AGR Group ASA

1st quarter 2009

Introduction

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

- AGR Petroleum Services delivers reservoir, well, and integrated field management services to the upstream oil and gas industry.

- AGR Drilling Services supplies equipment and services for drilling, well operations and underwater trenching and excavation in the global offshore industry.

- AGR Field Operations is a leading provider of global services and technologies to the oil and gas industry, and serves local industries including power utilities, nuclear, marine, and food processing.

AGR Group has a good cash flow and liquidity situation and no issues with debt service. However, the 2009 Q1 results are below expectations and AGR is in technical breach with covenants. As a consequence AGR will enter into discussions with the banks to adjust the capital structure.

Management has now completed the separation of AGR into three distinct business units, legally as well as operationally. The business areas have been turned into autonomous entities with their own administrative functions and some limited sharing of services where this is cost efficient or practical. Consequently, corporate functions have been considerably down-scaled and will now cover only a few necessary group functions. Accordingly, cost for business area related administrative and shared costs is now included in the business areas, and historic information has been adjusted accordingly.

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.

First quarter financial highlights[1]

Primary segment reporting per. 31.03.2009 (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	260.615	74.848	190.297	6.973		532.734
Operating revenue, internal	4.158	298	9.003	1.442	(14.901)	(0)
Operating expenses before depreciation	(239.263)	(66.634)	(182.439)	(26.219)	14.974	(499.582)
EBITDA	**25.509**	**8.512**	**16.861**	**(17.804)**	**73**	**33.152**
Depreciation and amortization	(12.908)	(18.995)	(12.876)	(316)		(45.094)
Write downs and provisions						-
EBIT	**12.601**	**(10.482)**	**3.986**	**(18.120)**	**73**	**(11.942)**

Primary segment reporting per. 31.03.2008 (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	278.234	71.164	196.353	3.942		549.693
Operating revenue, internal	52.195	16.185	11.195	20.352	(99.927)	-
Operating expenses before depreciation	(252.264)	(78.597)	(199.258)	(45.597)	99.927	(475.790)
EBITDA	**78.165**	**8.752**	**8.290**	**(21.303)**	**-**	**73.903**
Depreciation and amortization	(7.497)	(14.274)	(12.670)	(147)	-	(34.588)
Write downs and provisions	-	-				-
EBIT	**70.668**	**(5.522)**	**(4.380)**	**(21.450)**	**-**	**39.315**

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

- Operating revenue first quarter 2009 was in line with the same quarter previous year. Specific business areas and regions did, however, suffer from clients postponing projects and overall reduced activity in the sector. EBITDA for the first quarter 2009 was NOK 33 million (6% margin) compared to NOK 56 million (10% margin) in Q1 2008 after adjusting the reported Q1 2008 EBITDA of NOK 74 million for the positive effect of a NOK 18 million reversal of a provision for the AED receivable..

- *Petroleum Services* results were affected by slowdown in drilling activity, particularly in the UK sector. Q1 2009 EBITDA ended on NOK 26 million compared to NOK 60million in Q1 2008 after adjusting the reported Q1 2008 figures of NOK 78 million for the positive effect of the reversal of the AED provision of NOK 18 million.

- *Drilling Services* delivered an EBITDA of NOK 9 million which is in line with the first quarter of 2008. The first quarter performance was steady with continued strong focus on sales efforts in the RMR business to increase utilisation.

- *Field Operations* had a strong quarter delivering an EBITDA of NOK 17 million in Q1 2009 compared to NOK 8 million in Q1 2008. The EBITDA margin has improved sharply from 4% in Q1 2008 to 9% in Q1 2009. The European business delivers good results in accordance with expectations, and the results are satisfactory in Australia.

- Due to the development of the share price of AGR, the Board has given a guarantee to the employees that participate in the AGR Share Investment Program. The costs in association with the guarantee have been charged to the P&L in Q1 as *Group* costs. See the divisional report section for more information.

[1] Discontinued operations are not included.

Divisional Reports

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

Divisional Report – Petroleum Services

EBITDA for Petroleum Services for the first quarter of 2009 was NOK 26 million, compared to NOK 78 million for the same period last year.

