AGR Group ASA

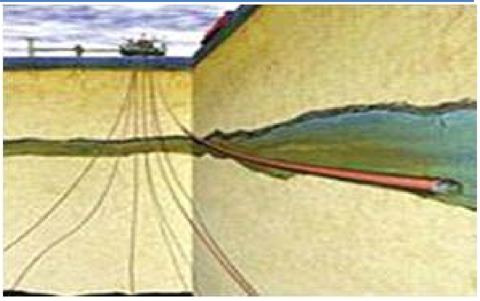
3rd quarter 2009

Petroleum Services | **Drilling Services** | **Field Operations**



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

Petroleum Services



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

Drilling Services

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

Field Operations

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.

Third quarter financial highlights

Primary segment reporting Q3 2009 only (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	250.179	78.778	260.657	6.618	3.166	599.397
Operating revenue, internal	4.936	11.082	7.563	1.549	(25.128)	1
Operating expenses before depreciation	(215.728)	(65.142)	(227.040)	(6.058)	21.963	(492.006)
EBITDA	**39.386**	**24.717**	**41.179**	**2.109**	**0**	**107.392**
Depreciation and amortization	(11.456)	(18.833)	(13.834)	(264)	-	(44.387)
EBIT	**27.930**	**5.884**	**27.346**	**1.845**	**0**	**63.005**

Primary segment reporting Q3 2008 only (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	383.731	116.743	207.926	(2.669)	-	705.731
Operating revenue, internal	60.307	125.559	7.199	39.319	(232.384)	-
Operating expenses before depreciation	(351.620)	(223.519)	(194.129)	(58.539)	232.384	(595.423)
EBITDA	**92.418**	**18.783**	**20.996**	**(21.889)**	**-**	**110.308**
Depreciation and amortization	(12.288)	(16.244)	(13.285)	(755)	-	(42.572)
EBIT	**80.130**	**2.539**	**7.711**	**(22.644)**	**-**	**67.736**

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

- Operating revenue for Q3 2009 was NOK 599 million compared to NOK 706 million in Q3 2008, while EBITDA margins improved from 16% for Q3 2008 (NOK 110 million) to 18% in Q3 2009 (NOK 107 million).

- The *Petroleum Services* business is still affected by the slowdown in drilling activity, especially in the UK sector. However, the third quarter showed some improvement in the Well Management market, particularly in Norway. In Reservoir Management several new contracts were secured and the Consultancy business is regaining momentum. Including a sales gain in relation to the sale of NETool (NOK 14 million), the area delivered a Q3 EBITDA of NOK 39 million compared to the all time high EBITDA of NOK 92 million in Q3 2008.

- In the third quarter *Drilling Services* experienced a positive development within the RMR business, but lower activity within Well Services. The higher RMR utilization led to a significant improvement in the results compared to the two first quarters of 2009. The Well Services business was negatively affected by the reduction in offshore drilling and subsea activity, but activity increased toward the end of the quarter. The business area delivered an EBITDA of NOK 25 million compared to NOK 19 million in Q3 2008.

- *Field Operations* continues to deliver strong results. In Q3 the activity level and resource utilisation was at a new all time high, and the division is experiencing increasing demand for its services in all regions. The operating revenue grew with 25% compared to the same quarter in 2008, and the EBITDA was NOK 41 million, a significant increase compared to NOK 21 million in Q3 2008.

Divisional Reports

Petroleum Services

EBITDA for Petroleum Services for the third quarter 2009 was NOK 39 million compared to 92 million for the same period last year. NOK 14 million of the EBITDA for Q3 2009 is related to the sales gain from the sale of NETool.

Well Management continues to be affected by the slowdown in drilling activity, especially in the UK and US sector, but the market showed some improvement in Q3. After securing rig capacity, a number of new well management contracts have materialized during this period. This includes an extension of the Bredford Dolphin campaign through RWE –DEA in Norway, a two-well campaign for Oilex in Australia and well management for Desire Petroleum for drilling of four wells offshore the Falkland. Furthermore, Petroleum Services was awarded several contracts with well planning and operations during the quarter including projects for the clients Ophir, Arabian Oil Company, Ecopetrol, Noble Energy, RWE and Petoro.

In the first three quarters Well Management has drilled 21 wells from rigs in the UK, US, Norway and Australia[1]. In addition to this the organization has been performing project studies and well design work in preparation for 2009 and 2010 drilling activity.

