Analyst seminar

Introduction

Terje Eidesmo, President and CEO December 2007

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Achievements in 2007

Large number of new customers

Significantly improved technology

Expanding vessel fleet

Successful recruitment of skilled resources



Investor expectations not fulfilled

What the customers say

Take away from recent EMGS customer survey (130 respondents):

Few have high familiarity with EM

High satisfaction with EM surveys

Majority sees EM in combination with seismic as exploration tool for deep waters



"EMGS is seen as the dominant leader in the electromagnetic field. Six out of ten of those familiar with electromagnetics say they are aware of EMGS in the field."

Customer survey performed by Welling & Co in 2007

High awareness of EMGS and great belief in our positition



The traditional adoption process



High number of prospects and deep understanding of experience needed

Strategy process based on critical understanding

What are experiences so far?

What works well?

What need to be changed?

Where does EM has the greatest potential?

Key barriers and drivers to adoption of EM?

Strategy process started fall 2007



Agenda

1000	Introduction	Terje Eidesmo
1030	Technology	Svein Ellingsrud
1130	Guided tour	
1230	Lunch	
1330	Products	Jens Danielsen
1430	Market	Terje Eidesmo
1530	Financials	Svein Knudsen
1615	Concluding remarks	Terje Eidesmo
1900	Dinner et Drénen Desteurent	
1000	Dinner at Drapen Restaurant	



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Technology

Svein Ellingsrud, CTO December 2007

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Seabed logging and resistivity measurements



Just like borehole resistivity logging tools, **seabed logging** responds to changes in formation resistivity

Seabed logging vs seismic

Seabed logging vs seismic

Seabed logging – grid acquisition

EMGS uses **EM** technology to improve offshore exploration success

Seabed logging – receivers to the sea floor

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Seabed logging – receivers to the sea floor

Seabed logging – source towed close to sea floor

Seabed logging – guided energy in the reservoir

Seabed logging – source and handling equipment

Source Output power: 1200A@100V Containerized equipment package Improved positioning and accuracy Safe and secure source handling system Continuously improved Stable timing

EM Receiver

Scanning line response

Scanning area response

Scanning – in-line grid data

Anomaly map

Scanning – in-line and azimuth data

Azimuth data

Scanning – in-line and azimuth data

Scanning area response (inline & azimuth data)

Scanning – in line and azimuth data

Anomaly map (inline & azimuth data)

Scanning volume

SEG-Y format for import into Petrel, Irap RMS, etc

Scanning volume

SEG-Y format for import into Petrel, Irap RMS, etc

Scanning volume

SEG-Y format for import into Petrel, Irap RMS, etc

Scanning of large areas

Reference modelling

Scanning of large areas

Reference modelling

Scanning - the airwave in shallow water

Single reference normalization produces a "bathymetry map"

Scanning - The airwave in shallow water

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Scanning - The airwave in shallow water

Seabed logging and the reservoir lifecycle

Finding

Ranking

Appraisal

- Relevant to frontier, young and mature basin exploration
- Coarse grid of survey lines
- Covers large areas rapidly
- Find new leads and prospects for further evaluation

- Relevant to known prospects
- Single or multiple survey lines crossing a prospect
- Validates and ranks prospects before further investment
- Drill or drop decisions

- Relevant to known prospects and fields
- Dense grid of seabed logging lines
- Delineates prospects and fields for development planning
- Definition of volumes, reserves and well planning

Scanning, 2D

2D, 3D, 4D

Technology

All hardware, software and methodology developed in-house

Ownership of all products

Highly experienced group of geologist and geophysicists

88 employees with Ph.D and MSc

Collaboration with a range of research institutes and organizations

R&D agreements with leading oil companies

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Products

Pål Gabrielsen & Jens Ensted Danielsen December 2007

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Products

Product - scanning

Lead identification

Attribute cubes

SBL data Relative resistivity changes Under-sampled for accurate depth estimates Maps lateral extent of resistivity leads Delivered in industry format

MMT inversion



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Lead identification

Attribute cubes

MMT

Large scale resistivity structure Large penetration depth and low resolution Resistivity-depth sections MMT senses where seismic and SBL struggle General basin understanding



Products – MMT



Products – MMT



Products

EMGS workflow

Client workflow



Characterization of leads

Seabed logging inversion Resistivity-depth sections Larger confidence in lateral extension Inversion models delivered in industry formats Attribute cubes used for qualitative assessment



Products – inversion



Products



Prospect ranking

Data integration of SBL/MMT/Seismic/Well logs....

Multi-disciplinary risking

For the client's risking process we provide Input to discovery probability Input to discovery value

Products – integration





Products – integration





Products – integration





EMGS has the largest capacity EMGS has a complete data processing tool box EMGS has the world's most sophisticated depth conversion tools EMGS has the greatest experience base in every aspect of the application of marine electromagnetic data

We prepare, present and analyse SBL and marine magnetotelluric data



Geology and geophysics – what is a our role?

EMGS transfers knowledge of seabed logging to our clients EMGS participates in the entire project process:

Technical sales Survey planning Client follow up Processing Depth conversion Data interpretation & integration After sales

Client training Key account

EMGS assists the client deriving the value from their EM services

Geology and geophysics - what is our objectives?

