

# **EMGS second quarter and first half year 2008 report**

**21 August 2008**

## SECOND QUARTER AND FIRST HALF YEAR 2008

### Highlights

#### Important events in the quarter:

- ▶ Favourable court ruling in the Dutch patent court
- ▶ Successful new product launches:
  - ▶ Clearplay – the world's first fully integrated EM system
  - ▶ Bridge – new integration tool for EM, seismic and well log data
- ▶ Pre-funding of extensive multi-client EM scanning survey in the Barents Sea
  - ▶ Survey program of 5,600 km<sup>2</sup>, or 18 blocks, due to significant interest
- ▶ Contract awarded by StatoilHydro in the Barents Sea

#### Subsequent important events:

- ▶ A fully underwritten share capital increase of NOK 250 million to be placed in third quarter
- ▶ Shallow water breakthrough with USD 5 million Malaysian contract
- ▶ Barents Sea multi-client EM update
  - ▶ Heavily prefunded 9,200 km<sup>2</sup>, or 30 blocks, ready for sale.

### Key financial figures

USD million (except per share data)	Q2 2008	Q2 2007	First half 2008	First half 2007	2007	Q1 2008
Revenues	23.7	37.8	67.2	63.7	140.3	43.5
EBITDA	(13.3)	0.5	(6.5)	(7.4)	(12.1)	6.8
Adjusted EBITDA	(19.4)	0.5	(15.9)	(7.4)	(12.1)	3.5
EBIT	(25.1)	(2.5)	(26.5)	(13.0)	(25.6)	(1.4)
Profit/ (loss) before taxes	(27.9)	(2.4)	(31.1)	(14.0)	(27.5)	(3.2)
Earnings per share	(0.39)	(0.04)	(0.45)	(0.32)	(0.49)	(0.06)
Average number of shares outstanding (in thousands)	74 469	73 432	74 404	58 384	72 172	74 229

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at June 30, 2008, was 74 620 258.

## FINANCIAL REVIEW

### Revenues and EBITDA

EMGS recorded revenues of USD 23.7 million in the second quarter of 2008 compared with USD 37.8 million in the second quarter of 2007, corresponding to a decrease of 37.3 per cent. The decline in revenue in the second quarter 2008 was influenced by delayed licensing rounds in India and Norway, delayed contracts in West Africa, and an unexpected yard-stay for one vessel. The fleet utilisation rate was also negatively influenced by the mobilisation required for two vessels to perform the multi-client operations in the Barents Sea. Multi-client revenues included were USD 10.7 million for the second quarter 2008. No revenues related to multi-client surveys were reported in 2007.

Revenues for the first half year of 2008 were at USD 67.2 million, while the corresponding 2007 figure was USD 63.7 million. Revenues in the first half of 2008 were higher because of an additional vessel and higher utilisation in the first quarter. Multi-client revenues for the first half 2008 amounted to USD 18.7 million.

Charter hire, fuel and crew expenses totalled USD 18.7 million in the second quarter 2008 with five vessels in operation, compared with USD 24.7 million in the prior year quarter in 2007 when there were four vessels in operation. One of the main reasons for the difference is the capitalisation of direct operating costs relating to multi-client surveys. For the second quarter 2008 the amount capitalised was USD 6.1 million, and the amount was almost fully amortised in the same quarter. The other main difference between the two quarters is the costs related to patent disputes, amounting to USD 3.0 million in the second quarter 2008 and USD 0.1 million in the second quarter 2007.

The first half year 2008 charter hire, fuel and crew expenses amounted to USD 38.8

million, compared to USD 43.6 in the first half 2007. This is a decrease of 11.0 per cent, mainly due to capitalisation of multi-client costs of USD 9.4 million in the first half year of 2008, partly offset by costs related to the patent disputes of USD 4.4 million and higher fuel costs.

Employee expenses increased from USD 6.7 million in the second quarter of 2007 to USD 10.0 million in the second quarter 2008. The increase of 49.8 per cent is due to an increased number of employees from 220 end of second quarter 2007 to 270 end of second quarter 2008, costs associated with the option program and general cost inflation.