The Consultancy activities and number of consultants have increased during Q3.

The Reservoir and Field Management business have maintained the activity level from the previous quarter. Several contracts were closed during Q3, and in addition the business had a steady workload from key clients. New contracts secured include two NOC's asset management in the UK, an integrated project in Brazil and a CO2 sequestration project in Norway. Activity levels remain strong in the UK and Norwegian businesses, with the Russia/Kazakhstan operations still more affected by the financial turmoil.

The activity of the well software P1™, that allows operators to maximize performance and significantly reduce the time involved during well construction phases, is still growing and several proposals are being evaluated by clients. As previously announced, in July AGR and Halliburton signed and closed a transaction whereby Halliburton acquires all rights to the software NETool.

Drilling Services

EBITDA for Drilling Services for Q3 2009 was NOK 25 million compared to NOK 19 million for the same period last year. With positive development within the RMR business, the division demonstrated steady profitable performance through a period of significant downturn for the offshore drilling and subsea industries.

The RMR activity level has remained consistent, with new long term frame agreements in Europe and Russia providing steady utilisation. TOTAL E&P signed their first contract with AGR Drilling Services in 2006 and in September extended the contract with further two years through 2011 for the Riserless Mud Recovery (RMR). Up to eight wells are estimated to be covered over the next two years. The RMR is being used for risk reduction, cost saving and environmental compliance with market drivers varying by region and client. As part of the rapidly emerging environmental market, the 2009 campaign for Korean National Oil Company at Sakhalin Island was successfully completed, as were several environmental projects in the North Sea. The high activity for RMR with BP in the Caspian region, previously delayed, has been initiated, with two RMR systems mobilised from Norway and en route to Baku.

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[1] As from this quarterly report, well figures have been aligned with the Rushmore Associates benchmark definitions.

The Well Services business experienced low utilisation in both the downhole tool business and the de-sander services during Q2 and Q3 due to the general lower industry activity in offshore drilling and well workover. In September the down-hole tool activity returned to typical levels and this is expected to maintain into the foreseeable future. A two-month de-sander project for StatoilHydro was started in September. There has been low activity in the Trenching and Excavation division during Q3.

As previously announced, in August Drilling Services signed a contract with Chevron USA Inc to perform Integrated Project Management and Engineering for the build, deployment and prove-up of the Dual Gradient Drilling System. This advanced technology has the potential to be an enabling technology for ultradeepwater assets globally. It is estimated that the system will be deployed within 2011.

The current focus within Drilling Services is to strengthen the organisation to position for further growth and international expansion.

Field Operations

EBITDA for Field Operations for the third quarter of 2009 was NOK 41 million compared to NOK 21 million for the same period last year. Order intake has continued to be strong, and the order backlog remains at an all time high level. There have not been any large contract awards during Q3, but a large number of smaller contracts within all product lines.

During Q3 the division had the highest utilization of resources ever recorded in a single quarter. Due to an increasing demand and market penetration for Field Operations' services, it is expected to be a continued strong utilization of resources going forward.

The Operations & Maintenance product line had a strong performance in Australia during Q3, partly due to a high activity level on a modification project on the Basker Manta Gummy operations. The introduction and implementation of Maintenance Management into the Asia Pacific region has also proven to be a success. There are a number of Maintenance Management projects being executed by using the SOLV and Kamfer concepts and work methodology, with a total of 19 employees involved in Maintenance Management in the Asia Pacific region.

In September a new Neptune unit was successfully FAT[2] approved for operations. In total Field Operations has two Neptune Subsea Inspection units in operations.

Field Operations experiences a strong demand for inspection and certification of cranes and lifting equipment. As a consequence the product line has in October moved into new and larger facilities at Mongstad, close to the Statoil Mongstad refinery and the Mongstad supply base. At Mongstad Field Operations is now operating a unique test facility for safe and accurate testing and documentation of lifting equipment. This equipment is the only of its kind and improves quality as well as reduces the cost for the clients.

Group / Other

The Group cost in the third quarter including the cost related to the guarantee given in relation to the AGR Share Investment Program, is offset by gains on FX forward contracts of NOK 7 million.

In CannSeal the process to identify and establish a well candidate for a field trial is in progress, but may be delayed due to the general industry slow down.

[2] Factory Acceptance Test

Financial Information

Funding

As previously announced, the AGR Group signed an amended and restated loan agreement with DnBNOR/Nordea in July 2009. In order to meet the lender's requirement to the Group's equity, a rights offering of 54,7 million new shares at a subscription price of NOK 3.20 per share was made in order to raise gross proceeds of minimum NOK 175 million.