The Well Management division has been operating three rigs, one the UK, one rig in Norway and one rig in Australia. In addition to this the organization has been performing project studies and well design work in preparation for 2009 drilling activity. The Middle East activity has increased during Q1 and several opportunities for well management operations are being pursued. In March, Petroleum Services secured a contract for a drilling programme with Serica Energy. Further, Petroleum Services was awarded a frame agreement with Bayerngas Norge to provide well management and subsurface technical expertise. In May, Petroleum Services signed a frame agreement with Petoro AS for consultancy services within engineering support, risk assessments, concept evaluations, cost evaluations and related work within drilling and well technology.

A new release of the probabilistic planning tool, P1™ (V3) combined with additional focus on marketing has resulted in several contract renewals and interest in new purchases from several clients.

The Petroleum Services' US subsidiary FJ Brown has experienced continued high activity through Q1 with the main activities in the Gulf of Mexico, West Africa and South America.

The Petroleum Services' Consultancy division has continued to deliver a large volume of quality services to clients during Q1 and have received excellent testimonials from various clients worldwide. In May, Petroleum Services was awarded a 3 year frame agreement with an option for a 1+1 year extension with Statoil on Drilling and Well Consultancy services worldwide.

Divisional Report – Drilling Services

EBITDA for Drilling Services for the first quarter of 2009 was NOK 9 million which is the same as for Q1 2008.

The significant effort made over the last 6 months to expand the RMR and the Well Services` business areas geographically has started to produce results, with opportunities developing in new key markets such as Malaysia, North Africa and Brazil.

The market supporting zero discharge drilling is seen as having particular potential for the RMR systems in the future as regulators in several countries strive to minimise the impact of offshore drilling on the environment. The RMR has been used for environmental reasons in Australia, Russia and Norway, and strong interest currently exists in several additional territories. Other new applications for the system include managed pressure drilling and elimination of the requirement for operators in the Norwegian section of the North Sea to drill pilot holes during exploration drilling.
There were 19 RMR systems in the working fleet during Q1, and 6 wells were drilled in Q1 2009 compared to 5 wells for the same period in 2008.

During Q1 StatoilHydro awarded AGR a feasibility study to increase the depth capability of the Deepwater RMR development system from 1500 meter to 3000 meter depth. AGR's Controlled Mud Pressure (CMP) joint industry project has been started, with participating partners Statoil, BP, BG and Demo 2000. This project will utilise the existing RMR pump technologies in managed pressure drilling applications, and is foreseen to significantly expand the value for clients utilising AGR's services in the deeper sections of the well. The Chevron Dual Gradient Drilling (DGD) development project is ongoing with an integrated Chevron/AGR project team based in Houston. 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.

The Well Services business continues to show good results in both the down-hole tool and de-sander business segments. New agents in Egypt, Libya and Australia have contributed to steady geographical growth. The UK based trenching and excavation business delivered better results than expected during Q1, with significant projects undertaken in Australia and Indonesia.

Divisional Report – Field Operations

EBITDA for Field Operations for the first quarter of 2009 was NOK 17 million compared to NOK 8 million for the same period last year. Order intake in first quarter of 2009 has been at a record level for this time of the year, and the order backlog is at all time high.

The ongoing projects in North America are currently being fully integrated with the new permanent office opened in Houston. Field Operations can now offer internal pipeline inspection and subsea inspection technology provided locally in the US, as well as high end automated inspection services to the US refinery and chemical industry.

After the successful completion of the reference project on the UKCS in Q1 2009, the Neptune External Subsea Inspection unit has been in continuous operation. The Neptune technology is the first of its kind and enables high resolution wall thickness mapping inspection and extends operating depths up to the maximum range of a ROV. Due to the high demand for these services Field Operations will now increase capacity by building additional units.

As previously announced AGR Field Operations have launched a global product line within Alternative Energy. The product line is experiencing strong growth in projects and contracts. In Q1 Field Operations entered into a Master Project Services Agreement with the Australian listed alternative energy company Panax Geothermal for the development of their Limestone Coast Geothermal Project in South Australia. The project involves obtaining environmental permits, drilling and completion of a 4000m exploration well to evaluate the hot geothermal waters in buried sedimentary basins.

Availability of qualified personnel has been an important capacity constraint in Field Operations the last few years. There are now signs that the economic downturn has freed up capacity, and that the availability of highly experienced personnel is improving. This may contribute to increase the growth potential in the business area going forward.