Continue to increase seabed logging AWARENESS

Continue to increase the degree of ACCEPTANCE

Continue to ease the ACCESS to seabed logging products

Continue to put seabed logging into the oil companies workflow



Capacity – presence



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Market

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Oil companies buying cycles in our segment normally gives lower revenues in Q1 due to budgeting, planning and weather season

Market outlook strong

We are currently 30 per cent above Q4 2006 levels in ongoing contracts, negotiations and tenders

Confirms market delays

Ongoing negotiations is a mix of direct awards and tenders.

Project sizes USD 10-20 million



Long term contracts development



Continuing growth since start in size of contracts

Average contract length is close to 50 days

Six contracts more than USD 10 million

Repeat customers 2005-2007



Nearly all customers becomes repeat customers

However, some customers need time to learn the technology and to implement it in their workflow and strategy

Important markets 2008-2010



Market development



Global EM Market 2005-2007



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Economy

Svein T. Knudsen, CFO December 2007

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Quarterly accumulated vessel months



Monthly accumulated vessel months



Utilization

Utilization is defined as vessel time spent on contracted work, paid mobilisation included.



2006 => 73% 2007 => 67 % YTD September



Mobilisation fees are recognised as revenue over the aquisition period

Mobilisation costs are recognised over the aquisition period

Both mobilisation items and production revenues are recognised after the Percentage of completion-method



Only direct costs will be capitalized

Amortization rate is based on total costs devided on total sales from business plan

Amortization per project is a percentage of revenues on each project

Will use 3 year useful life when calculating backstop (forced amortization)



Cost line items

Charter hire, fuel and crew expenses

Vessel lease Crew lease Fuel Agent fees Maintenance/spare parts consumed External services Port costs



Cost line items (cont.)

Employee expenses

Salaries Bonus Holiday pay accruals Employment tax Accrual of employment tax on option program Personal insurance



Cost line items (cont.)

Other operational costs

Rent premises Insurance premises Audit fees Consultancy fees Travel costs Accrual/reversal of doubtful receivables


Financial information IFRS vs USGAAP

Presentation by nature	
,	Q3 2007
(USD 1 000)	Unaudited
Operating revenues	
Contract sales	48 415
Total revenues	48 415
Operating expenses	
Charter hire, fuel and crew expenses	25 291
Employee expenses	7 335
Depreciation and amortisation	3 574
Other operating expenses	7 032
Total operating expenses	43 232
Operating profit/ (loss)	5 184

Presentation by function	
-	Q3 2007
(USD 1 000)	Unaudited
Operating revenues	
Contract sales	48 415
Total revenues	48 415
Operating costs	27 068
Production costs G&G	1 793
Research and development costs	3 095
Selling, general and administrative costs	7 702
Depreciation and amortisation	3 574
Total operating expenses	43 232
Operating profit/ (loss)	5 184

Average vessel expenses quarterly

Average per vessel for Q3 2007 ('000)

Charter hire, fuel and crew expenses	5 416
Employee expenses	1 571
Depreciation and amortisation	765
Other operating expenses	1 506
Total operating expenses	9 257

Average per vessel for Q3 2007



- Charter hire, fuel and crew expenses
- Employee expenses
- Depreciation and amortisation
- Other operating expenses

Employee costs

Employee costs are exclusive accrual employment tax on option program.



Cost per employee vs no of employees

Capital expenditure



Offshore Eq: Operational Eq onboard vessels, R&D Capitalized Eq projects Onshore Eq: Software, computer Eq, tools and furniture Cluster: EMGS' High Performance cluster with storage and software



Costs; approximately 60% of all operational costs are in USD

Investments; mostly NOK



Tax information

EMGS has a deferred tax asset amounting to USD 6.6 million - year end 2006.

International Tax Rates for emgs Operations				
	Income Tax - WH Regime Revenue	Tax Filing *	Income Tax - Actual Method Net Income	
Canada		Yes	38,1 %	
Egypt	10,00 %	No		
India	4,40 %	Yes		
Indonesia	10,00 %	No		
Malaysia	10,00 %	No		
Phillipines	8,00 %	No		
USA		Yes	35 %	
Ghana	5,00 %	No		
Kongo	7,70 %	No		
Australia		Yes	10 %	

* Yes in this column means that emgs files a tax return in this country and get a deduction of these taxes in Norway.

A new legal tax structure will be implemented in 2008.

Product trends 2007-2010



Expect that scanning will continue to grow

Introduction of 3D will be a major business driver from 2009

Multiclient development in EM



Seismic Market 2006: Multiclient revenue vs Proprietary revenue Source: Welling & Company Expected development EM market, Multiclient vs Proprietary

In seismic more than 50% of the revenue is generated from multiclient/speculative data acquisition and library

In the EM market, multiclient has to date not yet been established

We believe that the use of scanning in open/unlicensed area will change this



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Concluding remarks

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Early adoption phase





EMGS is working on streamlining organisation

New COO is employed to work on internal and external issues

Improve organization Improve utilization

Improve pricing Improve knowledge in the oil companies Improve how we work together with the oil companies



Strategic framework

Current strategy

Maintain strong market position and market share

Active marketing to build market

Maintain leading position in equipment and operations

Recruit best people and best EM competence

Important issues

Which customers and customer segments?

How to speed up repeat sales?

How to plan capacity?

Strategy process



Conclusion

- Technology
 - Proven technology
 - Above 90 % success rate in drilling result
 - Operational experience
- The market is still there
 - Currently 30 per cent above Q4 2006 levels in ongoing contracts, negotiations and tenders
 - High EM satisfaction in survey
 - EMGS seen as the dominant leader