EMGS FIRST QUARTER

14 May 2009

emgs

Highlights
first quarter 2009

Important events in the quarter:

- Revenues at USD 5.8 million for the quarter
- Decision received on court case in London
- Strategic review announced in January 2009
- Global frame agreement awarded by Shell

Subsequent important events:

- Strategic alliance with Fugro
- Substantial contracts awarded by supermajors
- Uplift revenues in excess of USD 10 million from the Barents Sea multi-client campaign
- Organisational restructuring and workforce reduction announced

Key financial figures

USD million (except per share data)	Q1 2009	Q1 2008	2008	Q4 2008
Revenues	**5.8**	43.5	116.2	15.6
EBITDA	**(17.6)**	6.8	(21.4)	(14.2)
Adjusted EBITDA	**(17.6)**	3.5	(38.3)	(14.2)
EBIT	**(23.5)**	(1.4)	(60.3)	(20.9)
Profit/(loss) before taxes	**(24.7)**	(3.2)	(62.7)	(23.5)
Earnings per share	**(0.27)**	(0.06)	(0.83)	(0.25)
Average number of shares outstanding (in thousands)	**91 569**	73 964	82 878	91 567

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at March 31, 2009, was 91 569 261.

Financial review

Revenues and EBITDA

EMGS recorded revenues of USD 5.8 million in the first quarter of 2009 compared with USD 43.5 million in the first quarter of 2008, corresponding to a decrease of 86.7 per cent. The revenues for the fourth quarter 2008 were USD 15.6 million, giving a decrease from the fourth quarter last year to the first quarter this year of 62.8 per cent.

There were no multi-client revenues recorded in the first quarter of 2009, while in the corresponding quarter in 2008 USD 7,5 million was recorded as multi-client revenues. The multi-client revenues amounted to USD 4.6 million in the fourth quarter 2008.

Charter hire, fuel and crew expenses totalled USD 12.2 million in the first quarter 2009 compared with USD 20.2 million in the corresponding quarter in 2008, a decrease of 39.6 per cent. The main reason for the decrease is the cost of vessel hire. In the first quarter 2008 the operational costs of five vessels were accounted for, while in the same quarter in 2009 EMGS covered the full operational cost of only two vessels. A third vessel was subleased covering parts of the costs, while the forth vessel was off hire due to technical improvements. EMGS's opinion is that there is a sound basis for not paying the charter hire during the period the vessel was at yard, so the charter hire is not accounted for during the quarter. Fuel costs and other survey costs have also been reduced by the reduced activity level. Charter hire, fuel and crew expenses came in at USD 14.7 million in the fourth quarter 2008, and the decrease of 17.1 per cent is also related to the vessel situation and reduced activity.

Employee expenses decreased from USD 10.2 million in the first quarter of 2008 to USD 7.8 million in the first quarter 2009. The decrease of 23.5 per cent is due to the decreased number of employees and costs associated with this. The employee expenses for the fourth quarter were USD 9.4 million, a decrease of 17.0 per cent, mainly due to the accrual for restructuring costs amounting to USD 1.2 million in the fourth quarter.

Other operational costs decreased by 46.0 per cent in the first quarter 2009 over the same period last year, from USD 6.3 million to USD 3.4 million. The decrease from 2008 to 2009 is mainly due to the reduced activity level. Other operational costs amounted to 5.7 million in the fourth quarter 2008; the reduction of 40.4 per cent from the fourth quarter to the first quarter 2009 is mainly due to the accrual for write down on receivables of USD 1.5 million in the fourth quarter 2008 in addition to the decreased activity level.

Depreciation and amortisation

Depreciation and amortisation was USD 5.8 million in the first quarter 2009, down from USD 8.2 million in the corresponding quarter in 2008. The decrease is due to the amortisation of multi-client costs of USD 3.3 million in the first quarter of 2008. The depreciation in the fourth quarter 2008 was USD 6.7 million.

Net financial items

Net financial items in the first quarter of 2009 amounted to negative USD 1.3 million, of which the majority is unrealised foreign exchange losses, while a loss of USD 1.8 million was reported in the corresponding period in 2008. In the fourth quarter 2008 a loss of USD 2.6 million was reported.

Result before income tax

EMGS recorded a loss of USD 24.7 million before income tax in the first quarter 2009, compared with a loss of USD 3.2 million in the corresponding quarter in 2008 and a loss of USD 23.5 million in the fourth quarter 2008.

