

EMGS first quarter

16/05/2012

Highlights in the first quarter 2012

- Financial results:
 - Total revenues at USD 55.6 million for the quarter
 - EBITDA of USD 16.1 million
 - Net income of USD 7.0 million
- Schlumberger and EMGS signed cooperative agreement
- EM Leader mobilized in Asia Pacific
- New Barents Sea multi-client 3D EM campaign launched

Subsequent important events:

- David Nesor appointed Chief Operating Officer and Chief Technology Officer
- Dave Ridyard appointed Executive Vice President of Strategic Business Development
- Multi-year contract with national oil company extended on a project-to-project basis
- EMGS awarded 3D EM survey in Papua New Guinea

Key financial figures

USD million (except per share data)	Q1 2012	Q1 2011	2011	Q4 2011
Revenues	55.6	21.5	172.4	57.8
Operating profit/(loss)	11.7	(6.7)	25.1	12.6
Income/(loss) before income taxes	8.9	(12.7)	18.0	15.1
Earnings per share	0.04	(0.09)	0.06	0.06
Average number of shares outstanding (in thousands)	197 914	156 814	175 633	197 019
EBITDA	16.1	(3.3)	41.8	16.7
Multi-client investment	4.2	-	2.3	2.3
Adjusted EBITDA	11.9	(3.3)	39.5	14.4

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at 31 March 2012, was 198 386 055 .

Financial review

Revenues and operating expenses

EMGS recorded revenues of USD 55.6 million in the first quarter of 2012, up from USD 21.5 million in the first quarter of 2011. Contract sales totalled USD 53.0 million, whilst multi-client sales came in at USD 2.6 million. In the corresponding period last year, EMGS recorded multi-client sales of USD 0.5 million. The growth in revenues is related to an increase in the vessel fleet as well as improved productivity. The company recorded 12 vessel months in the first quarter of 2012 as opposed to 6 in the first quarter of 2011.

Charter hire, fuel and crew expenses totalled USD 21.0 million in the first quarter of 2012, up from USD 10.5 million in the corresponding quarter in 2011 owing to an increase in the vessel fleet and operational activity in 2012. Capitalisation of multi-client costs amounted to USD 4.2 million in the first quarter of 2012. No capitalisation of multi-client costs was recorded in the first quarter of 2011.

Employee expenses increased from USD 9.9 million in the first quarter of 2011 to USD 13.8 million in the first quarter 2012 owing to higher operational activity, as reflected in the higher revenues.

Other operational costs increased marginally.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 3.2 million in the first quarter 2012, down from USD 3.4 million in the same quarter in 2011. The reduction is due to assets becoming fully depreciated.

Multi-client amortisation totalled USD 1.2 million in the first quarter of 2012, while no multi-client amortisation was recorded in the first quarter of 2011.

Net financial items

Net financial items was negative USD 2.8 million in the first quarter of 2012, while a loss of USD 6.0 million was reported in the corresponding period in 2011. The loss in 2011 was attributed a change in fair value of conversion rights on the convertible loan of negative USD 1.4 million. This loan was converted to shares in the second quarter of 2011. In the first quarter of 2012, a loss on net foreign currency of USD 1.4 million was recorded, while a loss on net foreign currency of USD 2.5 million was recorded in the corresponding quarter last year.

Result before income taxes

Income before income taxes came in at USD 8.9 million in the first quarter 2012, compared with a loss of USD 12.7 million in the corresponding quarter in 2011.

Income tax expenses

Income tax expenses of USD 1.9 million were recorded in the first quarter of 2012, compared with an income tax expense of USD 0.7 million in the first quarter of 2011. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

Net result for the first quarter of 2012 ended at a positive USD 7.0 million, up from a loss of USD 13.4 million in the same period last year.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 62.0 million at 31 March 2012, compared with USD 30.6 million at 31 March 2011.

USD 17.9 million of the cash at 31 March 2012 was restricted, mainly due to client performance guarantees.

Trade receivables were USD 39.2 million at 31 March 2012, up from USD 18.2 million at 31 March 2011. The effect on working capital is mostly due to a ramp-up in operational activity, specifically a contractually defined and longer than normal payment cycle in Brazil. Overall, the Company's customer base pays according to standard industry terms, and on time.