Group

In order to avoid a negative sentiment among the employees participating in the AGR's Share Investment Program[2], the Board has given a guarantee to the employees that when the Program is dissolved AGR will pay the difference between the proceeds from the Program and the employee's initial investment. According to IFRS 2 AGR has in Q1 expensed the remaining part of the Group's initial investment in the Share Investment Program with NOK 14 million. At the end of Q1 value of the AGR share (NOK 7), the cost of this guarantee has been estimated to NOK 23 million. This cost will be amortized over the remaining time of the initial Program and adjusted marked-to-market, starting in March 2009. Other Group costs are mainly offset by an unrealized gain on FX forward contracts of NOK 5 million and a realized gain on FX forward contracts of NOK 1 million.

Discontinued operations

As previously announced, AGR has sought to sell its subsidiary AGR Dpal AS which is the owner of a drill pipe factory at Mongstad. On 27 February 2009, AGR and NLI AS signed a conditional agreement regarding the sale and purchase of the shares in AGR Dpal AS.

The process of finding new owners with a better strategic fit for Liquegas and the FDPSO Shiraz Pty continue into 2009.

[2] Refer to Note 25 in the Annual Report 2008 for more information about the Share Investment Program.

Financial Information

EBITDA for the first quarter of 2009 was NOK 33 million compared to NOK 74 million in the first quarter of 2008. The results are affected by the current economic downturn and as previously stated AGR is in technical breach with covenants at Q1 and has entered into discussions with the banks to adjust the capital structure.

The Group had total assets of NOK 3 138 million at the end of March 2009 which is a reduction from NOK 3 711 million at the end of 2008. The main reason for the reduction is reduced receivables and payables. At the end of Q1 2009, the equity ratio was 23%.

The Group had a total net cash flow of negative NOK 238 million in Q1 2009 compared to a negative NOK 55 million for Q1 2008. Mainly due to the development in the result and an expected increase in working capital from a low level at year end 2008, cash flow from operations amounted to negative NOK 153 million. Investment activities amounted to a negative NOK 59 million and loan amortizations gave a negative cash flow of NOK 25 million. Accordingly, the cash and cash equivalents amounted to NOK 156 million at the end of the first quarter of 2009.

Net interest-bearing debt for the Group was NOK 1 459 million at the end of Q1 2009 compared with NOK 1 392 million at the end of 2008. At the end of March 2009, NOK 723 million of interest bearing debt was fixed through interest swaps constituting 44% of total interest bearing debt.

Earnings per share for continued operations in Q1 2009 were negative NOK 0.48 compared to positive NOK 0.09 for the same period in 2008.

Oslo, 31 March 2009

Board of AGR Group ASA

Financial consolidated information and notes

Basis of Preparation and Accounting Principles

This condensed consolidated interim financial information for the three months ended 31 March 2009 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 2008, which has been prepared in accordance with IFRS. This condensed consolidated information has not been audited.

AGR has not prepared pro forma financial statements for Q1 2009, but information about the effects of the acquisition of TRACS in July 2008 is included in Note 5.

The accounting principle for contribution from joint industry project-partners will as of 2009 not be recognised as income, but will be recognised as a part of the capitalised R&D. This is according to IFRIC D24 that is expected to be implemented during 2009.

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. 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
NOK 1.000	**01.01 - 31.03 2009**	**01.01 - 31.03 2008**	**01.01 - 31.12 2008**
Operating income	532.734	549.693	2.584.454
Operating expenses before depreciation	(499.582)	(475.790)	(2.289.063)
EBITDA	**33.152**	**73.903**	**295.391**
Depreciation and amortization	(45.094)	(34.588)	(299.030)
Write downs and provisions			
EBIT	**(11.942)**	**39.315**	**(3.639)**
Net financial items	(38.485)	(38.767)	(99.366)
Profit before taxes	**(50.427)**	**548**	**(103.005)**
Taxes	16.137	5.768	(51.414)
Profit after taxes (PAT)	**(34.290)**	**6.316**	**(154.419)**
Profit after tax from discontinued operations	(2.233)	(23.016)	(191.685)
Gain from sale of discontinued operations	-	-	28.920
Profit after tax from discontinued operations	**(2.233)**	**(23.016)**	**(162.765)**
Profit after taxes incl. discontinued operations	**(36.524)**	**(16.700)**	**(317.184)**

