

EMGS first quarter 2014

08/05/2014

Highlights in the first quarter 2014

Operational highlights

- Two vessels operating for Pemex
- Agreement with new customer in Morocco worth USD 8.3 million
- Commenced first 3D multi-client EM survey in US Gulf of Mexico
- Strategic agreement with North Energy

Financial highlights

- First quarter revenues of USD 61.3 million
- First quarter EBITDA of USD 20.4 million

Recent events

- Two contracts from North Energy in the North Sea
- Strong pre-funding for 3D multi-client survey in US Gulf of Mexico
- Agreement with ANCAP, the regulating authority for oil and exploration in Uruguay

Key financial figures

USD million (except per share data)	Q1 2014	Q1 2013	2013	Q4 2013
Contract sales	46.4	20.1	111.3	40.1
Multi-client sales	14.9	11.6	33.3	4.8
Total revenues	61.3	31.7	144.6	44.9
Operating profit/ (loss)	12.8	(6.1)	(12.3)	1.1
Income/ (loss) before income taxes	11.7	(1.2)	(13.2)	1.4
Net income/ (loss)	8.2	(2.5)	(15.1)	1.3
Earnings/ (loss) per share	0.04	(0.01)	(0.08)	0.01
Average number of shares outstanding (in thousands)	199 512	198 690	199 310	199 512
EBITDA	20.4	1.3	17.5	6.5
Multi-client investment	3.2	8.4	33.7	1.5
Adjusted EBITDA	17.2	(7.1)	(16.2)	5.0

Financial review

Revenues and operating expenses

EMGS recorded revenues of USD 61.3 million in the first quarter of 2014, up from USD 31.7 million reported for the first quarter of 2013. Contract sales totalled USD 46.4 million while multi-client sales came in at USD 14.9 million in the quarter, after adjustment for TGS' share of the revenues from the joint project between the two companies. This compares to contract sales of USD 20.1 million and multi-client sales of USD 11.6 million in the corresponding period in 2013.

The Company recorded 10.7 vessel months in the first quarter of 2014 as opposed to 10.0 in the first quarter of 2013. Vessel utilisation came in at 66% in the first quarter of 2014, with an allocation of 56% to contract and 10% to multi-client programmes. For the corresponding period of 2013, the Company had a total utilisation of 63%, with 29% allocated to contract and 34% to multi-client programmes.

Charter hire, fuel and crew expenses totalled USD 20.6 million in the first quarter of 2014, up from USD 10.3 million in the corresponding quarter in 2013. The increase is mainly related to reduction of capitalisation of multi-client costs from USD 8.4 million in the first quarter of 2013 to USD 3.2 million in the corresponding period in 2014 and reduction in capitalised mobilisation costs of USD 3.3 million.

Employee expenses increased from USD 14.8 million in the first quarter of 2013 to USD 15.7 million in the first quarter of 2014.

Other operating expenses decreased from USD 5.4 million in the first quarter of 2013 to USD 4.6 million in the first quarter of 2014.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 4.3 million in the first quarter 2014, down from USD 4.6 million in the same quarter in 2013.

Multi-client amortisation totalled USD 3.3 million in the first quarter of 2014, up from USD 2.8 million in the first quarter of 2013.

Net financial items

In the first quarter of 2014, North Energy ASA bought EM data from EMGS' existing multi-client data library in the Barents Sea. The payment of NOK 75 million was in form of a convertible bond issued by North Energy ASA. The bond has a strike price of NOK 4.15, coupon of 6% and a maturity of 6

months. According to IFRS, the conversion right of the bond is subject to a "fair value adjustment" related to changes in North Energy ASA's share price. The share price was NOK 4.80 as of 31 March 2014, resulting in a positive adjustment of USD 1.6 million, recorded as a financial gain in the first quarter.