Total borrowings were USD 46.4 million at 31 March 2012, compared with USD 48.5 million at 31 March 2011.

Cash flow from operating activities was negative at USD 4.6 million for the quarter ended 31 March 2012, compared with a negative cash flow from operating activities of USD 5.4 million in the comparable period in 2011.

Cash applied in investing activities in first quarter 2012 amounted to USD 8.6 million, compared with USD 2.7 million in the same period in 2011.

Cash flow from financial activities was negative at USD 0.4 million in first quarter 2012. The comparable amount in 2011 was negative USD 1.3 million.

Operational review

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation, as a percentage of time spent on vessel charter hire. The company's vessel utilisation in 2011 and the first quarter of 2012 were as follows:

	Q1	Q2	Q3	Q4
2011	87%	80%	77%	84%
2012	76%			

Vessel overview

Vessel	Status Q1	Utilisation Q1	Firm charter period	Optional charter period
BOA Thalassa	In operation	81%	18 December 2013	3 x 12 months
BOA Galatea	In operation	95%	17 July 2014	3 x 12 months
Atlantic Guardian	In operation	58%	25 June 2012	2 x 3 months
EM Leader	In operation from early February	68%	On charter for approximately 9 weeks in Q1	Optional 3-, 6- or 12-month charters until 9 Mar 2015
EM Express	In operation until 22 January	Not applicable	On charter until 22 January	Optional 3-, 6- or 12-month charters until 9 May 2014

The BOA Thalassa completed a scheduled dry dock on 13 January. The vessel spent the remainder of the quarter acquiring 3D EM (electromagnetic data) data for PEMEX in the Mexican sector of the Gulf of Mexico, maintaining its strong operational performance with utilisation at 81% for the quarter.

The BOA Galatea spent the entire quarter acquiring 3D EM data in Brazil under the USD 90 million contract with Petrobras. Utilisation came in at 95% for the quarter.

The Atlantic Guardian acquired 3D EM data in Mexico for PEMEX until early February. The vessel subsequently transited

to the Barents Sea where it embarked on a multi-client campaign ahead of the 22nd licensing round in Norway. Utilisation came in at 58%.

The EM Leader started on a six-week 3D EM survey for Shell in Brunei in early February, following modifications of the vessel to accommodate EMGS's equipment and technology. After the Brunei-survey, EM Leader returned to Singapore where upgrades were completed.

The EM Express completed a multi-client 3D magnetotelluric (MT) survey covering approximately 3000 km² in the Møre basin, Norwegian Sea on 22 January.

Events in the quarter

On 3 January, EMGS and Schlumberger signed a cooperative agreement through which the parties offer to the industry their respective expertise in the marine electromagnetic related fields of processing, advanced modelling and earth model building. The agreement was effective from said date.

On 8 February, EMGS announced that it had secured pre-funding to start a multi-client 3D EM campaign in the Barents Sea, ahead of Norway's 22nd licensing round. The company reported that data acquisition would commence in March using the vessel Atlantic Guardian.

On 28 March, EMGS announced that the vessel BOA Thalassa had completed planned 3D EM data acquisition under its current multi-year contract. The company reported that the vessel would continue to acquire 3D EM data on a project-to-project basis until the scope of a contract extension has been defined.

Recent events

On 2 May, EMGS was awarded a contract worth in excess of USD 4 million by a new customer to acquire and process 3D electromagnetic (EM) data offshore Papua New Guinea. The company reported that data acquisition will be performed using the vessel EM Leader in the second quarter of 2012.

Outlook

In light of the current backlog, further market opportunities and the fact that EMGS has reported the best first-quarter financial results in the company's history, we remain confident that EMGS will deliver annual revenue growth for the full financial year 2012 with an EBITDA margin of at least 25%.