Key figures	Actual	Actual	Actual
NOK	**01.01 - 31.03 2009**	**01.01 - 31.03 2008**	**01.01 - 31.12 2008**
Earnings per share	(0,48)	0,09	(2,18)

Balance Sheet

Balance Sheet	Actual	Actual
NOK 1.000	**31.03.2009**	**31.12.2008**
Fixed assets		
Deferred tax asset	56.411	32.412
Patents, research and development	414.422	431.304
Goodwill	1.057.860	1.081.435
Land and buildings	53	56
Machinery and other equipment	610.610	599.531
Financial fixed assets	626	707
Total fixed assets	**2.139.982**	**2.145.445**
Current assets		
Inventory	17.287	17.055
Accounts receivable	606.146	1.024.802
Other receivables	173.187	91.919
Shares held for trading purposes	470	571
Assets of disposal group classified as held for sale	45.044	37.865
Cash and cash equivalents	155.908	393.508
Total current assets	**998.042**	**1.565.720**
Total assets	**3.138.024**	**3.711.165**
Equity		
Paid in capital	909.640	933.024
Other equity	(197.748)	(144.470)
Minority interest	17.323	16.957
Total equity	**729.215**	**805.511**
Long-term liabilities		
Provisions	83.522	85.786
Deferred tax liability	62.870	66.757
Other longterm liability	-	7.568
Liabilities to financial institutions	-	-
Total long-term liabilities	**146.392**	**160.111**
Short-term liabilities		
Liabilities of disposal group classified as held for sale	5.323	5.679
Short-term liabilities	2.257.094	2.739.864
Total short-term liabilities	**2.262.417**	**2.745.543**
Total liabilities	**2.408.809**	**2.905.654**
Total equity and liabilities	**3.138.024**	**3.711.165**

Cash Flow Statement

Cash-flow Statement		
NOK 1.000	01.01 - 31.03 2009	01.01 - 31.03 2008
Net cash-flow from operating activities	(153.391)	(283.374)
Net cash-flow from investment activities	(59.209)	(73.930)
Net cash-flow from financing activities	(25.000)	302.566
Net changes in cash and cash equivalents	(237.600)	(54.738)
Cash and cash equivalents at period start	393.508	138.634
Cash and cash equivalents at period end	155.908	83.896

Equity reconciliation

Equity reconciliation			
NOK 1.000	01.01 - 31.03 2009	01.01 - 31.03 2008	01.01 - 31.12 2008
Equity at opening balance	**805.511**	**1.053.132**	**1.053.132**
Profit after taxes	(36.524)	(16.700)	(315.380)
Exchange differences	(40.137)	(44.286)	26.207
Minority interest	365	11.076	7.752
Share issue	-	-	33.800
Equity at period end	**729.215**	**1.003.222**	**805.511**

Note 1 – Interest bearing debt

Net interest-bearing debt	Actual	Actual	Actual
NOK 1.000	31.03.2009	31.03.2008	31.12.2008
Other long term debt	0	0	
Long term debt to credit institutions	0	0	
Short term debt to credit institutions	1.615.183	1.475.899	1.639.748
Total interest-bearing debt	**1.615.183**	**1.475.899**	**1.639.748**
Cash and cash equivalents	155.908	83.895	393.508
Net interest-bearing debt	**1.459.275**	**1.392.004**	**1.246.240**