Income tax

No income tax expenses were recorded in the first quarter of 2009, compared with USD 1.3 million in the first quarter of 2008 and a positive effect of USD 0.4 million in the fourth quarter of 2008. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

The net loss in the first quarter of 2009 was USD 24.7 million, compared with a loss of USD 4.5 million in the same period last year and a loss of USD 23.1 million in the fourth quarter 2008.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 4.5 million at 31 March 2009, compared with USD 28.1 million at 31 December 2008 and USD 27.9 million at 31 March 2008. As at 31 March 2009 there was a draw of USD 2.1 million on the USD 26 million Nordea credit facility compared with a draw of USD 1.8 million at 31 December 2008 and USD 13.8 million as at 31 March 2008.

Trade receivables were USD 12.3 million at 31 March 2009, down from USD 13.9 million at 31 December 2008, while the figure was USD 53.1 million at 31 March 2008.

Net cash flow from operating activities was negative by USD 21.9 million in the quarter 2009, compared with a negative net cash flow of USD 10.8 million in the same period in 2008.

Cash applied in investing activities in the first quarter of 2009 amounted to USD 1.0 million, compared with USD 5.9 million in the corresponding period of 2008. The investment in 2008 is mostly related to the multi-client library, while the investment in 2009 was entirely related to equipment.

Cash flow from financial activities was USD 0.6 million in the first quarter of 2009 compared with USD 3.9 million in the corresponding period in 2008.

Operational review

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation. The Company's vessel utilisation in the first quarter 2009 ended at 46 per cent. EMGS had the same capacity under operation in the first quarter 2009 as in the last quarter of 2008. Utilisation in 2008 was 71 per cent in the first quarter, 48 per cent in the second quarter, 72 per cent in the third quarter and 49 per cent in the fourth quarter. At the end of the first quarter 2009 EMGS had three vessels in operation; M/V Atlantic Guardian, M/V Siem Mollie and M/V Boa Thalassa. M/V Atlantic Guardian has been located in South East Asia. M/V Siem Mollie has been located in the Gulf of Mexico. EMGS started to use the third operating vessel, M/V Boa Thalassa, in December 2008. The vessel is owned by BOA SBL AS, a company owned by Taubåtkompaniet AS, and time chartered to EMGS. During the test trials and the first survey it became apparent that the vessel needed to be modified to be suitable for EM surveys. The vessel was returned to Fosen Yard on 26 January 2009 where necessary temporary modifications were performed. The temporary modifications are completed and EMGS took her in use on 1 April 2009. Permanent modifications will be performed later in the year.

M/V Siem Sasha is still a part of the fleet, but she has been subleased and is operating in the PSV spot marked in the North Sea.

The second purpose-built vessel is still expected to be delivered in the third quarter 2009.

EMGS did not have any major QHSE issues or other operational incidents in the first quarter 2009.

Events in the quarter

On 19 January, EMGS reported that, following proceedings launched by Schlumberger, three of its patents were not upheld in a first instance decision at the High Court in London. Although the decision is disappointing, these patents apply only to certain activities in UK waters and EMGS retains full patent protection in more than 30 other jurisdictions. Globally, EMGS's IP position remains intact. EMGS has appealed the decision.

In addition, EMGS and Warburg Pincus LLC jointly announced the appointment of Goldman Sachs to conduct a review of the strategic options available to EMGS in the future commercialisation of its business. This step is part of the company's ongoing strategy to exploit fully the commercial opportunities created by the EM technology.

On 30 March, EMGS announced that it had entered into a global frame agreement with Shell Exploration and Production B.V. for the provision of EM services for one year, with optional extensions for two additional years. Shell is one of the most experienced users of EM technology, having completed more than 50 surveys since its first use of EMGS technology in 2004, and this agreement further underlines Shell's confidence in EMGS's technology.

Recent events

On April 3, EMGS was awarded contracts by two exploration and production companies to conduct EM surveys in the Norwegian Sea. EMGS reported that the surveys would start immediately and would be carried out using the new purpose-built EM vessel BOA Thalassa, and that the work would be completed in April.

