AGR Group ASA

4th quarter 2008

Introduction

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

- Petroleum Services
- Drilling Services
- Field Operations

Organisational structure

Management is currently completing the separation of AGR into three distinct business units, legally as well as operationally. Each business area is now turned into an autonomous entity, with some limited sharing of services where this is cost efficient or practical. The benefit of this is that it enables a high degree of focus and efficiency. Due to market conditions the previously announced listing of Petroleum Services has been postponed. When markets improve, the board will reconsider the listing of Petroleum Services. Petroleum Services, Drillings Services and Field Operations will therefore remain under the current ownership and remain listed as AGR Group.

Basis for reporting

Due to the acquisition of Tracs in July 2008 and F.J. Brown in April 2007 proforma information with comparable numbers are prepared for the reported periods. Consequently the reported income statements for 2007 and 2008 include both actual and proforma comparable figures. As the Board is committed to a plan to find new owners for a number of smaller businesses these operations have been classified as discontinued operations according to IFRS, and are presented separately in the income statement and balance sheet. For more information, please refer to the Financial consolidated information and notes section of this report.

Fourth quarter financial highlights[1]

Primary segment reporting Q4 2008 only (NOK 1.000)						
Virksomhetsområder / Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Driftsinnt., ekst. / Operating revenue, external	430.559	82.667	207.245	1.694	-	722.164
Driftsinnt., int. / Operating revenue, internal	(65.897)	22.127	12.594	8.796	22.380	-
Driftskost. f. avskr. / Op. ex. before depr.	(354.408)	(91.174)	(190.361)	(39.064)	(22.380)	(697.386)
EBITDA	**10.254**	**13.620**	**29.478**	**(28.574)**	**-**	**24.778**
Avskrivninger / Depreciation	(13.638)	(14.770)	(12.887)	(630)	-	(41.925)
Nedskr. og avsetn./ Write downs and provisions	(399)	(125.876)	(2.452)	(6.998)	-	(135.725)
EBIT	**(3.783)**	**(127.026)**	**14.139**	**(36.202)**	**-**	**(152.872)**

Primary segment reporting Q4 2007 only (NOK 1.000)						
Virksomhetsområder / Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Driftsinnt., ekst. / Operating revenue, external	296.865	58.440	188.470	(5.999)	(22.944)	514.831
Driftsinnt., int. / Operating revenue, internal	22.807	41.713	(12.697)	(10.055)	(41.769)	-
Driftskost. f. avskr. / Op. ex. before depr.	(255.006)	(84.727)	(172.717)	(21.056)	66.550	(466.955)
EBITDA	**64.666**	**15.426**	**3.056**	**(37.110)**	**1.838**	**47.876**
Avskrivninger / Depreciation	(30.580)	(12.097)	4.869	(113)	209	(37.712)
Nedskr. og avsetn./ Write downs and provisions	(26.315)	-	(6.113)	-	-	(32.428)
EBIT	**7.771**	**3.330**	**1.813**	**(37.223)**	**2.046**	**(22.264)**

EBITDA: Earnings before interest, tax, depreciation and amortisation, excluding inventory/asset write downs

- All business units have to some extent been affected by the current financial crisis and economic downturn. Petroleum Services was the division most impacted as new rig campaigns are postponed until a new price equilibrium in the rig market is found. Operating revenue for Q4 2008 grew by 40% to NOK 722 million compared to NOK 515 million in Q4 2007. Q4 2008 EBITDA dropped by 48% to NOK 25 million (3% margin) compared to NOK 48 million (9% margin) for 2007.

- *Petroleum Services* ended on a Q4 EBITDA of NOK 10 million compared to NOK 65 million in Q4 2007. Although most of the businesses delivered satisfactory results given the market turmoil, the financials are affected by losses from the turnkey operation.

- In *Drilling Services* the Q4 performance was steady with continued strong focus on sales efforts in the RMR and trenching & excavation operations. Well Services continues to deliver good results. In total the business area had an EBITDA of NOK 14 million compared to NOK 15 million in Q4 2007.

- *Field Operations* had a strong quarter delivering 10% top-line growth to NOK 207 million compared to NOK 188 million in Q4 2007. The EBITDA was NOK 29 million in Q4 2008 compared to NOK 3 million in 2007. The solid results come as a result of optimized utilization of personnel and equipment. The activity in the Australian business has been good with a positive effect from the Reliance contract. The European business delivers good results in accordance with expectations.

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. According to these regulations group management has undertaken a full review including goodwill, other indefinite lived assets and finite lived assets at year end 2008. The result of this review is an impairment charge of NOK 190 million in Q4. For more information about the impairment testing, please refer to the Financial consolidated information and notes section of this report. In addition to this, write-downs of NOK 7 million of assets, mainly related to Drilling Services, have been made in Q4 2008.