Oslo, 15 May 2012
Board of Directors

Electromagnetic Geoservices Group

Consolidated income statement

Quarter ended 31 March

Amounts in USD 1 000	Q1 2012 Unaudited	Q1 2011 Unaudited	2011 Audited
Operating revenues			
Contract sales	52 982	21 006	162 904
Multi-client sales	2 576	528	9 510
Total operating revenues	55 558	21 534	172 414
Operating expenses			
Charter hire, fuel and crew expenses	21 032	10 458	67 105
Employee expenses	13 787	9 854	43 572
Depreciation and ordinary amortisation	3 199	3 444	13 019
Multi-client amortisation	1 216	-	3 675
Other operating expenses	4 648	4 527	19 904
Total operating expenses	43 882	28 283	147 275
Operating profit/(loss)	11 676	-6 749	25 139
Financial income and expenses			
Interest income	16	7	221
Interest expenses	-1 404	-2 154	-6 516
Change in fair value of conversion rights	-	-1 353	-1 353
Net foreign currency income/(loss)	-1 370	-2 465	475
Net financial items	-2 758	-5 965	-7 173
Income/(loss) before income tax	8 918	-12 714	17 966
Income tax expense	1 946	654	7 813
Income/(loss) for the year	6 972	-13 368	10 153
Basic income/(loss) per share (result for the year/shares) in USD	0.04	-0.09	0.06
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Income/(loss) for the year	6 972	-13 368	10 153
Exchange differences on translation of foreign operations	2 379	448	-4 256
Total comprehensive income/(loss) for the year	9 351	-12 920	5 897

Consolidated statement of financial position

As at 31 March

Amounts in USD 1 000	Q1 2012 Unaudited	Q1 2011 Unaudited	2011 Audited
ASSETS			
Non-current assets			
Goodwill	14 422	-	14 422
Intangible assets	13 402	8 964	10 652
Property, plant and equipment	19 957	22 634	20 615
Assets under construction	17 251	9 811	14 275
Restricted cash	604	7 343	590
Total non-current assets	65 636	48 752	60 554
Current assets			
Spare parts, fuel, anchors and batteries	10 889	10 779	9 733
Trade receivables	39 223	18 172	27 761
Other receivables	8 463	6 796	6 207
Cash and cash equivalents	44 145	12 007	57 796
Restricted cash	17 257	11 209	16 553
Total current assets	119 978	58 964	118 050
Total assets	185 615	107 716	178 604
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid in equity	266 446	221 951	265 027
Other reserves	-2 049	277	-4 428
Retained earnings	-162 864	-193 356	-169 836
Total equity	101 534	28 871	90 763
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	5 557	5 479	5 051
Non-current tax liability	527	-	580
Borrowings	45 057	22 907	43 022
Total non-current liabilities	51 141	28 385	48 653
Current liabilities			
Trade payables	12 399	12 290	14 276
Current tax liabilities	5 918	1 807	7 082
Other short term liabilities	13 285	10 804	16 552
Borrowings	1 336	25 557	1 278
Total current liabilities	32 939	50 459	39 188
Total liabilities	84 080	78 844	87 841
Total equity and liabilities	185 615	107 716	178 604

Consolidated statement of cash flows

Quarter ended 31 March

Amounts in USD 1 000	Q1 2012 Unaudited	Q1 2011 Unaudited	2011 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	8 918	-12 714	17 966
Adjustments for:			
Withholding tax expenses	1 188	-503	4 459
Total taxes paid	-4 300	708	-6 137
Depreciation and ordinary amortisation	3 200	3 444	13 019
Multi-client amortisation	1 215	-	3 675
Non-cash portion of pension expense	506	393	-35
Cost of share-based payment	504	230	497
Change in trade receivables	-11 462	2 468	-7 121
Change in inventories	-1 157	-1 485	-440
Change in trade payables	-1 877	-462	1 525
Change in other working capital	-2 623	-4 320	-9 113
Change in fair value of conversion rights	-	4 983	-
Currency effect on convertible loans	-	-	-
Amortisation of interest	1 253	1 891	5 262
Net cash flow from operating activities	-4 635	-5 367	23 557
Investing activities:			
Purchases of property, plant and equipment	-4 316	-2 685	-3 226
Purchases of intangible assets	-	-	-6
Investment in multi-client library	-4 296	-	-2 741
Cash used in investing activities	-8 612	-2 685	-5 973
Financial activities:			
Financial lease payments - principal	-174	-433	-2 099
Payment of bond	-	-	-20 400
Proceeds from bond offering	-	-	43 721
Proceeds from issuance of ordinary shares	915	159	1 872
Payment of interest on bonds	-1 145	-1 007	-4 222
Cash provided by financial activities	-404	-1 281	18 872
Net increase in cash	-13 651	-9 333	36 456
Cash balance beginning of period	57 796	21 340	21 340
Cash balance end of period	44 145	12 007	57 796
Increase in cash	-13 651	-9 333	36 456