On April 17, EMGS announced the award of a contract worth about USD 4 million by Shell Exploration and Production B.V. to conduct a 3D electromagnetic (EM) survey offshore Senegal. This is the first EM exploration programme to be performed under the Global Frame Agreement described above. EMGS reported that the survey would be carried out using the new, purpose-built EM vessel BOA Thalassa and would start immediately after the surveys in the Norwegian Sea had been completed. The 3D EM survey covers parts of a license area where a number of hydrocarbon drilling prospects have been identified by the operator First Australian Resources (FAR). The objective of the EM exploration programme is to enable Shell to determine whether to acquire a 70 percent interest in the license and subsequently enter into a well commitment. The fact that Shell is using EMGS's EM data as a basis for a go/no-go decision is a significant endorsement of the technology's value in exploration decision-making.

On April 20, EMGS signed a multi-client data-licensing contract with a major international exploration and production operator for Clearplay 3D electromagnetic (EM) data from the eastern Gulf of Mexico. The transaction is worth approximately USD 5.8 million, and it is expected that the majority of revenues will be recognised in the second quarter of 2009. The Gulf of Mexico is one of the most substantial exploration areas in the world, yet the eastern part of this region remains significantly underexplored. EMGS believes that the market potential for EMGS in this region is promising, as the company has seen growing interest in its multi-client 3D EM data.

On 24 April, EMGS entered into a global cooperation agreement with Fugro N.V. (Fugro), the world's leading geotechnical, survey and geoscience company. The cooperation agreement is in effect through 2011. Under the agreement, Fugro will gain full access to EMGS's marine EM methods for hydrocarbon exploration and production, and EMGS will gain access to Fugro's worldwide marketing network and marine operating expertise. Both companies have also entered into a non-exclusive worldwide multi-client cooperation agreement, as well as a non-exclusive global technology licensing agreement. As a part of the agreement, Fugro has provided a NOK 150 million secured convertible loan bearing interest at 7.00% p.a. to EMGS. The loan can at any time be converted into common shares in EMGS at the conversion price of NOK 5.75 (USD 0.88) until the maturity date on January 2, 2012. EMGS believes that the combination of EMGS's industry-leading EM technology and Fugro's position brings to the market a solution that will enhance industry adoption of EMGS's technology.

On April 30, EMGS secured a USD 5 million senior unsecured convertible bond bearing interest at 9.00%. The loan can at any time be converted into common shares in EMGS at the conversion price of NOK 5.75 per share (USD 0.88 per share) until the maturity date on 18 May 2011.

On May 12, EMGS announced measures to restructure the company and reduce its workforce. The measures are designed to reduce costs, focus resources in key areas and improve the company's financial performance. The vessel fleet will be temporarily reduced from three to two vessels to match the current demand environment, and the organisation will be scaled accordingly. These actions will result in 29 temporary layoffs, 28 redundancies and 4 consultancy contracts being terminated. EMGS anticipates that the measures will result in annual reductions in operating expenses of approximately USD 8 - 10 million. As a part of the restructuring, EMGS plans to further rationalize its product development efforts to focus on existing products, and is working with its customers on potential new programs that involve sharing of research and development costs and capital expenditures.

Outlook

EMGS's revenues have not been unaffected by the current economic downturn. However, by targeting national and major oil companies, which have both the financial strength and opportunity to become large scale users of the EM technology, EMGS is less exposed to oil price volatility, reduced E&P spending and a worldwide credit crisis than most other companies.

Prudent action has been taken to reduce the company's operating expenses to match the present demand environment. The reduction in operating vessel fleet from three to two vessels and the workforce reduction will secure a sustainable financial position short-term, whilst enabling the company to respond to increased demand in a profitable manner.

EMGS believes that the recently announced corporate restructuring will streamline the company's operations into a more efficient and commercially oriented business. The future risks for EMGS will, however, largely be dictated by the ability to turn encouraging interest in the company's technology into revenue generating contracts. Recent contract awards and the global cooperation agreement with Fugro, which is a crucial step to enhance industry adoption of the company's EM technology, cause EMGS to be more optimistic than the previous two quarters.