Note 2 – Segment Information

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

Primary segment reporting per. 31.03.2009 (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	260.615	74.848	190.297	6.973		532.734
Operating revenue, internal	4.158	298	9.003	1.442	(14.901)	(0)
Operating expenses before depreciation	(239.263)	(66.634)	(182.439)	(26.219)	14.974	(499.582)
EBITDA	**25.509**	**8.512**	**16.861**	**(17.804)**	**73**	**33.152**
Depreciation and amortization	(12.908)	(18.995)	(12.876)	(316)		(45.094)
Write downs and provisions						-
EBIT	**12.601**	**(10.482)**	**3.986**	**(18.120)**	**73**	**(11.942)**
Net financial items	(10.955)	(20.514)	(10.636)	3.620		(38.485)
Profit/(loss) before income tax	**1.646**	**(30.996)**	**(6.651)**	**(14.500)**	**73**	**(50.427)**
Income tax expense/(benefit)	(527)	9.919	2.128	4.640	(23)	16.137
Profit after taxes	**1.119**	**(21.077)**	**(4.523)**	**(9.860)**	**49**	**(34.290)**
Profit after tax from discontinued operations				(2.233)	-	(2.233)
Profit/(loss) for the year	**1.119**	**(21.077)**	**(4.523)**	**(12.093)**	**49**	**(36.523)**

* According to the revised strategic direction for the AGR Group, the corporate overhead has now been reduced and some build-up of administrative functions in the three business areas has been made to enable these to function autonomously. Consequently, going forward administrative shared services is included in the business areas. Historic information for 2008 has been adjusted accordingly.

Primary segment reporting per. 31.03.2008 (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	278.234	71.164	196.353	3.942		549.693
Operating revenue, internal	52.195	16.185	11.195	20.352	(99.927)	-
Operating expenses before depreciation	(252.264)	(78.597)	(199.258)	(45.597)	99.927	(475.790)
EBITDA	**78.165**	**8.752**	**8.290**	**(21.303)**	**-**	**73.903**
Depreciation and amortization	(7.497)	(14.274)	(12.670)	(147)	-	(34.588)
Write downs and provisions	-	-				-
EBIT	**70.668**	**(5.522)**	**(4.380)**	**(21.450)**	**-**	**39.315**
Net financial items	(1.459)	(13.574)	(4.232)	(19.502)		(38.767)
Profit/(loss) before income tax	**69.209**	**(19.096)**	**(8.612)**	**(40.952)**	**-**	**548**
Income tax expense/(benefit)	(16.277)	6.091	2.932	13.022		5.768
Profit after taxes	**52.932**	**(13.005)**	**(5.680)**	**(27.930)**	**-**	**6.316**
Profit after tax from discontinued operations				(23.016)		(23.016)
Profit/(loss) for the year	**52.932**	**(13.005)**	**(5.680)**	**(50.946)**	**-**	**(16.700)**

Note 3 – Geographical Distribution of Operating Income

Secundary segment reporting (NOK 1.000)		
Geographical distribution of operating inc	01.01 - 31.03 2009	01.01 - 31.03 2008
Norway	163.048	149.372
Europe ex. Norway	113.205	131.775
Australia and Asia	142.955	189.989
America	55.091	44.347
Africa and Middle East	58.434	34.210
Total	**532.734**	**549.693**

Note 4 - Financial Key Figures

Key figures	Actual	Actual	Actual
NOK	**01.01 - 31.03 2009**	**01.01 - 31.03 2008**	**01.01 - 31.12 2008**
Average number of shares	71.210.808	70.355.808	70.783.308
Earnings per share	(0,48)	0,09	(2,18)
EBITDA-margin	6,2 %	13,4 %	11,4 %
EBIT-margin	-2,2 %	7,2 %	-0,1 %
Equity ratio	23,2 %	26,9 %	21,7 %
Net interest bearing debt (NOK 1.000)	1.459.275	1.392.004	1.246.240

The total number of shares at March 31th 2009 was 71.210.080.

Note 5 – Business Combinations

On 1 July 2008, the AGR Group acquired 100% of the share capital of TRACS International Consultancy Ltd, a leading worldwide provider of integrated services and training within geology and petroleum engineering with offices in Aberdeen, London and Moscow. If the acquisition had occurred on 1 January 2008, group revenue would have been NOK 585 million for Q1 2008 and net profit for continued operations would have been NOK 2 million.

These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Note 6 – Statement of Comprehensive Income

Statement of comprehensive income	Three months ended 31 March	
	2009	2008
Profit for the period	**(36.524)**	**(16.700)**
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax		
Cash flow hedges, net of tax		
Currency translation differences	(40.137)	(44.286)
Other comprehensive income for the period, net of tax		
Total comprehensive income for the period	**(76.661)**	**(60.986)**
Profit attributable to:		
- owners of the company	(35.797)	(16.029)
- minority interest	(727)	(671)