Finding hydrocarbons™

EMGS first quarter

15 May 2008

emgs

FIRST QUARTER 2008

Highlights

Important events in the quarter:

- The first quarter 2008 revenues USD 43.5 million – up 68 per cent over the first quarter 2007
- The first quarter 2008 EBITDA USD 6.8 million
- Successful showcase survey for StatoilHydro
- Completion of multiclient EM scanning survey offshore India
- Continued new client wins, including
    - Contract with PEMEX well underway, and extended
    - USD 10 million scanning contract in Ghana awarded by Hess Corporation

Subsequent important events:

- Favourable court ruling in Dutch patent dispute in April
- Industry support to commence a multiclient EM scanning survey in the Barents Sea secured

Key financial figures

USD million (except per share data)	Q1 2008	Q1 2007	2007	Q4 2007	Q3 2007	Q2 2007
Revenues	**43.5**	25.9	140.3	28.2	48.4	37.8
EBITDA	**6.8**	(8.0)	(12.1)	(13.4)	8.8	0.5
Adjusted EBITDA	**3.5**	(8.0)	(12.1)	(13.4)	8.8	0.5
EBIT	**(1.4)**	(10.6)	(25.6)	(17.7)	5.2	(2.5)
Profit/ (loss) before taxes	**(3.2)**	(11.6)	(27.5)	(17.6)	4.0	(2.4)
Earnings per share	**(0.06)**	(0.28)	(0.49)	(0.24)	0.03	(0.04)
Average number of shares outstanding (in thousands)	**74 229**	43 337	72 172	73 794	73 691	73 432

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at March 31, 2008, was 74 316 758.

FINANCIAL REVIEW

Revenues and EBITDA

EMGS recorded revenues of USD 43.5 million in the first quarter 2008, compared with USD 25.9 million in the first quarter 2007 and USD 28.2 million in the fourth quarter 2007, corresponding to an increase of 68.0 and 54.3 per cent respectively. This is mainly due to one additional vessel in operation, and higher utilisation rates. Included in the total revenues this quarter was USD 2.5 million related to work performed in Brazil in 2007.

Charter hire, fuel and crew expenses amounted to USD 20.1 million in the first quarter 2008 with five vessels in operation, compared with USD 18.8 million in the corresponding quarter in 2007 when there were four vessels in operation. Charter hire, fuel and crew expenses in the fourth quarter 2007 were USD 25.0 million.

The decline in charter hire, fuel and crew expenses in the first quarter 2008 over the previous quarter is in part due to the multiclient contract carried out by EMGS in the first quarter 2008. In accordance with relevant accounting principles some direct operating costs relating to this contract are capitalised and amortised. This reduces the charter hire, fuel and crew expenses in the first quarter 2008 by USD 3.3 million compared with the previous quarters, while it increases the amortisation in the first quarter by the same amount.

Employee expenses decreased by 8.1 per cent in the first quarter 2008 compared with the corresponding quarter in 2007. The cost of the increased number of EMGS employees is offset by the one-off effect of the employment tax accrual related to the option program in the first quarter 2007 of USD 4.5 million. Employee expenses rose by 32.1 per cent from the fourth quarter 2007 to the first quarter 2008, from USD 7.7 million to USD 10.2 million. This is mainly due to increased head count. As at 31 March 2008 EMGS employed 276 people, compared with 260 people at 31 December 2007.

Other operational costs increased by 63.6 per cent in the first quarter 2008 over the same period last year, and decreased by 29.2 per cent over the fourth quarter 2007. The first quarter increase from 2007 to 2008 is mainly due to increased activity, giving rise to increased costs of travel, rent of premises and consultancy fees. The decrease in other operational costs from the fourth quarter 2007 to this quarter is due to the accrual for doubtful receivables of USD 2.5 million in the fourth quarter 2007.

The first quarter 2008 ended with a positive EBITDA of USD 6.8 million, compared with a negative EBITDA of USD 8.0 million in the same quarter in 2007. EBITDA in the first quarter should however be adjusted for the investment in the multiclient EM scanning survey of USD 3.3 million, as explained above, to fairly compare to previous quarters. The EBITDA in the fourth quarter 2007 was negative USD 13.4 million.