Interest expenses increased from USD 1.5 million in the first quarter of 2013 to USD 1.8 million this quarter. The Company recorded a loss on net foreign currency of USD 1.6 million this quarter, while a gain of USD 6.3 million was recorded in the corresponding quarter in 2013. Net financial items ended at negative USD 1.1 million, compared with a gain of USD 4.9 million in the first quarter of 2013.

Income/(loss) before income taxes

Income before income taxes came in at USD 11.7 million in the first quarter 2014, compared with a loss before income taxes of USD 1.2 million in the corresponding quarter in 2013.

Income tax expenses

Income tax expenses of USD 3.4 million were recorded in the first quarter of 2014, compared with an income tax expense of USD 1.3 million in the first quarter of 2013. These taxes relate to results in foreign jurisdictions.

Net income for the period

Income for the first quarter of 2014 ended at USD 8.2 million, up from a loss of USD 2.5 million in the same period last year.

Cash flow and balance sheet

In the first quarter of 2014, net cash flow from operating activities was negative USD 0.7 million, compared with positive USD 15.7 million the same period last year. The negative cash flow in 2014 is mainly caused by an increase in trade receivables of USD 10.2 million and a negative change in other working capital of USD 13.3 million. The convertible bond to North Energy ASA, including its conversion right, has reduced other working capital.

EMGS applied USD 9.7 million in investing activities in the first quarter of 2014. The investments consist of USD 3.2 million in multi-client library, USD 2.5 million in property, plant and equipment and USD 4.0 million in shares in North Energy ASA. The investment in shares in North Energy ASA includes the positive effect of the increase in North Energy's share price of USD 0.7 million. The ending multi-

client library balance was USD 28.0 million on 31 March 2014, down from USD 28.1 million at 31 December 2013. In the same period in 2013, cash applied in investing activities amounted to USD 13.3 million.

Cash flow from financial activities was positive USD 2.2 million in the first quarter of 2014, compared with negative USD 1.4 million in the same period of 2013. Total borrowings were USD 61.3 million at 31 March 2014, compared with USD 56.8 million at 31 December 2013. The increase in borrowings is due to a new loan towards the purchase of shares in North Energy ASA.

Cash decreased by USD 8.2 million in the first quarter of 2014. At 31 March 2014, cash and cash equivalents totalled USD 48.1 million, including USD 1.0 million restricted cash.

Operational review

Vessel utilisation

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Contract	56%	46%	35%	32%	29%
Multi-client	10%	4%	42%	46%	34%
Total utilisation	66%	50%	77%	78%	63%

Vessel utilisation and fleet allocation

Vessel utilisation for the first quarter 2014 came in at 66% compared with 63% for the first quarter 2013.

In the first quarter this year, the Company's vessels were allocated 56% to contract and 10% to multi-client programmes, whereas the allocation was 29% and 34% respectively in the corresponding quarter last year.

EMGS recorded 10.7 vessel months this quarter, compared with 10.0 in the first quarter of 2013. The vessel EM Leader was chartered from 8 February 2014 and thus contributes with 1.7 vessel months this quarter.

Vessel activity

BOA Thalassa

In January 2014, BOA Thalassa was waiting for environmental permits for a USD 5 million survey in Australia. The survey started on 25 January and was completed on 2 February. The vessel transited to Morocco and started a new survey worth approximately USD 8.3 million on 12 March. The survey in Morocco was completed on 26 April, after which the vessel started its transit to Norway.

The vessel's utilisation for the first quarter was 27%.

BOA Galatea

The BOA Galatea spent the entire first quarter acquiring 3D EM data on the USD 99.8 million contract with PEMEX. The vessel's utilisation came in at 91% this quarter.

Atlantic Guardian

The Atlantic Guardian completed its work on the PEMEX contract on 22 March. The vessel then headed to Norway and commenced on the contract for North Energy in the North Sea.

The vessel's utilisation for the first quarter was 83%.

EM Leader

The EM Leader was chartered from 8 February, when the vessel started its transit from Las Palmas on the Canary Islands to the southern US Gulf of Mexico. The vessel commenced the 3D EM multi-client campaign, called Daybreak, on 22 February.