Oslo, 13 May 2009
Board of Directors

EMGS First Quarter 2009

Consolidated income statement

Amounts in USD 1 000	Q1 2009 Unaudited	Q1 2008 Unaudited	2008 Audited
Operating revenues			
Contract sales	5 812	43 487	116 177
Total operating revenues	**5 812**	**43 487**	**116 177**
Operating expenses			
Charter hire, fuel and crew expenses	12 189	20 115	70 518
Employee expenses	7 849	10 230	40 451
Depreciation and ordinary amortisation	5 819	4 915	22 029
Multi-client amortisation	-	3 323	16 889
Other operating expenses	3 409	6 336	26 572
Total operating expenses	**29 266**	**44 919**	**176 459**
Operating profit/(loss)	**(23 454)**	**(1 432)**	**(60 282)**
Financial income and expenses			
Financial income	7 305	1 405	12 014
Financial expenses	(8 587)	(3 174)	(14 406)
Net financial expenses	**(1 282)**	**(1 769)**	**(2 392)**
Income/(loss) before income taxes	**(24 736)**	**(3 201)**	**(62 674)**
Income tax expenses	12	1 263	3 096
Income/(loss) for the period	**(24 748)**	**(4 464)**	**(65 770)**
Other financial data			
EBITDA	(17 635)	6 806	(21 364)
Multi-client investment	-	3 323	16 889
Adjusted EBITDA	(17 635)	3 483	(38 253)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000	Q1 2009 Unaudited	Q1 2008 Unaudited	2008 Unaudited
Income/(loss) for the period	**(24 748)**	**(4 464)**	**(65 770)**
Exchange differences on translation of foreign operations	5	20	(6)
Total comprehensive income/(loss) for the period	**(24 743)**	**(4 444)**	**(65 776)**

Consolidated balance sheet

Amounts in USD 1 000	Quarter ended 31 March 2009 Unaudited	Quarter ended 31 March 2008 Unaudited	Year ended 31 Dec. 2008 Audited
ASSETS			
Non-current assets			
Intangible assets	3 757	3 484	3 784
Property, plant and equipment	42 598	51 456	42 665
Investment in joint venture	13 225	13 044	12 800
Total non-current assets	**59 580**	**67 984**	**59 249**
Current assets			
Inventories	8 146	11 195	9 539
Trade receivables	12 335	53 099	13 923
Other receivables	8 473	6 829	2 943
Prepaid assets	13 088	10 653	12 631
Cash and cash equivalents	4 528	27 916	28 112
Total current assets	**46 570**	**109 692**	**67 148**
Total assets	**106 150**	**177 676**	**126 397**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid equity	245 188	199 876	244 961
Other reserves	(221)	(200)	(226)
Retained earnings	(187 068)	(101 013)	(162 319)
Total equity	**57 899**	**98 663**	**82 416**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	4 642	3 434	4 392
Borrowings	6 067	4 198	2 780
Total non-current liabilities	**10 709**	**7 632**	**7 172**
Current liabilities			
Trade payables	17 785	35 418	19 514
Current tax liability	3 134	5 991	2 836
Other short term liabilities	10 722	12 656	9 360
Borrowings	5 901	17 316	5 099
Total current liabilities	**37 542**	**71 381**	**36 809**
Total liabilities	**48 251**	**79 013**	**43 981**
Total equity and liabilities	**106 150**	**177 676**	**126 397**

Consolidated statement of cash flow

Amounts in USD 1 000	Quarter ended 31 March 2009 Unaudited	Quarter ended 31 March 2008 Unaudited	31 Dec. 2008 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	(24 738)	(3 200)	(62 674)
Adjustments for:			
Withholding tax expenses	475	-	-
Total taxes paid	(189)	488	(4 499)
Amortisation of interest	-	-	-
Depreciation and ordinary amortisation	5 819	4 915	22 028
Multi-client amortisation	-	3 323	16 889
Profit on sale of fixed asset	-	-	(84)
Share of net (profit)/loss of joint venture	(425)	(100)	143
Impairment of disposal of property, plant and equipment	3	-	-
Non-cash portion of pension expense	250	925	1 883
Cost of share-based payment	263	305	2 011
Cost of rights issue	(36)	-	1 134
Change in trade receivables	1 588	(20 261)	18 915
Change in inventories	1 393	1 314	2 969
Change in trade payables	(1 729)	6 875	(9 029)
Change in other working capital	(4 620)	(5 364)	(7 043)
Currency translation effect	-	-	-
Net cash flow from operating activities	**(21 946)**	**(10 780)**	**(17 356)**
Investing activities:			
Investment in joint ventures	-	-	412
Purchases of property, plant and equipment	(573)	(2 092)	(6 396)
Purchases of intangible assets	(467)	(501)	(2 037)
Proceeds from sales of assets	34	-	1 198
Investment in multi-client library	-	(3 323)	(16 889)
Cash used in investing activities	**(1 006)**	**(5 916)**	**(23 712)**
Financial activities:			
Financial lease payments-principal	(867)	(814)	(6 319)
Proceeds from issuance of ordinary shares	-	720	42 820
Proceeds of bank borrowings	235	4 021	(8 005)
Cash provided by financial activities	**(632)**	**3 927**	**28 496**
Net increase in cash	**(23 584)**	**(12 769)**	**(12 573)**
Cash balance beginning of period	28 112	40 685	40 685
Cash balance end of period	4 528	27 916	28 112
Increase in cash	**(23 584)**	**(12 769)**	**(12 537)**

