emgs
the seabed logging company

August 22, 2007

Second quarter

Finding hydrocarbons™

Second quarter 2007

Highlights

- An increasing number of business opportunities
- Wider geographical market reach across multiple customer segments
- Major seabed logging contract in India
- Successful launch of new scanning product
- On track for revenues of USD 160-170 million in 2007

Key financial figures

USD million (except per share data)	Q2 2007	Q2 2006	YTD 2007	YTD 2006	2006	Q1 2007
Revenues	37.8	30.0	63.7	55.6	117.7	25.9
EBITDA	0.5	10.1	(7.4)	17.3	20.7	(8.0)
EBIT	(2.5)	8.3	(13.0)	14.1	13.2	(10.6)
Profit/ (loss) before taxes	(2.4)	6.5	(14.0)	10.7	(19.6)*	(11.6)
Earnings per share	(0.04)	0.14	(0.26)	0.23	0.62	(0.28)
Average number of shares outstanding (in thousands)	73 432	40 919	58 385	40 919	40 933	43 337

*) Including change in fair value of conversion rights of USD 23.0 million in 2006.

Information related to shares is for ordinary shares. Total number of ordinary shares outstanding at June 30, 2007, was 73 683 323.

Financial review

Revenues and EBITDA

Revenues for the second quarter totalled USD 37.8 million, an increase of 26.2 percent over the corresponding period in 2006. Revenues increased by 46.1 percent over revenues of USD 25.9 million in the first quarter of 2007. These increases are a result of having an additional vessel in service this current quarter versus the same quarter of 2006, as well as improved vessel utilization in the second quarter 2007 versus the first quarter of 2007. While this improvement in fleet utilisation is significant, we fully expect further improvements in utilisation going forward.

In the second quarter 2007 the Company incurred expenses during its Brazil campaign related to work that will most likely result in revenue of approximately USD 4.5 million in the second half of the year. Although this has negatively impacted operational margin for this quarter, we expect this to have a corresponding positive effect in the second half of 2007.

Charter hire, fuel and crew expense increased in the second quarter 2007 over the previous quarter partly due to the m/v Sasha being in full production, and due to operation in geographical areas which have higher cost structures, particularly Brazil and Australia. Additionally, higher steaming activity incurred during the first quarter resulted in the deferral of related costs. These deferred costs were then expensed in the second quarter as the fleet began producing revenue from projects connected to the steaming activity.

Employee expense was significantly down in the second quarter 2007 over the first quarter primarily due to an extraordinary charge of USD 4.5 million in the first quarter related to employment taxes incurred on stock option schemes. A related benefit of USD 0.5 million was recorded during the second quarter. The increase in the second quarter 2007 employee expense over the second quarter of 2006 is primarily due to the large increase in the number of employees over the interim periods.

Other operational costs increased in the second quarter 2007 over the previous quarter, and over the same period in 2006. This is due to increased activity level, additional employees, geographical expansion and administrative complexity.

EBITDA improved to USD 0.5 million for the second quarter 2007, compared to negative EBITDA of USD 8.0 million for the first quarter. EBITDA for the second quarter of 2006 was USD 10.1 million.

Depreciation and amortisation

Depreciation and amortisation of USD 3.0 million was recorded in the second quarter 2007, slightly up from USD 2.6 million recorded for the first quarter of 2007. For the corresponding quarter in 2006, depreciation and amortisation expense was USD 1.7 million. The year over year increase is attributed to the additional capital investment required for the Company's capital investment plan.

Net financial items

Net financial items of USD 0.1 million were reported for the second quarter 2007, an improvement over the USD 1.0 million loss in the first quarter. In the second quarter of 2006, the Company had a net loss of USD 1.9 million from financial items. The improvement over the previous quarter primarily results from interest income on cash and cash equivalents which help to defray the cost associated with the company's 11.25 percent Senior Notes which were then still outstanding.