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* Holding costs and shared services is reported within Group. As stand-alone businesses some build-up of corporate functions in the three business areas is necessary.
* Discontinued operations are not included.

Divisional Reports

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

According to the revised strategic direction for the AGR Group, the corporate overhead has been reduced as part of its costs saving exercise and minor build-up of corporate functions in the three areas has been necessary. In this transition period the shared services expenditure will be reported within Group financials. Historical information is adjusted accordingly.

Divisional Report – Petroleum Services

EBITDA for Petroleum Services for the fourth quarter of 2008 was NOK 10 million, compared to NOK 65 million for the same period last year. For 2008 as a whole the business area's EBITDA was NOK 270 million compared to NOK 191 million in 2007. In Q1 2008 the provision for AED outstanding amount made at year end 2007 was reversed with a positive effect of NOK 18 million.

Despite a period of reduced well campaigns following the global economic downturn, the activity level in Well Management has been satisfactory in Q4. The business has been operating three rigs in the UK, one rig in Norway, one rig in Tunisia, one rig in Australia as well as one deep venture drillship in West Africa. The highly successful deepwater campaign in West Africa with Ophir was completed in Q4 with the drilling of 5 deepwater wells in 99 days and with the use of new promising technology. A total of 11 wells were drilled (or commenced drilling) in Q4 2008 compared to 19 wells in Q4 2007. In addition to this the organization has been doing project studies, well design work in preparation for 2009 drilling activity and development of new client relationships. In 2008 AGR Petroleum was the second most prominent driller in North West Europe, only surpassed by StatoilHydro. During 2008 Petroleum Services has drilled (or commenced drilling) 60 wells compared to 56 wells in 2007.

The demand for rigs is expected to be slower in the short term with lower rig rates as a result. Lower rig rates do not affect Petroleum Services margins directly and can create more opportunities. AGR will be active in the rig market and look for additional rig campaigns at a level where the rig rates will attract clients to commit to increased drilling activity. Should the situation with low oil prices continue, this may lead to adjustments in the oil companies' investment plans and cause termination or postponement of exploration studies and drilling. In this scenario Petroleum Services is likely to be negatively affected.

The leading probabilistic planning tool, P1™, has become the planning tool of choice for many large operators. AGR is currently refocusing activities to strengthen the promotion of this system as part of the operational risk management services offering of the company.

AGR Petroleum Services launched Turnkey drilling services in the third quarter of 2008. The business model implies that the company will drill a well for a client on a guaranteed fixed-price basis while assuming some risks of getting the well drilled to its target depth. As previously announced three wells have been drilled on a turnkey basis in the Gulf of Mexico during 2008. In total the three wells have resulted in a loss and AGR has implemented several measures to strengthen the operational model as additional wells are being evaluated as potential turnkey prospects going forward.

Petroleum Services' US subsidiary, FJ Brown, finished the drilling of the Black Beard well in Gulf of Mexico for McMoran during Q4. The well is the deepest well ever drilled below mud line at a depth of 33.000 feet and with a mud weight of 19 ppg. The activity in FJ Brown has been good with the main activities in the Gulf of Mexico, West Africa and South America.

The capacity utilization within Reservoir Management has been satisfactory throughout the fourth quarter with continued activity with the main clients. An increase within valuation work has also been noted. The integration process with Tracs is in the final stages with high focus on leveraging from common products and integrated projects. The integrated services from Field Management have been well received by clients. In Q4 integrated projects have been performed with Reservoir Management in UK, Norway and Kazakhstan.

Coordination of the AGR Consultancy offices continue to improve and the activity within the consulting business has been strong in Q4. In Norway a number of contract extensions have been negotiated and rewarded, and positive client feedback on the consultants has been received from clients. UK activity has also been good, but as usual it slowed a bit down towards Christmas. In Australia resourcing for the successful Ophir campaign has taken a large part of the capacity as this required a full operations team in West Africa for Equatorial Guinea and Gabon.

Divisional Report – Drilling Services

EBITDA for Drilling Services for the fourth quarter of 2008 was NOK 14 million, compared to NOK 15 million for the same period last year. For the full year the EBITDA was NOK 42 million compared to NOK 100 million for 2007.

Q4 performance in the RMR business was steady, with the new management initiatives creating more stability and predictability throughout the business. A change in sales and marketing strategy combined with a major increase of sales effort has resulted in larger market interest. The RMR business may on one side benefit from increased cost focus within oil companies in the current situation with lower oil price, but on the other side utilization may be affected if the oil companies terminate or postpone their investment plans. During 2008 the RMR technology has been used in a number of new applications such as zero discharge environmental drilling on a sensitive coral reef, reducing hydrostatic pressure in the mud return system to control well-bore pressure and eliminating the requirement to drill a pilot hole during exploration drilling on the Norwegian continental shelf. There are 19 RMR systems in the working fleet at the end of 2008. During Q4 7 wells were drilled using the RMR system and the total for the year is 22 wells.