Depreciation and amortisation

Depreciation and amortisation was USD 8.2 million in the first quarter 2008, up from USD 2.6 million in the first quarter 2007. The increase over the fourth quarter 2007 was USD 3.9 million and was mainly due to the capitalisation and amortisation of multiclient EM scanning survey costs, as described above.

Net financial items

A net financial loss of USD 1.8 million was recorded in the first quarter 2008 compared with a net financial loss of USD 1.0 million in the corresponding quarter last year. In the fourth quarter 2007, EMGS had a net gain of USD 0.2 million from financial items. The net financial loss in the first quarter 2008 was due to decreased net interest income and negative foreign exchange effects of USD 1.4 million.

Result before income tax

EMGS recorded a loss of USD 3.2 million before income tax for the first quarter 2008, compared with a loss of USD 11.6 million reported in the first quarter 2007. The fourth quarter 2007 resulted in a loss before income tax of USD 17.6 million.

Income tax

Income tax expenses of USD 1.3 million were recorded in the first quarter 2008, compared with USD 0.7 million in the first quarter 2007 and USD 0.4 million in the fourth quarter 2007. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

EMGS recorded a net loss of USD 4.5 million in the first quarter 2008 compared with a net loss of USD 12.3 million for the same period in 2007. The net loss for the fourth quarter 2007 was USD 17.9 million.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 27.9 million at 31 March 2008, compared with USD 12.8 million at 31 March 2007 and USD 40.7 million at 31 December 2007.

EMGS maintains a NOK 115 million, corresponding to approximately USD 23 million, multi-currency credit and guarantee facility with Nordea Bank ASA. As at 31 March 2008 the credit facility was utilised as to USD 13.8 million compared with USD 9.8 million as at 31 December 2007.

Trade receivables have increased from USD 32.8 million at 31 December 2007 to USD 53.1 million at 31 March 2008. This is principally a reflection of increased revenue generation towards the end of the first quarter.

Net cash flow from operating activities was negative USD 10.8 million in the first quarter 2008, compared with a negative net cash flow of USD 3.0 million in the same period in 2007, reflecting an increase in working capital corresponding to the significant revenue increase in the first quarter 2008.

Cash applied in investing activities in the first quarter 2008 increased to USD 5.9 million, compared with USD 4.1million in the first quarter 2007. The investment relates to new operational equipment.

Cash flow from financial activities was USD 3.9 million in the first quarter 2008 compared with negative USD 0.6 million for the corresponding quarter in 2007.

OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted work and includes paid mobilisation. The company's vessel utilisation increased to 71 per cent in the first quarter of 2008. Utilisation in 2007 was 65 per cent in the first quarter, 63 per cent in the second quarter, 71 per cent in the third quarter and 48 per cent in the fourth quarter.

In the first quarter of 2008 all of EMGS' vessels were operational, working in the Gulf of Mexico, the North Sea and off Libya, West Africa and India.

In March 2008 EMGS increased its electromagnetic data processing and modelling capabilities by significantly enhancing its computing cluster. The data cluster has now become one of Europe's most powerful clusters, which is theoretically capable of 70 trillion calculations per second. EMGS believes that this additional computing power will strengthen the position of EMGS as the EM-imaging market leader, and will enable the company to meet the growing – and increasingly complex - demands of clients.

EMGS is confident that full awareness of EM technology within the global oil and gas industry has now been achieved. Oil and gas companies, their advisers and third party commentators now universally cite EM imaging as being a valid technology which will only grow in significance.

The level of acceptance of the technology has also increased strongly. EMGS' clients now cover all categories of oil and gas companies, with a significant and increasing amount of repeat business. The average value of EMGS' contracts is also rising. Increasingly, oil and gas companies of all sizes are realizing that the EMGS' portfolio of EM technology services helps them in reducing the risks associated with offshore exploration. EM-imaging technology can significantly increase their ability to detect subsea hydrocarbons.

The major challenge now facing EMGS is that of adoption of the technology, with the ultimate objective that EM-imaging becomes an established and respected de-risking tool. We have put in place a number of strategies designed to stimulate and foster adoption of EM technology within the oil and gas industry. Ensuring adoption and creating large scale users is a key area of focus for EMGS going forward.