For the first half year of 2008 the employee expenses amounted to USD 20.3 million, while the amount for the corresponding period in 2007 was USD 17.9 million. The number of employees was lower in 2007, but there was an extraordinary charge of USD 4.5 million in the first quarter 2007 related to employment taxes on the stock option program. As this employment tax on the options are calculated on the current stock price, there was a reduction of this effect in second quarter 2007 of USD 0.5 million. The corresponding effect in first half 2008 has been negative with USD 0.6 million in total.

Other operational costs increased by 41.4 per cent in the second quarter 2008 over the same period last year, from USD 5.8 million to USD 8.2 million. The increase from 2007 to 2008 is mainly due to increased activity, giving rise to increased costs of travel, rent of premises and consultancy fees. Other operational costs in second quarter 2007 also had a positive effect of payment of receivables, which had been previously written off.

Other operational costs increased from first half year 2007 to the first half year 2008. The increase was from USD 9.7 million to

USD 14.5 million for the same reasons as the second quarter. Both first and second quarter in 2007 had positive effects of payment of receivables, which was already written off. The amount for the half year was USD 2.4 million.

The second quarter 2008 ended with a negative EBITDA of USD 13.3 million. Adjusted for the capitalisation of multi-client costs, the EBITDA was negative USD 19.4 million, compared with a positive EBITDA of USD 0.5 million in the same quarter in 2007.

For the first half year of 2008 the EBITDA was negative with USD 6.5 million and adjusted EBITDA was negative USD 15.9 million, compared with a negative EBITDA of USD 7.4 million for the corresponding period of 2007.

### Depreciation and amortisation

Depreciation and amortisation was USD 11.8 million in the second quarter 2008, up from USD 3.0 million in the second quarter 2007. The increase is due to normal course depreciations and the amortisation of multi-client costs of USD 6.1 million in the second quarter.

For the first half year 2008 the depreciation and amortisation amounted to USD 20.0 million, while the same figure for 2007 was USD 5.6 million. USD 9.4 million of the increase is due to the amortisation of multi-client costs. The remaining increase is due to additional equipment and cluster facilities.

### Net financial items

Net financial items in the second quarter of 2008 amounted to negative USD 2.9 million, while a gain of USD 0.1 million was reported in the corresponding period in 2007. As the parent company, EMGS ASA, has USD as its functional currency, this will give rise to currency effects on the group's Norwegian Kroner balances, for instance the bank accounts. The negative effects were higher in second quarter of 2008 than in the same

period in 2007. In addition there is a negative effect of USD 1.0 million of net interest costs in this quarter, while the net effect of interests were zero in second quarter 2007. Net financial items in the second quarter of 2008 also include an expense of USD 0.5 million related to the investment in the joint venture, KJT Inc. This investment was made in late 2007.

For the first half of 2008 a net loss of USD 4.6 million is reported, while the effect in the first half 2007 was a loss of USD 1.0 million. This result is related to the issues described above, with currency impact on Norwegian Kroner balances as the main factor. Net interest costs increased from USD 1.0 million in the first half of 2007, to USD 1.3 million in the first half of 2008. The investment in KJT Inc had no impact in the first half of 2007, but a negative effect of USD 0.4 million in the first half 2008.

#### Result before income tax

EMGS recorded a loss of USD 27.9 million before income tax for the second quarter 2008, compared with a loss of USD 2.4 million in the corresponding quarter in 2007.

For the half year of 2008 the loss before income tax was USD 31.1 million, while the amount for the same period in 2007 was USD 14.0 million.

#### Income tax

Income tax expenses of USD 0.9 million was recorded in the second quarter of 2008, compared with USD 0.6 million in the second quarter of 2007. These taxes relate to profits earned in foreign jurisdictions.

Tax expenses for the first half year of 2008 were USD 2.1 million, while the corresponding figure for 2007 was USD 1.3 million.