The EM Leader had a utilization of 63%.

Backlog

As of 31 March 2014, EMGS' backlog was at USD 49 million. Of this, about USD 36 million is related to the PEMEX contract and approximately USD 7 million to the contract in Morocco. The latter was completed in April.

Since the end of the first quarter, the Company has signed agreements for a total of approximately USD 14 million, bringing the total backlog as of 7 May to USD 63 million.

Other important events

3D EM multi-client campaign in the Alaminos Canyon in the US Gulf of Mexico

In February, EMGS commenced its first 3D EM multi-client campaign in the US Gulf of Mexico. The project, which is named "Daybreak", cover approximately 80 blocks in the Alaminos Canyon protraction of the US Gulf of Mexico and is expected to be completed towards the end of May. The Daybreak project is the first phase of a planned multi-year program in the US Gulf of Mexico for EMGS.

The survey has received strong industry funding, confirming both the project potential and the importance of the US Gulf of Mexico as a new multi-client area for EMGS.

Based on existing 2D data provided by TGS, EMGS will, for the first time in the US, deliver both fully integrated 3D EM products as well as use the EM data to further define

	Utilisation Q1	Status Q1	Firm charter period	Optional charter period
BOA Thalassa	27%	In operation	18 December 2015	1 x 12 months
BOA Galatea	91%	In operation	17 July 2015	2 x 12 months
Atlantic Guardian	83%	In operation	1 March 2016	3 x 12 months
EM Leader	63%	Charter from 8 Feb to 8 June	Not applicable	Optional 1-, 3-, 6- or 12-month charters until 9 March 2015
EM Express	Not applicable	Standby at no cost in Bergen	Not applicable	Optional 3-, 6- or 12-month charters until 9 May 2014. Note that vessel owner has the option to terminate the agreement with 45 days' notice.

salt and structural features to provide a better subsurface image in the region.

The new EM data will be processed by EMGS and be available to aid oil and gas exploration companies in assessing acreage for the upcoming western Gulf of Mexico lease round the fall of 2014.

Agreement with North Energy

As communicated in the fourth quarter report, EMGS signed an agreement with North Energy in January 2014 worth NOK 100 million (USD 16.1 million). The agreement included a sale of EMGS' full 3D EM multi-client data library in the Barents Sea and services related to EM inversion and integrated interpretation, in addition to a commitment to pre-fund EMGS' 2014 Barents Sea program.

The payment for the 3D EM data of NOK 75 million was made in the form of a convertible bond with a strike price of NOK 4.15. As of 31 March, the North Energy share price was at NOK 4.8.

EMGS subscribed for 5 million shares at a subscription price of NOK 4 per share in North Energy's private placement in the first quarter. As of 31 March, EMGS holds 4.46% of the total outstanding shares in North Energy.

After the end of the quarter, EMGS has announced that the Company has received two contracts from North Energy; one worth NOK 20 million (USD 3.3 million) for 3D EM data acquisition over and in the vicinity of PL509S in the North Sea, and one worth NOK 10 million (USD 1.7 million) for acquisition over another area in the North Sea.

Recent events

Agreement with regulating authority ANCAP in Uruguay

Late April, EMGS announced that the Company had entered into a partnership agreement for multi-client EM data with

La Administración Nacional de Combustibles, Alcohol y Portland ("ANCAP"). ANCAP is the regulating authority for oil and gas exploration in Uruguay. It is ANCAP's intention that the licensing of EM data will count as working units for the exploratory work program commitment in the upcoming license bid round in 2015.

The Uruguayan continental shelf has over the last years been established as a major area for exploration activity, attracting major international oil and gas companies. Several large seismic programs have recently been conducted. In the public licensing round arranged by ANCAP two years ago, a major international oil and gas company won the right to explore more than 13,000 km² by committing to acquire seismic and 3D EM over the entire area.