The successful field trial and completion of the Deepwater RMR development system during 2008 has led to renewed interest from operators around the world for this technology. There are currently opportunities for a first commercial application of the system in Europe, Americas and Asia Pacific region. As a follow on to this success, a major operator has recently awarded AGR a feasibility study to increase the depth capability of the system from 1500 meter to 3000 meter depth.

The Chevron Dual Gradient Drilling (DGD) development project has started up. This project will develop and commercialise a highly innovative and unique subsea pumping system which Chevron believe will become an enabling technology for certain deep water assets within their global portfolio. This DGD system development represents the first major commitment by an Operator to undertake managed pressure drilling using subsea pumps, and has the potential to fundamentally change the way that the deepwater drilling industry operates in the future. AGR will be funded by Chevron to undertake the project management and development engineering for the initial 3 year period, and will potentially operate the commercial systems of the future. The integrated Chevron/AGR project team is based in AGR's Houston office and has recently completed recruitment of personnel for the development phase. The experience of developing and commercialising the RMR technology made AGR a natural partner for Chevron in this development, and the project reinforces AGR's market leading position within the growing area of managed pressure drilling.

The Well Services business continues to show good results and has initiated growth in new geographical markets such as North Africa, South East Asia and Australasia. During Q4 new agents were appointed for the down-hole tools division in Egypt, Libya and Australia. The de-sander business also performed strongly supporting Halliburton in the UK sector of the North Sea and BP in the Caspian. This technology is considered a primary growth area within Well Services.

The UK based trenching and excavation business progressed according to plan in Q4, with significant operations performed overseas in Australia and Korea. The successful completion of the Black Tip trenching project in Australia has lead directly on to a new contract in Indonesia for Global Industries. Progress has also been made in raising the awareness of the ClayCutter X for future work with several potential projects under consideration. The ClayCutter X route preparation system uses high-pressure water delivered by AGR`s unique 9,000 hp portable pumps to cut trenches in a wide variety of seabed soils, and can also be used to excavate glory holes and to flatten large areas of seabed prior to template installation. The portable pumps can also be utilized on a stand-alone basis for alternative activities such as temporary water injection and pipeline decommissioning/flushing. In December AGR announced the signing of a frame agreement with StatoilHydro for worldwide provision of seabed excavation services. The agreement is for 3 years with options to extend for two further 2 year periods. The frame agreement follows the highly successful summer 2008 campaign to prepare pipeline routes on the southern Extension of the Ormen Lange field, where the ClayCutter X exceeded all expectations for speed and accuracy.

During Q4, execution of the cost reduction plan was finalised within Drilling Services, with a reduction of onshore and offshore personnel and completion of internally funded R&D projects. The business size is now aligned to the volume of work available in each of the RMR, Well Services and Trenching & Excavation service lines.

Divisional Report – Field Operations

EBITDA for Field Operations for the fourth quarter of 2008 was NOK 29 million compared to NOK 3 million for the same period last year. On a year to date basis the EBITDA was NOK 90 million compared to NOK 87 million in 2007. Throughout the year the European operations have continued to deliver solid results. The pipeline inspection operation had a slow start of the year, but activity and results improved significantly in the second half. After a troubled start of the year a successful turnaround was completed in the Australian operation. By the second quarter the operation returned to positive results, had reduced turnover of personnel and a stronger order book. As there are rigid regulations in place for the services this business area provides within integrity and maintenance management, it is likely that it will be fairly robust to the economic downturn.

Based on favourable experience and market outlook, Field Operations has decided to establish a permanent inspection operation in Americas. Planning and preparatory work has been started in Q4 and by 1st of March the operation will count 7 employees. With this initiative AGR Field Operations will ramp up the business from an ad-hook to a permanent business in US and Houston. The operation is expected to grow further into 25 – 30 employees within the end of 2009. In addition to internal pipeline inspection and subsea inspection technology, the company will offer high end automated inspection services to the US refinery and chemical industry. For the clients, it means that AGR will have a local day-to-day presence and will be able to mobilize both personnel and equipment on shorter notice and at even more competitive terms. The majority of tools and technologies offered by this group will be based on technology from AGR Technology Design.

During Q4, Field Operations has entered into an exclusive partnership agreement with Eureca. This strengthens the AGR's position within Pipeline Inspection in Asia and especially in Malaysia. Eureca is owned by PBJV Group, a company with personnel and competence within pipelines, and is fully licensed by the leading oil and gas multinational Petronas. This opens up for a partnership where AGR to a larger extent can provide the technology and project management, and PBJV Group can support the operation with personnel locally. The benefits for AGR will be a more cost effective project execution model as well as reduced mobilization time.

To further strengthen the presence and market access in Americas, an agency agreement has been made with Morken for Argentina, Chile and Peru for pipeline and advanced NDE inspection technology. Morken is an agent with a long history and strong track record in this region.