MARKET TRENDS AND TECHNOLOGY

The first quarter 2008 has been an active quarter for EMGS. By the end of last year EMGS was awarded a USD 10 million contract by a new client, PEMEX, and work on this contract commenced in February and was successfully completed in late April.

At the end of January EMGS commenced a fully pre-funded, extensive multiclient EM scanning survey to search for commercial hydrocarbon deposits in a 2,000 km2 survey offshore India. This survey is the first of its kind and represents a significant milestone in the adoption of EMGS' proprietary EM scanning technology. The survey enables operators to evaluate the prospectivity of licence blocks more efficiently and to optimise their bidding strategies ahead of India's 7th New Exploration Licencing Policy round (NELP 7).

After completion of the multiclient scanning survey, Indian authorities have declared that the NELP 7 will be postponed by 2 weeks, with the risk of further delays. This gives EMGS additional time to market the multiclient data. EMGS has already secured a successful multiclient project and this delay may provide an additional upside for subsequent sales in this project.

In January, EMGS also announced that the company had begun an extensive and diverse programme of EM imaging survey over the Troll field for StatoilHydro. This project will be a showcase for EMGS technology, and the four different surveys conducted provide EMGS with opportunities to demonstrate its latest technology including grid, scanning, 3D and transcient EM.

In February, EMGS was awarded two major contracts. The first was a contract extension by a super major and was the third consecutive contract with this company, demonstrating good adoption of EM technology. The second was a USD 10 million scanning contract awarded by Hess Corporation for a survey offshore Ghana. Hess Corporation is a new client of EMGS.

EMGS has performed over 300 surveys for more than 40 leading energy companies in most of the world's offshore hydrocarbon provinces and the company remains the global leader in the planning, acquisition, processing, modelling and interpretation of EM data. EMGS has extensive experience, well established routines and leading edge processing and modelling software.

Additionally, EMGS has rigorous intellectual property protection in place to protect the commercial advantage which the company derives from the technology.

RECENT EVENTS

On 16 April 2008, a Dutch patent court decision confirmed that EMGS was the first company to use EM technology to detect hydrocarbons directly, that EMGS can assert its patent position with clients and that EMGS can invoke its patents against third parties. The Dutch court ruling is not a final decision. A final decision will be made by the European Patent Office, which is expected within three to four years. The Dutch court's decision is welcome although it is not material in terms of EMGS' ability to deliver on our business strategy.

A transcript of the ruling of the Dutch court in English can be downloaded from the EMGS homepage; www.emgs.com. Please look up INVESTORS and OTHER PRESENTATIONS.

On 22 April 2008, EMGS was awarded a contract by StatoilHydro to determine the hydrocarbon potential of exploration prospects in the Barents Sea. The contract is worth approximately USD 5 million.

On 8 May 2008, EMGS received industry prefunding to commence an extensive multiclient EM scanning survey in the Barents Sea, ahead of Norway's 20th exploration licensing round. At more than 3,000 km2, the survey represents a significant milestone in the adoption of EMGS' proprietary EM scanning technology. The programme will be expanded subject to additional commitments.

OUTLOOK

During 2007 EMGS successfully launched a new scanning product which has the potential to become the preferred early exploration tool of choice for many oil companies. In the first quarter 2008 the majority of the company's revenues were generated from this product. EMGS believes that this scanning product has opened up a new and large market for the company,and expects this market to grow rapidly.

During the first quarter 2008 EMGS introduced multiclient services. Providing multiclient surveys in basins across the world in an effective fashion is, in EMGS' opinion, only achievable through the use of scanning. This additional business model is also expected to grow in the coming years.

Following the Dutch patent dispute decision in April EMGS expects further patent challenges as more companies realise the game changing nature of EMGS' technology. EMGS will continue to protect its intellectual property rights in the interest of its shareholders and other stakeholders.

EMGS will continue its focus on building the market further, and the company maintains its goal of profitable growth in the 2008 financial year.