Agreement with Nalcor Energy for Eastern Canada multi-client program

EMGS plan to conduct a 3D multi-year, multi-client electromagnetic survey of up to 13,500 km² offshore Newfoundland in Eastern Canada. Nalcor Energy, an enterprise owned by the Government of Newfoundland and Labrador, has partially prefunded the 2014 program and EMGS is currently soliciting additional partners. EMGS expects to acquire 4,000 km² from June to November 2014 with integrated data delivery in 2015.

2014 Barents Sea campaign

EMGS will expand the Company's multi-client library in the Barents Sea. The Company expects to cover approximately 19 blocks in its 2014 campaign, of which 15 in the southeast area and 4 in the vicinity of the Hoop Fault Complex, with possible extensions subject to further industry interest. The campaign will be done in partnership with TGS.

The vessel Atlantic Guardian will commence the acquisition of 3D EM data in the southeast area in mid-May. The acquisition in this area has a planned duration of 3 months and the project has been supported by the industry.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the first quarter 2014, the EMGS share was traded between NOK 7.96 and NOK 6.79 per share. The last closing price before 31 March 2014 was NOK 7.4. The Company had a total of 199 739 555 shares outstanding at 31 March 2014.

On 20 February, RWC Asset Management, disclosed that it had exceeded the threshold of 5% while Fidelity, representing several funds, disclosed in April that it had crossed below the threshold of 5%.

Risks factors

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. EM technology is still a technology in its adoption phase, and considerable effort has to be undertaken in order to strengthen the market's awareness, adoption and integration of the services offered. EMGS intends to maintain a proper cost level and funding to match the future demand for its products and services.

The demand from the oil and gas companies is also dependent upon a number of factors that affect offshore exploration and production expenditures in general. In addition, there are risks associated with EM marine operations which might affect the profitability of projects. Examples include: Change in governmental regulations affecting EMGS's markets, technical downtime, adverse weather conditions, licenses and permitting, as well as delays in closing revenue-generating contracts. For a further description of other relevant risk factors, please refer to the Annual Report for 2013.

Outlook

As expected, the first quarter of 2014 came in as the best quarter in the Company's history. This adds strength to the Company's guidance to deliver 2014 revenues of more than USD 200 million.

During the first quarter EMGS launched two new and important multi-client investments. EMGS' first multi-client project in the US Gulf of Mexico has been well received. The successful Barents Sea program will also be further expanded.

EMGS firmly believes that these investments will yield good returns and new investment opportunities for both 2014 and the years to come.

Important recent agreements with regulating authorities, new customers and increased interactions with both existing and potential new customers do add to the Company's positive outlook and should contribute to continued revenue growth in 2015.

However, EMGS acknowledges that the rate of industry adoption remains challenging to predict, and revenue might for that reason vary quarter by quarter. Also, vessel movements and yard stays can impact revenues negatively in some quarters. The Company's multi-client investments and multi-client late sales might also affect the timing of revenues.

EMGS' long-term outlook is positive and the Company reiterates its strategy to achieve industry-wide integration of EM into the exploration workflow.

Oslo, 7 May 2014
Board of Directors and CEO

Consolidated income statement

Amounts in USD 1 000	Q1 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
Operating revenues			
Contract sales	46 430	20 104	111 284
Multi-client pre-funding	2 070	-	2 927
Multi-client late sales	12 819	11 598	30 387
Total operating revenues	61 319	31 702	144 598
Operating expenses			
Charter hire, fuel and crew expenses	20 592	10 256	51 219
Employee expenses	15 730	14 791	54 344
Depreciation and ordinary amortisation	4 333	4 593	17 495
Multi-client amortisation	3 329	2 755	12 337
Other operating expenses	4 571	5 379	21 488
Total operating expenses	48 555	37 774	156 883
Operating profit/(loss)	12 764	-6 072	-12 285
Financial income and expenses			
Interest income	18	28	477
Interest expense	-1 785	-1 520	-7 204
Change in fair value of conversion rights	1 611	-	-
Net gains/(losses) of financial assets	666	-	-
Net foreign currency income/(loss)	-1 600	6 344	5 782
Net financial items	-1 090	4 852	-945
Income/(loss) before income tax	11 674	-1 220	-13 230
Income tax expense	3 435	1 316	1 865
Income/(loss) for the year	8 239	-2 536	-15 095