Three framework agreements with a contract value of 212 MNOK between AGR EmiTeam AS and StatoilHydro has been extended with 24 months. The contracts involve provision of the SOLV maintenance management concept to all previous Statoil and Hydro installations and plants (separate contracts), inspection management to previous Hydro installations and turnkey inspection to the Troll/Sleipner field.

The partnership between AGR Field Operations and Flexlife to provide the industry with new and unique technology for external inspection of flexible risers is progressing very well. All tests have been successful, and there is strong focus on this new technology from all the major operators in the industry. The Neptune inspection tool has recently successfully completed its first offshore UKCS project where it was launched from an FPSO to perform inspection. Of six risers inspected, it was identified defects on five. This is a reference project as it is the first time the equipment is launched and has performed inspection offshore.

Many operators have limited information about the actual condition of their flexible risers. To enable better control, AGR Field Operations has developed and launched a new technology for internal inspection of flexible risers. The new technology is an intelligent video hybrid without limitations on distance. In Q4 six flexible risers were inspected for clients in Europe and defects were detected on 50% of the risers that were inspected. The defects can cause reduced production rate, risk for leakage and discharge with subsequent environmental damages as well as a negative impact on financial results. This is a technology with a number of benefits for the clients and a significant market potential.

AGR Field Operations has during the last few years developed a series of solutions within alternative energy for the major players in the Australian market. AGR has covered activities such as sub-terrain storage of CO_2, wave energy, coal seam gas, coalmine degasification and geothermal energy. It is expected that the market for these services will increase going forward. In February 2009 AGR Field Operations therefore introduced a global product line within Alternative Energy. This product line will have its centre of excellence located in Brisbane, Australia.

Discontinued operations

The sales agreement between AGR Group and Semco Maritime AS regarding the sale of 100% of AGR Project Partner AS including subsidiaries was closed November 28. The process of finding new owners with a better strategic fit for DPAL, Liquegas and the FDPSO Shiraz Pty will continue into 2009 with the aim of closing a soon as possible.

Financial Information

EBITDA for 2008 was NOK 288 million compared to NOK 285 million in 2007. Petroleum Services and Field Operations have performed well, while Drilling Services has not yet obtained the required utilisation of the RMR systems.

The impairment testing of goodwill, other indefinite lived assets and finite lived assets at year end 2008 has resulted in asset impairment charges of NOK 100 million for goodwill related to Drilling Services, NOK 27 million related to intangible assets, mainly in Drilling Services, and NOK 63 million in impaired assets in AGR DPAL[2]. With these charges the net loss excluding discontinued operations was negative NOK 152 million for 2008.

The Group had total assets of NOK 3 843 million at the end of December 2008 which is a reduction from NOK 4 120 million at the end of September 2008. The reason for the reduction is mainly the sale of Project Partner and impairment charges. At the end of 2008, the equity ratio was 21%.

The Group had a total net cash flow of NOK 382 million in 2008 compared to a negative NOK 9 million for 2007. Cash flow from operations amounted to NOK 242 million and investment activities, mainly related to the RMR business and the acquisition of TRACS, to a negative NOK 347 million. This has been financed with an increase of NOK 454 million in interest-bearing debt and an equity issue of NOK 34 million. The cash situation is good and at December 31 2008, cash and cash equivalents amounted to NOK 520 million. Capital expenditure has been significantly reduced the last quarter and going forward AGR will only have capital expenditure in projects which immediately will generate cash[3]. As a consequence of the current market conditions increased emphasis will be put on evaluating the client's financial strength before entering into contracts. Credit insurance has been put in place.

[2] Included in discontinued operations
[3] With CannSeal as the only exception.

Net interest-bearing debt for the Group was NOK 1 127 million at the end of Q4 2008 compared with NOK 1 040 million at the end of 2007. At the end of December 2008, NOK 675 million of interest bearing debt was fixed through interest swaps constituting 40,5% of total interest bearing debt.

The operating income from outside Norway has increased from NOK 1288 million in 2007 to NOK 2 167 million in 2008. This represents an increase from 65% to 83% of total operating income. The increase stems from acquisitions completed during 2007/8, the sale of RC Consultants/Project Partner and organic international growth. Reference is made to Note 3.

Earnings per share for 2008 were negative NOK 2,15 compared with NOK 0,25 for 2007.

Oslo, 31 December 2008

Board of AGR Group ASA

Financial consolidated information and notes

Basis of Preparation and Accounting Principles

This condensed consolidated interim financial information for 2008 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statement for the year ended 31 December 2007, which has been prepared in accordance with IFRS. This condensed consolidated information has not been audited.

The acquisition of Tracs in July 2008 and F.J. Brown in april 2007 has necessitated the preparation of proforma information with comparable numbers being prepared for the reported periods. Consequently the reported income statements for 2007 and 2008 include both actual and proforma comparable figures.