Oslo, 14 May 2008
Board of Directors

CONSOLIDATED INCOME STATEMENT

(USD 1 000)	Q1 2008 Unaudited	Q1 2007 Unaudited	2007 Audited
Operating revenues			
Contract sales	43 487	25 878	140 339
Total revenues	**43 487**	**25 878**	**140 339**
Operating expenses			
Charter hire, fuel and crew expenses	20 115	18 827	93 816
Employee expenses	10 230	11 137	32 930
Depreciation and ordinary amortisation	4 915	2 599	13 477
Multiclient amortisation	3 323	-	-
Other operating expenses	6 336	3 872	25 685
Total operating expenses	**44 919**	**36 436**	**165 909**
Operating profit/ (loss)	**(1 432)**	**(10 558)**	**(25 570)**
Financial income and expenses			
Financial income	1 405	917	4 624
Financial expenses	(3 174)	(1 938)	(6 596)
Net financial items	**(1 769)**	**(1 021)**	**(1 972)**
Income/ (loss) before income taxes	**(3 201)**	**(11 578)**	**(27 542)**
Income tax expense	1 263	733	3 384
Income/ (loss) for the period	**(4 464)**	**(12 311)**	**(30 926)**
Other financial data			
EBITDA	6 806	(7 959)	(12 093)
Multiclient investment	3 323	-	-
Adjusted EBITDA	3 483	(7 959)	(12 093)

CONSOLIDATED BALANCE SHEET

(USD 1 000)	Quarter ended 31 March 2008	Quarter ended 31 March 2007	Year ended 31 December 2007
ASSETS			
Current assets			
Cash and cash equivalents	27 916	12 834	40 685
Trade receivables	53 099	24 309	32 838
Other receivables	17 482	126 570	13 886
Inventories	11 195	12 036	12 509
Total current assets	**109 693**	**175 750**	**99 917**
Fixed assets			
Intangible assets	3 484	2 330	3 341
Property, plant and equipment	51 456	25 324	48 303
Other non-current assets	13 044	-	13 212
Total fixed assets	**67 984**	**27 654**	**64 855**
Total assets	**177 676**	**203 404**	**164 772**
LIABILITIES			
Current liabilities			
Trade payables	35 418	23 973	28 543
Borrowings	17 316	30 696	11 625
Current tax liability	5 991	5 036	4 240
Other short term liabilities	12 656	15 530	14 710
Total current liabilities	**71 381**	**58 740**	**59 118**
Long-term liabilities			
Borrowings	4 198	6 666	1 064
Employee benefit obligations	3 434	1 782	2 509
Total long-term liabilities	**7 632**	**24 942**	**3 572**
Total liabilities	**79 013**	**83 683**	**62 690**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	199 876	192 734	198 996
Other reserves	(200)	15	(220)
Retained earnings	(101 013)	(73 027)	(96 694)
Total equity	**98 663**	**119 722**	**102 082**
Total equity and liabilities	**177 676**	**203 404**	**164 772**