Consolidated statement of comprehensive income

Amounts in USD 1 000	Q1 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
Income/(loss) for the period	8 239	-2 536	-15 095
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	723	237	-255
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(losses) on defined benefit plans	-	-	-1 055
Other comprehensive income	723	237	-1 310
Total comprehensive income/(loss) for the year	8 962	-2 299	-16 405

Consolidated statement of financial position

Amounts in USD 1 000	Q1 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
ASSETS			
Non-current assets			
Goodwill	14 422	14 422	14 422
Deferred tax asset	1 900	-	3 202
Multi-client library	27 974	19 785	28 108
Other intangible assets	2 885	4 605	3 353
Property, plant and equipment	24 336	28 980	27 683
Assets under construction	20 933	14 877	19 200
Financial assets	3 976	-	-
Total non-current assets	96 426	82 669	95 967
Current assets			
Spare parts, fuel, anchors and batteries	12 974	11 415	12 990
Trade receivables	41 763	42 506	31 520
Other receivables	28 894	21 199	17 138
Cash and cash equivalents	47 147	40 286	55 305
Restricted cash	975	1 105	1 240
Total current assets	131 753	116 512	118 193
Total assets	228 179	199 181	214 160
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid in equity	286 169	281 001	285 249
Other reserves	-993	-1 225	-1 717
Actuarial gains(losses)	2 508	3 563	2 508
Retained earnings	-175 585	-171 265	-183 823
Total equity	112 100	112 075	102 217
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	3 506	2 056	3 452
Non-current tax liability	-	299	35
Provisions	8 031	4 065	7 164
Borrowings	57 831	43 576	56 628
Total non-current liabilities	69 368	49 996	67 279
Current liabilities			
Trade payables	16 189	15 463	15 942
Current tax liabilities	5 481	1 399	2 299
Other short term liabilities	21 556	19 157	26 295
Borrowings	3 485	1 089	128
Total current liabilities	46 711	37 109	44 664
Total liabilities	116 079	87 105	111 943
Total equity and liabilities	228 179	199 181	214 160

Consolidated statement of cash flows

Amounts in USD 1 000	Q1 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	11 674	-1 220	-13 230
Adjustments for:			
Withholding tax expenses	1 750	742	3 231
Total taxes paid	-701	-3 041	-5 180
Depreciation and ordinary amortisation	4 333	4 458	17 495
Multiclient amortisation	3 329	2 755	12 337
Non-cash portion of pension expense	54	-229	1 167
Cost of share-based payment	920	1 718	5 173
Change in trade receivables	-10 243	4 494	15 480
Change in inventories	16	1 459	-116
Change in trade payables	247	5 847	6 326
Change in other working capital	-13 281	-2 440	3 955
Amortisation of interest	1 249	1 182	5 273
Net cash flow from operating activities	-653	15 725	51 911
Investing activities:			
Purchase of property, plant and equipment	-2 512	-4 854	-10 707
Purchase of intangible assets	-	-	-8 306
Investment in multiclient library	-3 195	-8 414	-26 319
Investment in financial assets	-3 976	-	-
Cash used in investing activities	-9 683	-13 268	-45 332
Financial activities:			
Financial lease payments - principal	-39	-419	-1 753
Proceeds from issuance of ordinary shares	-	-	792
Proceeds of bond offering	-	-	56 550
Proceeds from new loan	3 310	-	-
Repayment of bond	-	-	-41 873
Payment of interest on bonds	-1 094	-1 011	-4 249
Cash provided by financial activities	2 177	-1 430	9 467
Net change in cash	-8 158	1 027	16 046
Cash balance beginning of period	55 305	39 259	39 259
Cash balance end of period	47 147	40 286	55 305
Net change in cash	-8 158	1 027	16 046