Consolidated statement of changes in equity

Amounts in USD 1 000	Share capital, share premium and other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 31 December 2006 (Audited)	**77 940**	**(104)**	**(60 716)**	**17 120**
Currency translation differences	-	(116)	-	**(116)**
Dividend payout	-	-	(4 950)	**(4 950)**
Proceeds from shares issued - dividends 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 December 2007 (Audited)	**198 996**	**(220)**	**(96 694)**	**102 082**
Currency translation differences	-	(6)	-	**(6)**
Proceeds from shares issued – for consideration acquired interest in joint venture	405	-	144	**549**
Proceeds from shares issued – rights issue and options exercised	45 380	-	-	**45 380**
Cost of share-based payment	2 011	-	-	**2 011**
Cost of rights issue	(1 832)	-	-	**(1 832)**
Loss for the period	-	-	(65 770)	**(65 770)**
Balance at 31 December 2008 (Audited)	**244 961**	**(226)**	**(162 320)**	**82 415**
Currency translation differences	-	5	-	**5**
Cost of share-based payment	263	-	-	**263**
Cost of rights issue	(36)	-	-	**(36)**
Loss for the period	-	-	(24 748)	**(24 748)**
Balance at 31 December 2009 (Unaudited)	**245 188**	**(221)**	**(187 068)**	**57 899**

Notes

Segment reporting

EMGS reports its sales revenue as one reportable segment. The sales revenues and related costs are incurred worldwide.

The amounts below show sales revenues reported by geographic region.

Amounts in USD 1 000	Q1 2009	Q1 2008	2008
Americas	**0.2**	9.7	19.6
Asia	**4.8**	7.3	28.2
Europe	**0.9**	3.8	44.0
Africa	**-**	22.7	24.2
Australia	**-**	-	0.2
Total	**5.8**	**43.5**	**116.2**

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 2008. The group's financial statements are available upon request from the company's registered office in Trondheim or at emgs.com.

Accounting principles

The group has applied the same accounting standards and policies as in the group's financial statements at 31 December 2008, and has implemented standards, interpretations and amendments which were effective from 1 January 2009.

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.

For further information visit emgs.com, or contact:

Roar Bekker
Acting CEO
Email: rbekker@emgs.com
Phone: +47 73 56 88 10

Svein T. Knudsen
CFO
Email: sk@emgs.com
Phone: +47 22 01 14 00

EMGS uses its proprietary electromagnetic (EM) technology to support oil and gas companies in their search for offshore hydrocarbons. The company is the EM market leader and provides Clearplay, the world's first fully integrated EM system.

Three service offerings - Clearplay Find, Test and Evaluate - have been designed to assist operators in the exploration and production phase. Clearplay supports each stage in the workflow, from survey design and data acquisition to processing and interpretation. The services enable integration of EM data with seismic and other geophysical and geological information to give explorationists a clearer and more complete understanding of the subsurface. This improves exploration efficiency, and reduces risk and finding costs per barrel.

EMGS operates the world's largest EM survey vessel fleet and has conducted more than 400 surveys, improving drilling success rates across the world's mature and frontier offshore basins. The company operates on a worldwide basis with main offices in Trondheim and Stavanger, Norway; Houston, USA; and Kuala Lumpur, Malaysia.

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

EMGS Headquarters
Stiklestadveien 1
N-7041 Trondheim
Norway

Telephone: +47 73 56 88 10
E-mail: findinghydrocarbons@emgs.com

EMGS Europe, Africa & Middle East
Laugmannsgt. 7
N-4006 Stavanger
Norway

Telephone: +47 73 56 88 10

EMGS Americas
16000 Barkers Point Lane, Suite 145
Houston, TX 77079
USA

Telephone: +1 281 920 5601

EMGS Asia Pacific
Unit E-12-4, 12th Floor, East Wing
Wisma Rohas Perkasa, No. 8 Jalan Perak
Kuala Lumpur
Malaysia

Telephone +603 (2166) 0613

emgs.com

emgs