The rights offering was successful and at the expiry of the subscription period 28 September it had been oversubscribed by 50%, thus the underwriting commitments did not need to be utilized. Registration of the share capital increase in the Norwegian Register of Business Enterprises took place on 5 October. Gross proceeds from the rights offering was used to prepay on term loans in October.

Other financial information

EBITDA for the third quarter of 2009 was NOK 107 million compared to NOK 110 million for the same period in 2008. Field Operations has performed very well in the period. Further, the activity and performance in the RMR business in Drilling Services has improved notably, while Petroleum Services is still affected by the downturn in drilling activity.

The Group had total assets of NOK 2 794 million at the end of September 2009 which is a reduction from NOK 3 711 million at year end 2008. The main reasons for the reduction are the impairment charges at Q2 2009, operational results, and reduced receivables and payables. At the end of Q3 2009 the equity ratio was 18 percent, and this will increase when the rights offering is registered in October.

The Group had a total net cash flow of negative NOK 360 million in the first nine months of 2009. Mainly due to the development of the results and an expected increase in working capital from a low level at year end 2008, cash flow from operations amounted to negative NOK 191 million. Investment activities has been significantly reduced in 2009, and amounted to a negative NOK 82 million for the nine months of 2009. In addition there is NOK 7 million of investments in the companies that are classified as discontinued operations. According to the restated loan agreement NOK 100 million was prepaid on the term loans in September, and the net cash flow from financing activities was therefore negative NOK 85 million. Cash and cash equivalents amounted to NOK 34 million at the end of the third quarter of 2009.

Net interest-bearing debt for the Group was NOK 1 568 million at the end of Q3 2009 compared with NOK 1 246 million at the end of 2008. At the end of September 2009, NOK 662 million of interest bearing debt was fixed through interest swaps constituting 42% of total interest bearing debt.

Earnings per share for Q3 2009 was NOK 0.33 compared to 0.29 for the same period in 2008. Year to date the earnings per share were negative NOK 3.27 and positive NOK 0.57 respectively.

Oslo, 26 November 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 and nine months ended 30 September 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 interim information has not been audited.

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 Liquigas Pty and FPSO Shiraz Pty. Furthermore, an agreement to sell AGR's 50% share in Deepwater Development Systems Inc. was made in November 2009 and it has been decided to close AGR DPAL AS. According to IFRS these operations have therefore been classified as discontinued operations and are presented separately in the income statement and balance sheet.

Income statement

Income Statement	Actual	Actual	Actual	Actual
NOK 1.000	**01.07 - 30.09 2009**	**01.07 - 30.09 2008**	**01.01 - 30.09 2009**	**01.01 - 30.09 2008**
Operating revenue	599.398	705.729	1.730.184	1.874.355
Operating expenses before depreciation	(492.006)	(595.423)	(1.529.612)	(1.608.590)
Operating profit before depreciation (EBITDA)	**107.392**	**110.306**	**200.572**	**265.765**
Depreciation and amortization	(44.386)	(42.572)	(140.240)	(114.246)
Write downs and provisions	-	0	(199.732)	(6.061)
Operating profit (EBIT)	**63.006**	**67.734**	**(139.400)**	**145.458**
Net financial items	(28.357)	(32.838)	(137.809)	(85.995)
Profit before taxes	**34.649**	**34.896**	**(277.209)**	**59.463**
Taxes	(11.088)	(13.935)	43.999	(19.028)
Profit after taxes (PAT)	**23.561**	**20.961**	**(233.210)**	**40.435**
Profit for the year from discontinued operations	(1.444)	(41.829)	(8.822)	(83.655)
Result from discountinued operations	**(1.444)**	**(41.829)**	**(8.822)**	**(83.655)**
Profit after tax including discountinued operations	**22.117**	**(20.868)**	**(242.032)**	**(43.220)**

Key figures	Actual	Actual	Actual	Actual
NOK 1.000	**01.07 - 30.09 2009**	**01.07 - 30.09 2008**	**01.01 - 30.09 2009**	**01.01 - 30.09 2008**
Earnings per share/Diluted EPS	0,33	0,29	(3,27)	0,57