Result before income tax

A loss before tax of USD 2.4 million in the second quarter 2007 is an improvement of 9.2 million over the loss of USD 11.6 million reported in the first quarter 2007. During the second quarter of 2006, the company posted profit before income taxes of USD 6.5 million.

Income tax

Income tax expense of USD 0.6 million was recorded for the second quarter 2007, compared with USD 0.9 million for the same period of 2006 and USD 0.7 million in the first quarter of 2007. These taxes relate to profits earned in foreign jurisdictions

Future tax liabilities will depend on geographical fleet activity, however the company expects to benefit from a tax credit position in Norway, projected to be utilized primarily in 2007. Longer term expectations provide for a tax rate of approximately 30 percent.

Net result for the period

The Company had a net loss of USD 3.0 million for the second quarter 2007, compared to a net profit of USD 5.6 million for the same period 2006. The net loss for the first quarter of 2007 was USD 12.3 million.

Balance sheet and cash flow

Net cash flow from operating activities was negative USD 15.4 million for the first half of 2007, compared with a negative USD 4.3 million for the same period 2006. Seasonal effects and non-reoccurring items in the first quarter of 2007, combined with operations in geographic areas where costs are high, have negatively impacted operational cash flow.

Cash used in investing activities in the first half of 2007 increased to USD 14.6 million compared to USD 4.6 for the same period in 2006, reflecting the company's continued expansion activities.

Cash flow from financial activities were USD 99.0 million in the first half of 2007 versus USD 13.6 million for the same period in 2006. Net proceeds from the company's IPO of USD 113.3 million, less a reduction in debt, were the main reasons for this increase.

EMGS maintains a NOK 115 million multi-currency credit and guarantee facility with Nordea Bank ASA. As of 30 June 2007, there were no draw-downs on the credit facility.

Cash and cash equivalents totalled USD 89.5 million at 30 June 2007, compared with USD 7.3 million a year earlier and USD 12.8 million at 31 March 2007.

Operational review

Vessel performance

M/v Stad Angler operated in Brazil during the first half of the second quarter. During the last part of the quarter the vessel was on contract for Rocksource ASA in the North Sea. In the third quarter the vessel will predominantly be operating in Canada.

M/v Atlantic Guardian operated offshore Australia for two customers during the second quarter. The vessel is expected to be working in the Asia Pacific region during the third quarter.

M/v Sasha operated in the Asia Pacific region and then mobilised for India in May. We expect that the vessel will be working in India for most of third quarter.

M/v Relume began the second quarter steaming from Africa to Norway and operated in the North Sea for the majority of the quarter. During the third quarter, this vessel will continue operating in the North Sea.

M/v Siem Mollie will be operational starting in August 2007 and will immediately commence contractual work in the North Sea.

Market trends

EMGS has during the second quarter been in discussions with more prospective customers than ever before. The company experienced a wider interest both commercially and geographically:

Commercially, EMGS has seen the larger oil companies re-entering the market after a period of time when national oil companies and smaller independent players have been the most active players. Hence, EMGS is today experiencing market penetration all across the oil and gas industry. Companies ranging from small independent - and national oil companies, via governmental bodies, to major oil companies are becoming increasingly active in the seabed logging market.

Geographically, EMGS has conducted surveys in many of the major oil basins in the world which represents an important investment in future business opportunities.

Oil companies struggling against the depletion ratio face significant challenges in meeting their production targets. Strong global demand for energy combined with the challenge of a falling reserve replacement ratio, increases the pressure on the oil and gas industry to find more hydrocarbons.

As drilling resources become scarcer and success rates in drilling decline, the cost of exploration increases. Consequently, there is a growing need for exploration without drilling. Seabed logging is a smarter exploration technology and EMGS is confident that the seabed logging will pick up substantially in the coming years. EMGS believes the seabed logging can reach the size of marine seismic market.