The Board is committed to a plan to find new owners for a number of smaller businesses and an active plan in this regard has been initiated. These businesses include AGR DPAL AS, Liquigas Pty and FDPSO Shiraz Pty. Furthermore, on November 28th AGR Group closed an agreement to sell 100% of AGR Project Partner AS with subsidiaries to Semco Maritime AS. According to IFRS these operations have therefore been classified as discontinued operations and will be presented separately in the income statement, balance sheet and cash flow statement.

Income statement

Income Statement	Actual	Actual	Actual	Actual
NOK 1.000	**01.10 - 31.12 2008**	**01.10 - 31.12 2007**	**01.01 - 31.12 2008**	**01.01 - 31.12 2007**
Driftsinntekter/ Operating revenue	722.164	514.831	2.596.547	1.982.936
Driftskostnader før avskrivninger/ Operating expenses before depreciation	(697.386)	(466.955)	(2.308.692)	(1.698.023)
Driftsresultat ex. Avskr./ Operating profit before depreciation (EBITDA)	**24.778**	**47.876**	**287.855**	**284.913**
Avskrivninger/ Depreciation	(41.925)	(37.712)	(156.171)	(140.805)
Nedskrivninger og avsetn./ Write downs and provisions	(135.725)	(32.429)	(141.786)	(32.429)
Driftsresultat/ Operating profit (EBIT)	**(152.872)**	**(22.265)**	**(10.102)**	**111.679**
Netto finansposter/ Net financial items	(12.163)	(12.206)	(98.163)	(86.018)
Resultat før skatt/ Profit before taxes	**(165.035)**	**(34.471)**	**(108.265)**	**25.661**
Skatt/ Taxes	(25.552)	11.030	(43.718)	(8.212)
Resultat etter skatt/ Profit after taxes (PAT)	**(190.587)**	**(23.441)**	**(151.983)**	**17.449**
Årets resultat fra virksomhet holdt for salg/ Profit for the year from discontinued operatior	(101.764)	(11.791)	(183.191)	(4.870)
Gevinst ved salg av datterselskaper/ Profit from sale of subsidiaries	28.920	-	28.920	136.562
Result from discountinued operations	**(72.844)**	**(11.791)**	**(154.271)**	**131.692**
Profit after tax including discountinued operations	**(263.431)**	**(35.232)**	**(306.254)**	**149.141**

Income Statement	Pro forma	Pro forma	Pro forma	Pro forma
NOK 1.000	**01.10 - 31.12 2008**	**01.10 - 31.12 2007**	**01.01 - 31.12 2008**	**01.01 - 31.12 2007**
Driftsinntekter/ Operating revenue	722.166	514.831	2.661.581	2.039.780
Driftskostnader før avskrivninger/ Operating expenses before depreciation	(697.386)	(466.955)	(2.363.097)	(1.752.922)
Driftsresultat ex. Avskr./ Operating profit before depreciation (EBITDA)	**24.780**	**47.876**	**298.484**	**286.858**
Avskrivninger/ Depreciation	(41.975)	(49.178)	(164.952)	(144.966)
Nedskrivninger og avsetn./ Write downs and provisions	(135.725)	(32.429)	(141.786)	(32.429)
Driftsresultat/ Operating profit (EBIT)	**(152.920)**	**(33.731)**	**(8.254)**	**109.463**
Netto finansposter/ Net financial items	(12.161)	(12.177)	(104.777)	(88.092)
Resultat før skatt/ Profit before taxes	**(165.081)**	**(45.908)**	**(113.031)**	**21.371**
Skatt/ Taxes	(24.430)	14.690	(41.086)	(6.839)
Resultat etter skatt/ Profit after taxes (PAT)	**(189.511)**	**(31.218)**	**(154.117)**	**14.532**

Nøkkeltall / Key figures	Faktisk/Actual	Faktisk/Actual
NOK 1.000	**01.01 - 31.12**	**01.01 - 31.12**
	2008	**2007**
Resultat pr. aksje (*) / Earnings per share/Diluted EPS	(2,15)	0,25

Nøkkeltall / Key figures	Proforma	Proforma
NOK 1.000	**01.01 - 31.12**	**01.01 - 31.12**
	2008	**2007**
Resultat pr. aksje / Earnings per share/Diluted EPS	(2,18)	0,21

