the Pipeline inspection business continues to receive strong interest in its offerings and management is confident that a solid pipeline of work is expected over the remainder of 2008 and into 2009.

Post Q1 balance sheet, Field Operations was also awarded a contract with StatoilHydro to inspect and certify its non-complex lifting equipment across StatoilHydro's North Sea operations, from Sleipner in the South to Snøhvit in the North. The contract covers 15 offshore and 4 onshore installations.

Geographical segments:

Secondary segment reporting (NOK 1.000)		
Geografisk fordeling av driftsinntekter / Geographical distribution of operating income	01.01 - 31.03 2008	01.01 - 31.03 2007
Norge / Norway	178 581	189 280
Europa ekskl. Norge / Europe ex. Norway	131 775	109 357
Asia / Australia	189 989	160 511
Amerika / America	44 347	9 301
Afrika/Africa	34 210	0
Sum / Total	578 902	468 449

The operating income from outside Norway has increased from MNOK 279 in Q1 2007 to MNOK 400 in Q1 2008. This represents an increase from 60% to 69% of total operating income. The increase stems from acquisitions completed during 2007, the sale of RC Consultants and organic international growth.

Bergen, 30 May 2008

Board of AGR Group ASA

Appendix A

Kvartalsrapporten følger IFRS / The quarterly report is according to IFRS, ref IAS 34.

Income Statement	Actual	Actual	Actual
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2008	2007	2007
Operating income	578 902	468 449	2 100 641
Operating expenses before depreciation	(524 851)	(398 014)	(1 800 341)
EBITDA	54 051	70 435	300 300
Depreciation	(36 960)	(35 430)	(148 883)
Write downs and provisions			(64 329)
EBIT	17 091	35 005	87 088
Net financial items	(40 947)	(18 244)	(93 218)
Profit before taxes	(23 856)	16 761	(6 130)
Taxes	7 156	(4 694)	1 988
Profit after taxes (PAT)	(16 700)	12 067	(4 142)
Profit after tax from RC Group		6 052	11 629
Profit from sale of RC Group			136 562
Results from discontinued operations	-	6 052	148 191
Profit after taxes incl. discontinued operations	(16 700)	18 119	144 049

Nøkkeltall / Key figures	Faktisk/Actual*	Faktisk/Actual	Faktisk/Actual
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2008	2007	2007
Gjennomsnittlig antall aksjer / Average number of shares	70 355 808	65 352 748	69 736 779
Resultat pr. aksje (*) / Earnings per share/Diluted EPS	(0,23)	0,28	2,07
EBITDA-margin	9,3 %	15,0 %	14,3 %
EBIT-margin	3,0 %	7,5 %	4,1 %
Egenkapitalandel / Equity ratio	26,9 %	30,2 %	28,2 %
Netto rentebærende gjeld / Net interest bearing debt	1 397 215	894 476	1 039 910

Balance Sheet	Actual	Actual
NOK 1.000	31.03.2008	31.12.2007
Fixed assets		
Deferred tax asset	29 705	6 176
Patents, research and development	421 761	382 025
Goodwill	1 085 269	1 105 570
Land and buildings	36 965	37 094
Machinery and other equipment	517 636	538 137
Financial fixed assets	7 289	21 323
Total fixed assets	2 098 625	2 090 325
Current assets		
Inventory	42 114	40 225
Accounts receivable	1 334 263	1 365 356
Other receivables	174 152	98 089
Shares held for trading purposes	2 683	3 473
Cash and cash equivalents	83 895	138 634
Total current assets	1 637 107	1 645 777
Total assets	3 735 732	3 736 102
Equity		
Paid in capital	899 225	899 225
Other equity	103 998	153 907
Total equity	1 003 223	1 053 132
Long-term liabilities		
Provisions	47 057	100 496
Deferred tax liability	69 544	61 591
Other longterm liability	5 211	2 175
Liabilities to financial institutions	-	936 369
Total long-term liabilities	121 812	1 100 631
Short-term liabilities		
Short-term liabilities	2 610 697	1 582 339
Total short-term liabilities	2 610 697	1 582 339
Total liabilities	2 732 509	2 682 970
Total equity and liabilities	3 735 732	3 736 102

Appendix B

Egenkapitaloppstilling / Equity reconciliation			
NOK 1.000	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
	2008	2007	2007
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Appendix C

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EBIT		74 354	(2 336)	1 079	(56 006)	-	17 091
Netto finansposter / Net financial items		(1 459)	(13 574)	(4 207)	(21 707)	-	(40 947)
Resultat før skatt / Profit before taxes		72 895	(15 910)	(3 128)	(77 713)	-	(23 856)
Skattekostnad / Taxes		(17 948)	5 091	1 001	19 012	-	7 156
Konsernets resultat / Profit after taxes		54 946	(10 819)	(2 127)	(58 701)	-	(16 700)

Primary segment reporting per. 31.03.2007 (NOK 1.000)

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Nedskr. og avsetn./ Write downs and provisions		-	1 279	-	(1 279)	-	-
EBIT		24 577	15 295	20 153	(24 473)	(546)	35 006
Netto finansposter / Net financial items		(798)	(1 933)	2 345	(19 634)	1 776	(18 244)
Resultat før skatt / Profit before taxes		23 779	13 362	22 498	(44 107)	1 230	16 762
Skattekostnad / Taxes		(6 658)	(3 741)	(6 299)	12 350	(345)	(4 694)
Konsernets resultat / Profit after taxes		17 121	9 621	16 198	(31 757)	885	12 068