Balance Sheet

Balance Sheet	Actual	Actual	Actual
NOK 1.000	**30.09.2009**	**30.09.2008**	**31.12.2008**
Fixed assets			
Deferred tax asset	94.059	25.352	32.412
Patents, research and development	306.180	487.083	431.304
Goodwill	914.389	1.175.870	1.081.435
Land and buildings	74	1.071	56
Machinery and other equipment	523.311	541.554	599.531
Financial fixed assets	140	490	707
Total fixed assets	**1.838.153**	**2.231.421**	**2.145.445**
Current assets			
Inventory	11.156	18.490	17.055
Accounts receivable	631.825	1.066.025	1.024.802
Other receivables	180.682	192.738	91.919
Shares held for trading purposes		1.140	571
Assets of disposal group classified as held-for-sale	99.145	243.307	37.865
Cash and cash equivalents	33.978	367.115	393.508
Total current assets	**956.786**	**1.888.814**	**1.565.720**
Total assets	**2.794.939**	**4.120.235**	**3.711.165**
Equity			
Paid in capital	1.087.430	933.024	933.024
Other equity	(582.392)	125.781	(144.470)
Treasury shares	(4.650)		
Minority interest	14.819		16.957
Total equity	**515.207**	**1.058.805**	**805.511**
Long-term liabilities			
Provisions	53.785	79.177	85.786
Deferred tax liability	74.384	57.777	66.757
Convertible loans			7.568
Liabilities to financial institutions (Note 1)	1.340.094	1.606.334	-
Total long-term liabilities	**1.468.263**	**1.743.288**	**160.111**
Short-term liabilities			
Short-term liabilities (Note 1)	746.346	1.135.893	2.739.864
Liabilities of disposal group classified as held-for-sale	65.123	182.248	5.679
Total short-term liabilities	**811.469**	**1.318.142**	**2.745.543**
Total liabilities	**2.279.732**	**3.061.430**	**2.905.654**
Total equity and liabilities	**2.794.939**	**4.120.235**	**3.711.165**

Cash Flow Statement

Cash-flow Statement		
NOK 1.000	01.01 - 30.09 2009	01.01 - 30.09 2008
Net cash-flow from operating activities	(191.202)	16.932
Net cash-flow from investment activities	(82.528)	(375.041)
Net cash-flow from financing activities	(85.800)	586.591
Net changes in cash and cash equivalents	(359.530)	228.482
Cash and cash equivalents at period start	393.508	138.634
Cash and cash equivalents at period end	33.978	367.116

Equity reconciliation

Equity reconciliation			
NOK 1.000	01.01 - 30.09 2009	01.01 -30.09 2008	01.01 - 31.12 2008
Equity at period start	**805.511**	**1.053.131**	**1.053.132**
Profit after taxes	(242.032)	(43.220)	(315.380)
Exchange differences	(44.342)	4.802	26.207
Minority interest	720	10.292	7.752
Treasury shares	(4.650)		
Share issue	-	33.800	33.800
Equity at period end	**515.207**	**1.058.805**	**805.511**

Note 1 – Interest bearing debt

Net interest-bearing debt	Actual	Actual	Actual
NOK 1.000	30.09.2009	30.09.2008	31.12.2008
Long term debt to credit institutions	1.340.094	1.606.334	0
Short term debt to credit institutions	227.616	125.000	1.639.748
Total interest-bearing debt *	**1.567.710**	**1.731.334**	**1.639.748**
Cash and cash equivalents	33.978	367.115	393.508
Net interest-bearing debt	**1.533.732**	**1.364.220**	**1.246.240**

* According to IFRS the capitalized arrangement fee is deducted from the total interest-bearing debt in the above table and balance sheet. The gross interest-bearing debt is:

Gross interest-bearing debt	**1.608.799**	**1.753.448**	**1.665.298**

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 01.01. - 30.09.2009 (NOK 1.000)						
Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	768.857	214.850	734.893	12.452	(868)	1.730.184
Operating revenue, internal	11.298	12.399	17.782	4.876	(46.355)	1
Operating expenses before depreciation	(690.910)	(188.841)	(666.520)	(30.564)	47.223	(1.529.613)
EBITDA	**89.245**	**38.407**	**86.155**	**(13.236)**	**-**	**200.572**
Depreciation and amortization	(42.753)	(56.811)	(40.053)	(622)		(140.239)
Write downs and provisions	-	(199.732)	-	-	-	(199.732)
EBIT	**46.492**	**(218.136)**	**46.102**	**(13.858)**	**-**	**(139.400)**
Net financial items	(67.238)	(67.097)	(32.447)	28.973	-	(137.809)
Profit before taxes	**(20.746)**	**(285.233)**	**13.655**	**15.115**	**-**	**(277.209)**
Taxes	6.639	46.567	(4.370)	(4.837)		43.999
Profit after taxes	**(14.107)**	**(238.666)**	**9.285**	**10.278**	**-**	**(233.210)**
Profit from the year from discontinued operations				**(8.822)**		**(8.822)**
Profit after taxes incl. discontinued operations	**(14.107)**	**(238.666)**	**9.285**	**1.456**	**-**	**(242.032)**
Investeringer / Investments	**6.445**	**33.673**	**31.098**	**17.052**	**-**	**88.268**