Consolidated statement of changes in equity

Attributable to equity holders of the Company

Amounts in USD 1 000	Share capital, share premium and other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 31 December 2010 (Audited)	182 381	-172	-179 988	-2 222
Currency translation differences	-	448	-	448
Loss for the period	-	-	-13 368	-13 368
Total comprehensive income	-	448	-13 368	-12 920
Cost of share-based payment	230	-	-	230
Equity component of convertible loan	32 568	-	-	32 568
Conversion of convertible loan	6 613	-	-	6 613
Proceeds from shares issued - private placement and options exercised	159	-	-	159
Balance at 31 March 2011 (Unaudited)	221 951	276	-193 356	28 871
Currency translation differences	-	1 304	-	1 304
Income/(loss) for the year	-	-	3 659	3 659
Total comprehensive income	-	1 304	3 659	4 963
Cost of share-based payment	137	-	-	137
Conversion of convertible loan	24 371	-	-	24 371
Proceeds from shares issued - private placement and options exercised	704	-	-	704
Balance at 30 June 2011 (Unaudited)	247 163	1 580	-189 698	59 047
Currency translation differences	-	-6 215	-	-6 215
Income for the year	-	-	7 544	7 544
Total comprehensive income	-	-6 215	7 544	1 329
Reclassification of equity as a result of currency differences	-2 473	2 473	-	-
Cost of share-based payment	45	-	-	45
Proceeds from shares issued - purchase of subsidiary	19 198	-	-	19 198
Proceeds from shares issued - private placement and options exercised	195	-	-	195
Balance at 30 September 2011 (Unaudited)	264 128	-2 162	-182 154	79 814
Currency translation differences	-	-2 266	-	-2 266
Income for the period	-	-	12 318	12 318
Total comprehensive income	-	-2 266	12 318	10 052
Cost of share-based payment	85	-	-	85
Proceeds from shares issued - private placement and options exercised	814	-	-	814
Balance at 31 December 2011 (Audited)	265 027	-4 428	-169 836	90 763
Currency translation differences	-	2 379	-	2 379
Income for the period	-	-	6 972	6 972
Total comprehensive income	-	2 379	6 972	9 351
Cost of share-based payment	504	-	-	504
Proceeds from shares issued - private placement and options exercised	915	-	-	915
Balance at 31 March 2012 (Unaudited)	266 446	-2 049	-162 864	101 534

Notes to the financial statements

Accounting principles

The Group has applied the same accounting standards and policies as in the Group's financial statements at 31 December 2011, and has implemented standards, interpretations and amendments which were effective from 1 January 2012.

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 2012 Unaudited	Q1 2011 Unaudited	2011 Audited
Americas	46.8	12.5	115.0
Asia/Pacific	6.3	5.1	16.5
EAME	2.5	4.0	38.7
Total	55.6	21.5	170.2

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 2011. The group's financial statements are available upon request from the company's registered office in Trondheim or at emgs.com.

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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EMGS, the marine EM market leader, uses its proprietary electromagnetic (EM) technology to support oil and gas companies in their search for offshore hydrocarbons. EMGS supports each stage in the workflow, from survey design and data acquisition to processing and interpretation. The company's 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 risks and the finding costs per barrel.

EMGS has conducted more than 600 surveys to improve drilling success rates across the world's mature and frontier offshore basins. The company operates on a worldwide basis with main offices in Trondheim, Oslo and Stavanger, Norway; Houston, USA; and Kuala Lumpur, Malaysia.

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

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