Balance Sheet

Balance Sheet	Actual	Actual
NOK 1.000	**31.12.2008**	**31.12.2007**
Fixed assets		
Deferred tax asset	29.125	6.176
Patents, research and development	431.796	382.025
Goodwill	1.080.957	1.105.570
Land and buildings	1.390	37.094
Machinery and other equipment	597.705	538.137
Financial fixed assets	2.025	21.323
Total fixed assets	**2.142.998**	**2.090.325**
Current assets		
Inventory	17.055	40.225
Accounts receivable	1.024.810	1.365.356
Other receivables	83.810	98.089
Shares held for trading purposes	547	3.473
Assets of disposal group classified as held-for-sale	53.330	
Cash and cash equivalents	520.184	138.634
Total current assets	**1.699.736**	**1.645.777**
Total assets	**3.842.734**	**3.736.102**
Equity		
Paid in capital	933.024	899.225
Other equity	(132.818)	153.907
Total equity	**800.207**	**1.053.132**
Long-term liabilities		
Provisions	85.840	100.496
Deferred tax liability	73.507	61.591
Convertible loans	-	2.175
Liabilities to financial institutions	1.547.316	936.369
Total long-term liabilities	**1.706.663**	**1.100.631**
Short-term liabilities		
Short-term liabilities	1.200.273	1.582.339
Liabilities of disposal group classified as held-for-sale	135.591	
Total short-term liabilities	**1.335.864**	**1.582.339**
Total liabilities	**3.042.527**	**2.682.970**
Total equity and liabilities	**3.842.734**	**3.736.102**

According to AGR accounting principles deposits and withdrawals in the group bank overdraft facility is netted in cash and cash equivalents. As a consequence of the IFRS regulations for accounting for discontinued operations the current bank overdraft in AGR DPAL AS is accounted for as a short term liability. The effect of this is that the cash and cash equivalents increases with NOK 129 million and the liabilities increase with a corresponding amount.

Cash Flow Statement

Kontantstrømsoppstilling / Cash-flow analysis		
NOK 1.000	**01.01 - 31.12 2008**	**01.01 - 31.12 2007**
Netto kontantstrøm fra operasjonelle aktiviteter / Net cash-flow from operational activities	**241.835**	**122.007**
Netto kontantstrøm fra investeringsaktiviteter / Net cash-flow from investment activities	**(347.643)**	**(520.723)**
Netto kontantstrøm fra finansieringsaktiviteter / Net cash-flow from financing activities	**487.357**	**389.624**
Netto endring i betalingsmidler / Net changes in cash and cash equivalents	**381.549**	**(9.092)**
Betalingsmidler ved periodens begynnelse / Cash and cash equivalents at start of period	**138.634**	**147.726**
Betalingsmidler ved periodens slutt / Cash and cash equivalents at end of period	**520.183**	**138.634**

Equity reconciliation

Egenkapitaloppstilling / Equity reconciliation		
NOK 1.000	**01.01 - 31.12 2008**	**01.01 - 31.12 2007**
Egenkapital ved periodens begynnelse / Equity at opening balance	**1.053.132**	**899.989**
Konsernets resultat i perioden / Profit after taxes	(306.253)	142.134
Exchange differences	2.571	(73.714)
Emisjon / Share issue	33.800	72.192
Minority interest	16.957	12.531
Egenkapital ved periodens slutt / Equity at period end	**800.207**	**1.053.132**

Note 1 – Interest bearing debt

Netto rentebærende gjeld / Net interest-bearing debt	Faktisk/Actual	Faktisk/Actual
NOK 1.000	**31.12.2008**	**31.12.2007**
Konvertible lån / Convertible loans	0	2.175
Langsiktig gjeld til finansinstitusjoner / Long term debt to credit institutions	1.547.316	936.369
1. års avdrag langs. renteb. gjeld / Installments on interest-bearing debt (short term)	100.000	240.000
Sum rentebærende gjeld / Total interest-bearing debt	**1.647.316**	**1.178.544**
Likvide midler / Cash and cash equivalents	520.184	138.634
Netto rentebærende gjeld / Net interest-bearing debt	**1.127.132**	**1.039.910**

Note 2 – Segment Information

AGR reports segmented information on the following business units: *Petroleum Services, Drilling Services and Field Operations. Group* consists of DPAL, special projects and smaller businesses as well as holding costs and shared services.

As stand-alone businesses some build-up of corporate functions in the three business areas is necessary.

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. The proforma figures include TRACS from 01.01.2008 and F. J. Brown from 01.01.2007.

Primary segment reporting per. 31.12.2008 (NOK 1.000)

Virksomhetsområder / Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external	1.398.651	371.732	822.612	3.553		2.596.547
Driftsinnt., int. / Operating revenue, internal	89.061	217.717	36.163	44.371	(387.312)	-
Driftskost. f. avskr. / Op. ex. before depr.	(1.217.963)	(547.082)	(769.131)	(161.828)	387.312	(2.308.692)
EBITDA	**269.749**	**42.367**	**89.644**	**(113.904)**	**-**	**287.855**
Avskrivninger / Depreciation	(41.473)	(61.584)	(51.390)	(1.724)		(156.171)
Nedskr. og avsetn./ Write downs and provisions	(399)	(131.937)	(2.452)	(6.998)	-	(141.786)
EBIT	**227.877**	**(151.154)**	**35.802**	**(122.626)**	**-**	**(10.101)**
Netto finansposter / Net financial items	43.441	(5.325)	(1.197)	(135.082)		(98.163)
Resultat før skatt / Profit before taxes	**271.318**	**(156.479)**	**34.605**	**(257.708)**	**-**	**(108.264)**
Skattekostnad / Taxes	(82.107)	(1.654)	(24.668)	47.368	17.344	(43.718)
Konsernets resultat / Profit after taxes	**189.211**	**(158.133)**	**9.937**	**(210.340)**	**17.344**	**(151.982)**
Profit from the year from discontinued operations				(154.271)	-	(154.271)
Konsernets resultat / Profit after taxes incl. disc. op.	**189.211**	**(158.133)**	**9.937**	**(364.611)**	**17.344**	**(306.253)**