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	Foreign currency translation reserves	Actuarial gains/(losses)	Retained earnings	Total equity
Balance at 1 January 2013	279 283	-1 461	3 563	-168 730	112 655
Income/(loss) for the period	-	-	-	-2 536	-2 536
Other comprehensive income	-	237	-	-	237
Total comprehensive income	-	237	-	-2 536	-2 299
Cost of share-based payment	1 718	-	-	-	1 718
Balance at 31 March 2013 (Unaudited)	281 001	-1 225	3 563	171 265	112 075
Income/(loss) for the period	-	-	-	-1 642	-1 642
Other comprehensive income	-	37	-	-	37
Total comprehensive income	-	37	-	-1 642	-1 605
Cost of share-based payment	2 287	-	-	-	2 287
Proceeds from shares issued - private placement and options exercised	104	-	-	-	104
Balance at 30 June 2013 (Unaudited)	283 392	-1 188	3 563	-172 907	112 860
Income/(loss) for the period	-	-	-	-12 213	-12 213
Other comprehensive income	-	-289	-	-	-289
Total comprehensive income	-	-289	-	-12 213	-12 502
Cost of share-based payment	645	-	-	-	645
Proceeds from shares issued - private placement and options exercised	314	-	-	-	314
Balance at 30 September 2013 (Unaudited)	284 351	-1 477	3 563	-185 120	101 317
Income/(loss) for the period	-	-	-	1 297	1 297
Other comprehensive income	-	-240	-1 055	-	-1 295
Total comprehensive income	-	-240	-1 055	1 297	2
Cost of share-based payment	523	-	-	-	523
Proceeds from shares issued - private placement and options exercised	374	-	-	-	374
Balance at 31 December 2013 (Audited)	285 249	-1 717	2 508	-183 823	102 217
Income/(loss) for the period	-	-	-	8 239	8 239
Other comprehensive income	-	723	-	-	723
Total comprehensive income	-	723	-	8 239	8 962
Cost of share-based payment	920	-	-	-	920
Balance at 31 March 2014 (Unaudited)	286 169	-994	2 508	-175 584	112 100

Notes to the financial statements

Accounting principles

These interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2013. The Group has applied the same accounting policies as in the Group's Annual Financial Statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014 as described below:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in other entities

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In accordance with IFRS 10, an investor controls another entity when it is exposed, or has rights, to variable returns from its involvement with the other entity, and has the ability to affect those returns through its power over the entity. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. IFRS 11 had no impact on the Group's financial statements.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 sets out the requirements for disclosures relating

to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. None of these disclosure requirements are applicable for interim consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

North Energy agreement

EMGS and North Energy ASA signed an agreement in January 2014. The agreement includes sale of 3D EM data from EMGS' existing multi-client data library in the Barents Sea and sale of services related to EM inversion and integrated interpretation. In addition, North Energy ASA has committed to pre-funding of USD 1.6 million.

The payment for the 3D EM data was in the form of a convertible bond issued by North Energy ASA with a strike price of NOK 4.15, coupon of 6% and with a maturity of 6 months. The remaining part of the payment will be settled in cash.

The conversion right of the loan is subject to a "fair value adjustment" according to IFRS. This adjustment is affected by changes in North Energy ASA's share price. For the first quarter, the positive effect totals USD 1.6 million owing to an increase in the North Energy ASA's share price. The convertible bond including the fair value of the conversion right of USD 15.0 million is classified as Other receivables in the Consolidated statement of financial position and Change in other working capital in the Consolidated statement of cash flow.

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 2014 Unaudited	Q1 2013 Unaudited	2013 Audited
Americas	37.7	3.3	29.8
Asia/Pacific	5.1	19.9	76.4
EAME	18.5	8.5	38.5
Total	61.3	31.7	144.6

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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