Primary segment reporting 01.01.- 30.09.2008 (NOK 1.000)						
Virksomhetsområder / Business segments	**Petroleum Services**	**Drilling Services**	**Field Operations**	**Group**	**Elimin.**	**Total**
Operating revenue, external	968.092	289.065	615.367	1.831		1.874.355
Operating revenue, internal	154.958	195.590	23.569	64.831	(438.948)	-
Operating expenses before depreciation	(874.886)	(463.941)	(588.663)	(120.048)	438.948	(1.608.590)
EBITDA	**248.164**	**20.714**	**50.273**	**(53.386)**	**-**	**265.765**
Depreciation and amortization	(27.835)	(46.814)	(38.503)	(1.094)		(114.246)
Write downs and provisions	-	(6.061)	-	-	-	(6.061)
EBIT	**220.329**	**(32.161)**	**11.770**	**(54.480)**	**-**	**145.458**
Net financial items	4.643	(18.219)	(7.839)	(64.580)		(85.995)
Profit before taxes	**224.972**	**(50.380)**	**3.931**	**(119.060)**	**-**	**59.463**
Taxes	(71.991)	16.122	(1.258)	38.099	-	(19.028)
Profit after taxes	**152.981**	**(34.258)**	**2.673**	**(80.961)**	**-**	**40.435**
Profit from the year from discontinued operations				**(83.655)**		(83.655)
Profit after taxes incl. discontinued operations	**152.981**	**(34.258)**	**2.673**	**(164.616)**	**-**	**(43.220)**

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, the administrative shared services are included in the business areas. The historic information for 2008 has been adjusted accordingly.

Note 3 – Geographical Distribution of Operating Income

Secondary segment reporting (NOK 1.000)		
Geographical distribution of operating income	01.01 - 30.09 2009	01.01 - 30.09 2008
Norway	698.853	444.387
Europe ex. Norway	279.816	452.077
Australia	474.524	654.327
America	144.618	212.850
Africa and Middle East	132.372	110.714
Total	**1.730.184**	**1.874.355**

Note 4 - Financial Key Figures

Key figures	Actual	Actual	Actual	Actual	Actual
NOK 1.000	01.07 - 30.09 2009	01.07 - 30.09 2008	01.01 - 30.09 2009	01.01 - 30.09 2008	01.01 - 31.12 2008
Earnings per share/Diluted EPS	0,33	0,29	(3,27)	0,57	(2,22)
EBITDA-margin	17,9 %	15,6 %	11,6 %	14,2 %	11,4 %
EBIT-margin	10,5 %	9,6 %	-8,1 %	7,8 %	-0,2 %
Equity ratio	18,4 %	25,7 %	18,4 %	25,7 %	21,7 %
Net interest bearing debt	1.533.732	1.364.220	1.533.732	1.364.220	1.246.240

Note 5 – Statement of Comprehensive Income

Statement of comprehensive income	Nine months ended 30 September	
	2009	2008
Profit for the period	**(242.032)**	**(43.220)**
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax		
Cash flow hedges, net of tax		
Currency translation differences	(44.342)	4.802
Other comprehensive income for the period, net of tax		
Total comprehensive income for the period	**(286.374)**	**(38.418)**
Profit attributable to:		
- owners of the company	(239.900)	(40.989)
- minority interest	(2.132)	(2.231)

Note 6 – Events occurring after balance sheet date

- The share capital increase following the rights offer in September, was registered in the Norwegian Register of Business Enterprises on 5 October. The new share capital is NOK 251,8 million.
- In November AGR Group closed a transaction whereby Wison Heavy Industries acquired AGR's 50% share of Horton Deepwater Development Systems Inc in Texas. The price for the 50% share holding was USD 5,6 million.