* Holding costs and shared services is reported within Group. As stand-alone businesses some build-up of corporate functions in the three business areas is necessary.

Proforma segment reporting per. 31.12.2008 (NOK 1.000)

Virksomhetsområder / Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external	1.463.683	371.732	822.612	3.553		2.661.581
Driftsinnt., int. / Operating revenue, internal	94.745	217.717	36.163	44.371	(392.996)	-
Driftskost. f. avskr. / Op. ex. before depr.	(1.278.051)	(547.082)	(769.131)	(161.828)	392.996	(2.363.097)
EBITDA	**280.377**	**42.367**	**89.644**	**(113.904)**	**-**	**298.484**
Avskrivninger / Depreciation	(50.254)	(61.584)	(51.390)	(1.724)		(164.952)
Nedskr. og avsetn./ Write downs and provisions	(399)	(131.937)	(2.452)	(6.998)		(141.786)
EBIT	**229.724**	**(151.154)**	**35.802**	**(122.626)**	**-**	**(8.254)**
Netto finansposter / Net financial items	36.827	(5.325)	(1.197)	(135.082)		(104.777)
Resultat før skatt / Profit before taxes	**266.551**	**(156.479)**	**34.605**	**(257.708)**	**-**	**(113.031)**
Skattekostnad / Taxes	(84.840)	(1.654)	(24.668)	47.368	22.710	(41.086)
Konsernets resultat / Profit after taxes	**181.711**	**(158.133)**	**9.937**	**(210.340)**	**22.710**	**(154.117)**

Primary segment reporting year 2007 (NOK 1.000)						
Virksomhetsområder / Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external	1.008.367	237.992	760.112	(590)	(22.944)	1.982.936
Driftsinnt., int. / Operating revenue, internal	37.407	80.702	24.267	(21.770)	(120.607)	-
Driftskost. f. avskr. / Op. ex. before depr.	(854.525)	(218.768)	(697.744)	(72.375)	145.388	(1.698.023)
EBITDA	**191.249**	**99.926**	**86.635**	**(94.735)**	**1.838**	**284.913**
Avskrivninger / Depreciation	(58.343)	(43.913)	(38.548)	(210)	209	(140.805)
Nedskr. og avsetn./ Write downs and provisions	(26.315)	-	(6.113)	-	-	(32.428)
EBIT	**106.591**	**56.014**	**41.975**		**2.046**	**111.680**
Netto finansposter / Net financial items	(4.644)	(19.122)	(6.873)	191.673	(247.053)	(86.018)
Resultat før skatt / Profit before taxes	**101.946**	**36.892**	**35.102**	**191.673**	**(245.007)**	**25.662**
Skattekostnad / Taxes	(27.228)	(7.735)	(5.655)	(45.995)	78.402	(8.211)
Konsernets resultat / Profit after taxes	**74.718**	**29.157**	**29.447**	**145.677**	**(166.605)**	**17.450**

Pro forma segment reporting year 2007 (NOK 1.000)						
Virksomhetsområder / Business segments	Petroleum Services	Drilling Services	Field Operations	Group	Elimin.	Total
Driftsinnt., ekst. / Operating revenue, external	1.065.211	237.992	760.112	(590)	(22.944)	2.039.780
Driftsinnt., int. / Operating revenue, internal	37.407	80.702	24.267	(21.770)	(120.607)	-
Driftskost. f. avskr. / Op. ex. before depr.	(909.424)	(218.768)	(697.744)	(72.375)	145.388	(1.752.922)
EBITDA	**193.194**	**99.926**	**86.635**	**(94.735)**	**1.838**	**286.858**
Avskrivninger / Depreciation	(62.504)	(43.913)	(38.548)	(210)	209	(144.966)
Nedskr. og avsetn./ Write downs and provisions	(26.315)	-	(6.113)	-	-	(32.428)
EBIT	**104.375**	**56.014**	**41.975**	**(94.945)**	**2.046**	**109.464**
Netto finansposter / Net financial items	(6.718)	(19.122)	(6.873)	191.673	(247.053)	(88.092)
Resultat før skatt / Profit before taxes	**97.657**	**36.892**	**35.102**	**96.728**	**(245.007)**	**21.372**
Skattekostnad / Taxes	(25.855)	(7.735)	(5.655)	(45.995)	78.402	(6.839)
Konsernets resultat / Profit after taxes	**71.801**	**29.157**	**29.447**	**50.732**	**(166.605)**	**14.533**