In April 2007, EMGS was awarded a major contract of USD 13.9 million by an independent Indian oil company for an seabed logging project offshore India. In addition to traditional line acquisition, the program under this contract includes a large scanning component, which has particular value in frontier exploration. The contract also provides the oil company with an option to extend the scope of work substantially. In addition to this important contract EMGS was awarded a number of smaller contracts in the second quarter.

Recent events

In July 2007 EMGS was awarded a USD 10 million seabed logging contract with a major oil company to determine the hydrocarbon content of potential reservoirs offshore eastern Canada. The recent award represents yet another example of repeat business with an oil major.

On August 2, 2007, the USD 20 million 11.25 percent senior notes were repaid.

Outlook

EMGS expects continued improvement in operational and financial performance in the second half of 2007.

Revenue generation is expected to improve as a result of better operational efficiency and the addition of vessel capacity with the commencement of operations of the m/v Siem Mollie in August 2007. For the full year 2007, EMGS expects, as previously communicated, revenues in the range of USD 160-170 million.

The current expansion programme will continue in 2008 and 2009 with the addition of two new vessels in each year. The company is investing heavily in new receivers, expanding its computer cluster, and acquiring additional equipment sets to support the planned growth.

Oslo, August 21, 2007
Board of Directors'

Consolidated income statement

(USD 1 000)	Q2 2007 Unaudited	Q2 2006 Unaudited	YTD 2007 Unaudited	YTD 2006 Unaudited	2006 Audited
Operating revenues					
Contract sales	37 817	29 977	63 695	55 584	117 748
Total revenues	37 817	29 977	63 695	55 584	117 748
Operating expenses					
Charter hire, fuel and crew expenses	24 748	14 437	43 575	27 816	62 744
Employee expenses	6 716	2 861	17 853	5 524	18 154
Depreciation and amortisation	2 980	1 728	5 579	3 203	7 510
Other operating expenses	5 838	2 607	9 710	4 905	16 162
Total operating expenses	40 282	21 633	76 717	41 448	104 570
Operating profit/ (loss)	(2 465)	8 344	(13 022)	14 136	13 178
Financial income and expenses					
Financial income	512	388	1 429	502	2 236
Financial expenses	(452)	(2 563)	(2 390)	(4 379)	(12 074)
Change in fair value of conversion rights	-	309	-	421	(22 969)
Net financial items	60	(1 866)	(961)	(3 456)	(32 807)
Income/ (loss) before income taxes	(2 405)	6 478	(13 983)	10 680	(19 629)
Income tax expense	550	902	1 283	1 373	5 642
Income/ (loss) for the period	(2 955)	5 576	(15 266)	9 307	(25 271)
Other financial data					
EBITDA	515	10 072	(7 443)	17 339	20 688

Consolidated balance sheet

(USD 1 000)	Half year ended 30 June 2007	Half year ended 30 June 2006	Year ended 31 December 2006
ASSETS			
Current assets			
Cash and cash equivalents	89 537	7 269	20 485
Trade receivables	41 799	20 163	31 910
Other receivables	2 899	2 422	3 142
Inventories	10 650	5 611	5 625
Total current assets	144 885	35 466	61 162
Fixed assets			
Intangible assets	2 239	1 158	2 430
Property, plant and equipment	32 917	18 924	23 302
Total fixed assets	35 156	20 082	25 732
Total assets	180 041	55 548	86 894
LIABILITIES			
Current liabilities			
Trade payables	18 994	17 074	20 677
Borrowings	21 473	22 169	13 623
Fair value conversion rights	-	24 669	-
Current tax liability	4 513	828	4 843
Other short term liabilites	15 116	9 937	7 751
Total current liabilites	60 096	74 678	46 894
Long-term liabilities			
Borrowings	578	4 983	21 459
Employee benefit obligations	2 467	908	1 421
Total long-term liabilities	3 045	5 891	22 880
Total liabilities	63 141	80 569	69 774
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	193 333	2 383	77 940
Other reserves	(451)	(1 265)	(104)
Retained earnings	(75 982)	(26 139)	(60 716)
Total equity	116 900	(25 021)	17 120
Total equity and liabilities	180 041	55 548	86 894