STATEMENT OF CASH FLOW

(USD 1 000)	Quarter ended 31 March 2008	Quarter ended 31 March 2007	31 December 2007
Net cash flow from operating activities			
Income/ (loss) after income taxes		(12 311)	
Income/ (loss) before income taxes	(3 200)		(27 541)
Adjustments for:			
Total tax expenses	-	1 485	-
Taxes paid	488	(1 091)	(3 987)
Amortisation of interest	-	610	-
Depreciation and ordinary amortisation	4 915	2 599	13 477
Multiclient amortisation	3 323	-	-
Share of net profit of joint venture	(100)	-	-
Impairment of disposal of property, plant and equipment	-	-	-
Non-cash portion of pension expense	925	361	1 159
Cost of share-based payment	305	511	1 392
Change in trade receivables	(20 261)	6 927	(928)
Change in inventories	1 314	(6 411)	(6 884)
Change in trade payables	6 875	3 406	7 866
Change in other working capital	(5 364)	913	(5 252)
Net cash flow from operating activities	**(10 780)**	**(3 001)**	**(20 698)**
Investing activities			
Purchase of property, plant and equipment	(2 092)	(3 951)	(35 853)
Purchase of intangible assets	(501)	(136)	(1 894)
Purchase of shares	-	-	(13 211)
Investment in multiclient library	(3 323)	-	-
Cash used in investing activities	**(5 916)**	**(4 087)**	**(50 958)**
Financial activities			
Financial lease payments - principal	(814)	(1 784)	(1 438)
Payment of Bond	-	-	(20 800)
Proceeds from bond offering	-	-	-
Proceeds from issuance of ordinary shares	720	(2 326)	115 892
Additional proceeds from bank borrowings	-	2 939	-
Proceeds of bank borrowings	4 021	-	(1 797)
Change in other debt	-	608	-
Cash provided by financial activities	**3 927**	**(563)**	**91 857**
Net increase in cash	**(12 769)**	**(7 651)**	**20 201**
Cash balance beginning of period	40 685	20 485	20 485
Cash balance end of period	27 916	12 834	40 685
Increase in cash	(12 769)	(7 651)	20 200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD 1 000)	Share capital, share premium and other paid in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2006	**1 958**	**(8)**	**(35 445)**	**(33 495)**
Currency translation differences	-	(96)	-	(96)
Net income/(expense) recognised directly in equity	-	(96)	-	(96)
Loss for the year	-	-	(25 271)	(25 271)
Total recognised loss for 2006	-	(96)	(25 271)	(25 367)
Reclassification of preference shares	72 660	-	-	72 660
Cost of share-based payment	1 022	-	-	1 022
Proceeds from shares issued	2 299	-	-	2 299
Balance at 31 December 2006	**77 940**	**(104)**	**(60 716)**	**17 120**
Currency translation differences	-	(116)	-	(116)
Net income/(expense) recognised directly in equity	-	-	-	-
Dividend payout	-	-	(4 950)	(4 950)
proceeds from shares issued - dividend converted	3 772	-	-	3 772
Cost of share-based payment	1 392	-	-	1 392
Proceeds from shares issued - options exercised	2 597	-	-	2 597
Proceeds from shares issued - IPO	113 295	-	-	113 295
Purchase of own shares	(4 968)	-	-	(4 968)
Use of shares for consideration acquired interest in joint venture	4 968	-	(102)	4 866
Loss for the period	-	-	(30 926)	(30 926)
Balance at 31 Dec 2007	**198 996**	**(220)**	**(96 694)**	**102 082**
Currency translation differences	-	20	-	20
Proceeds from shares issued - for consideration acquired interest in joint venture	405	-	144	549
Proceeds from shares issued - options exercised	170	-	-	170
Cost of share-based payment	305	-	-	305
Loss for the period	-	-	(4 463)	(4 463)
Balance at 31 Mars 2008	**199 876**	**(200)**	**(101 013)**	**98 663**

SEGMENT REPORTING

EMGS reports its sales revenue as one reportable segment. EMGS offers one product; SBL. However, the sales revenues and related costs are incurred worldwide.

The amounts below show sales revenues reported by geographic region.

(USD million)	Q1 2008	Q1 2007	2007
Americas	9.7	8.3	25.8
Asia	7.3	0.6	34.5
Europe	3.8	0.5	46.4
Africa	22.7	11.9	15.2
Australia	0.0	4.6	18.4
Total	**43.5**	**25.9**	**140.3**

STATEMENT OF COMPLIANCE

These condensed consolidated interim accounts have been prepared in accordance with IAS 34 and should be read in conjunction with the consolidated financial statements for the group for the year ending 31 December 2006. The group's financial statements are available upon request from the company's registered office in Trondheim or at www.emgs.com.

ACCOUNTING PRINCIPLES

The group has applied the same accounting standards and policies as in the group's financial statements at 31 December 2006, and has implemented standards, interpretations and amendments which were effective from 1 January 2007.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

This quarterly report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for EMGS ASA and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the EMGS's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although EMGS ASA believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this report. EMGS ASA nor any other company within the EMGS group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the report, and neither EMGS ASA, any other company within the EMGS group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the report. EMGS ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.

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NOTES

EMGS is the market leader in deep electromagnetic (EM) imaging. The company launched the EM imaging industry in 2002 with the commercialisation of seabed logging, a proven exploration method that uses EM energy to find offshore hydrocarbons without drilling wells. This proprietary and patented technology has been developed over the past 10 years, and its ability to indicate hydrocarbons directly is enabling EMGS' customers to dramatically improve their exploration performance in frontier and mature provinces.

EMGS employs over 300 people from three main offices in Trondheim, Norway; Houston, USA; and Kuala Lumpur, Malaysia. The company operates the world's largest EM vessel fleet, and has conducted more than 300 surveys for many of the world's leading energy companies.

Please visit www.emgs.com for the latest news and in-depth information about EMGS and EM imaging technology.

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