Note 3 – Geographical Distribution of Operating Income

Secundary segment reporting (NOK 1.000)		
Geografisk fordeling av driftsinntekter / Geographical distribution of operating income	**01.01 - 31.12 2008**	**01.01 - 31.12 2007**
Norge / Norway	429.217	695.230
Europa ekskl. Norge / Europe ex. Norway	513.562	238.651
Asia / Australia	1.073.709	700.770
Amerika / America	355.017	133.510
Afrika/Africa and Middle east	225.042	214.775
Sum / Total	**2.596.547**	**1.982.936**

Note 4 - Financial Key Figures

Nøkkeltall / Key figures	Faktisk/Actual*	Faktisk/Actual	Faktisk/Actual	Faktisk/Actual
NOK 1.000	01.10 - 31.12 2008	01.10 - 31.12 2007	01.01 - 31.12 2008	01.01 - 31.12 2007
Gjennomsnittlig antall aksjer / Average number of shares	71.210.808	69.736.779	70.783.308	69.016.557
Resultat pr. aksje (*) / Earnings per share/Diluted EPS	(2,68)	(0,34)	(2,15)	0,25
EBITDA-margin	3,4 %	9,3 %	11,1 %	14,4 %
EBIT-margin	-21,2 %	-4,3 %	-0,4 %	5,6 %
Egenkapitalandel / Equity ratio	20,8 %	28,2 %	20,8 %	28,2 %
Netto rentebærende gjeld / Net interest bearing debt	1.127.132	1.039.910	1.127.132	1.039.910

Nøkkeltall / Key figures	Proforma	Proforma	Proforma	Proforma
NOK 1.000	01.10 - 31.12 2008	01.10 - 31.12 2007	01.01 - 31.12 2008	01.01 - 31.12 2007
Gjennomsnittlig antall aksjer / Average number of shares	71.210.808	69.736.779	70.783.308	69.016.557
Resultat pr. aksje / Earnings per share/Diluted EPS	-2,66	-0,45	-2,18	0,21
EBITDA-margin	3,4 %	9,3 %	11,2 %	14,1 %
EBIT-margin	-21,2 %	-6,6 %	-0,3 %	5,4 %

The total number of shares at December 31th 2008 was 71.210.080.

Note 5 – Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. AGR Group management currently undertakes an annual impairment test covering goodwill and other indefinite lived assets and also reviews finite lived assets and investments in associated undertakings at least annually to consider whether a full impairment review is required. In the balance sheet at 31 December 2008, the total write down figure for goodwill is NOK 100 million, intangible assets NOK 27 million and other assets NOK 63 million. Below is a brief description of the process, evaluations and non-cash impairment charges recorded in Q4 2008.

Goodwill

For the purpose of the impairment test, goodwill was allocated to operating segments. The operating segment is the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount was determined as the fair value of the goodwill less costs to sell. To calculate fair value less costs to sell, the discounted cash flow method was applied. The discounted cash flow method was based on the following assumptions:

Cash flows were projected based on actual operating results and a 3-year business plan. For year 4 and year 5, an annual growth rate consistent with the average growth rate for the industry was applied. For the residual value the growth rate was set equal to inflation (2,5%). A post-tax weighted average cost of capital (WACC) of 11,1 – 15,5% was applied, depending on the segment, for determining the recoverable amount. The WACC was estimated based on a comparable group of companies with a debt leveraging of 21% percent and a market interest rate of 6,5%. Based on these valuations it was concluded that the goodwill in Drilling Services would be written down with NOK 100 million and that the goodwill for the other business areas should remain unchanged.

Intangible assets

The valuation in connection with the initial purchase price allocation and intangible assets requires significant management estimates and judgment. If any of the significant assumptions differ from the estimates and judgments used in the purchase price allocation, this could result in different valuations for intangible assets. For the purpose of the impairment test, carrying values of intangible assets where compared to the purchase price allocation analyses originally made at time of the acquisition. The result of this review was that the intangible assets in relation to the acquisition of Sevation Ltd and Deepwater Development Systems regarding patents and R&D, had to be written down with a total of NOK 27 million.

<u>Other assets</u>
A number of assets have been tested for impairment by comparing their carrying amount to value indications received from the market less cost to sell or by means of the discounted cash flow method. The conclusion was the assets values of AGR DPAL AS were partly impaired and an impairment charge of NOK 63 million was made[4].

<u>General</u>
The key assumptions made in the impairment test reflect management'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.

[4] DPAL AS is included in discontinued operations