Statement of cash flow

(USD 1 000)	Half year ended 30 June 2007	Half year ended 30 June 2006	31 December 2006
Net cash flow from operating activities			
Income/ (loss) after income taxes	(15 266)	-	-
Income/ (loss) before income taxes	-	10 680	(19 629)
Adjustments for:			
Total tax expenses	2 232	-	-
Taxes paid	(2 815)	(546)	(799)
Amortisation of interest	963	-	-
Depreciations and amortisation	5 579	3 203	7 510
Impairment of disposal of property, plant and equipment	-	-	892
Non-cash portion of pension expense	1 046	70	583
Cost of share-based payment	871	244	1 022
Non-cash cost on preferance shares and bond	-	-	5 046
Change in trade receivables	(10 349)	(13 210)	(24 388)
Change in inventories	(5 025)	(4 312)	(4 326)
Change in trade payables	(1 512)	3 423	7 026
Change in other working capital	7 669	(3 315)	77
Change in fair value of conversion rights	-	(421)	22 969
Currency translation effect	1 208	(92)	-
Net cash flow from operating activities	**(15 399)**	**(4 276)**	**(4 017)**
Investing activities			
Purchase of property, plant and equipment	(14 380)	(4 506)	(12 666)
Purchase of intangible assets	(188)	(80)	(1 686)
Cash used in investing activities	**(14 568)**	**(4 586)**	**(14 352)**
Financial activities			
Financial lease payments - principal	(123)	9 467	(1 773)
Proceeds from bond offering	-	-	19 450
Proceeds from issuance of ordinary shares	114 522	-	2 299
Proceeds from preferance share issuance	-	-	6 475
Additional proceeds from bank borrowings	-	5 192	9 854
Payment of bank borrowings	(11 262)	-	-
Change in other debt	(4 118)	(1 077)	-
Cash provided by financial activities	**99 019**	**13 582**	**36 305**
Net increase in cash	**69 052**	**4 720**	**17 936**
Cash balance beginning of period	20 485	2 549	2 549
Cash balance end of period	89 537	7 269	20 485
Increase in cash	**69 052**	**4 720**	**17 936**

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	-	(347)	-	(347)
Net income/(expense) recognised directly in equity	-	(347)	-	(347)
Loss for the period	-	-	(15 266)	(15 266)
Recognised loss as of 30 June 2007	-	(347)	(15 266)	(15 613)
Cost of share-based payment	871	-	-	871
Proceeds from shares issued - options exercised	1 227	-	-	1 227
Proceeds from shares issued - IPO	113 295	-	-	113 295
Balance at 30 June 2007	**193 333**	**(451)**	**(75 982)**	**116 900**
Detailed information related to proceeds from shares issued - IPO:				
Increase in share capital, par value	227			
Share premium	122 137			
Issuance cost	(9 068)			
Proceeds from shares issued - IPO	113 295			

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)	Q2 2007	Q2 2006	YTD 2007	YTD 2006	2006
Americas	6.1	0.9	14.4	7.4	24.4
Asia	4.3	27.4	4.9	46.5	70
Europe	20.2	1.7	20.7	1.7	12.5
Africa	0.0	-	11.9	-	10.8
Australia	7.2	-	11.8	-	-
Total	37.8	30.0	63.7	55.6	117.7

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

Notes

EMGS is the global market leader for the provision of seabed logging services, a technology which enables the detection of hydrocarbons beneath the seabed prior to drilling. The company has developed this proprietary and patented technology over the past 10 years. Since its incorporation as a separate company in 2002, EMGS has conducted more than 250 commercial surveys for many of the world's leading oil and gas companies and offshore operators.

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