#### Net result for the period

The net loss for the second quarter of 2008 was USD 28.8 million, compared with

a loss of USD 3.0 million in the same period last year.

EMGS recorded a loss for the 2008 half year of USD 33.3 million, while the loss for the first half of 2007 was USD 15.3 million.

#### Balance sheet and cash flow

Cash and cash equivalents totalled USD 14.3 million at 30 June 2008, compared with USD 40.7 million at 31 December 2007.

EMGS has increased the credit facility with Nordea Bank ASA. The facility is now a USD 35 million, multi-currency credit and guarantee facility. As at 30 June 2008 the credit facility was utilised as to USD 16.3 million compared with USD 9.8 million as at 31 December 2007.

Trade receivables increased from USD 32.8 million at 31 December 2007 to USD 39.8 million at 30 June 2008. This is lower than the first quarter figures, on account of the low revenues generated in the second quarter of 2008.

Net cash flow from operating activities was negative USD 18.6 million in the first half of 2008, compared with a negative net cash flow of USD 15.4 million in the same period in 2007.

Cash applied in investing activities in the first half of 2008 amounted to USD 14.1 million, compared with USD 14.6 million in the first half of 2007. While the amounts are almost equal, the investment in the first half of 2007 was in equipment, with the investment in 2008 related to the multi-client library.

Cash flow from financial activities was USD 6.3 million in the first half 2008 compared with USD 99.0 million for the corresponding period in 2007. The amount in 2007 was mainly due to the issuance of ordinary shares in that period.

#### OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted work, including paid mobilisation. The Company's vessel utilisation in 2008 decreased from 71 per cent in the first quarter to 48 per cent in the second quarter. EMGS had one more vessel in the second quarter of 2008 than in the corresponding period in 2007. Utilisation in 2007 was 65 per cent in the first quarter, 63 per cent in the second quarter, 71 per cent in the third quarter and 48 per cent in the fourth quarter.

During the second quarter, utilisation declined due to a yard stay on Siem Mollie for nearly a month and on Siem Sasha and Stad Angler for approximately one week each. In addition challenges in generating a sufficient load of contracted work in the regions for the vessels resulted in weaker utilisation than expected.

At the end of the second quarter EMGS had three vessels in the Barents Sea performing multi-client project work to acquire significant volumes of data for the up-coming 20 licensing round in Norway by applying EMGS' Clearplay Find technology. Clearplay Find is a further development of the service previously referred to as 3D scanning. Data is now being acquired using 3-km-sampled, wide-azimuth 3D EM grids. EMGS has already started to sell these valuable data sets to its customers to support their potential bidding activity in this licensing round.

The time charter agreement for the vessel OSV Relume expired on August 20 2008, and EMGS has decided not to extend it. This decision is based on our current contract backlog and survey commitments, and it also coincides with preparation for the launch of the first high capacity, purpose-built vessel expected in the fourth quarter this year. This will be followed by the introduction of the second new vessel in

second quarter 2009 and is part of EMGS' long-term fleet plan.

The demobilisation of Relume will, in the short term, have a positive impact on operational costs, while EMGS's long-term ability to handle expected market growth will remain intact. EMGS expects a shift towards larger grid based scanning and 3D surveys which will require deployment of a larger number of active receivers. This can be more easily accommodated by the new vessels.

Patrick Hamou has been appointed President Europe Africa Middle East (EAME) Business Unit and will be building and strengthening this unit from its headquarters in Stavanger, Norway. EMGS is also strengthening its position in the Asia Pacific region with establishment of a permanent presence in India. These measures are an important part of the company's strategy of enhancing the commercial adoption of its products.

## MARKET TRENDS AND TECHNOLOGY

The level of acceptance of the EM technology is increasing. Although the market for EM is currently in an adoption phase, more and more oil companies are coming to the conclusion that the traditional exploration model needs to be supplemented.

Towards the end of the first half of 2008, three vessels were engaged in a promising multi-client project in the Barents Sea where EMGS sees substantial opportunities. However, other market activities in the second quarter were below the targeted levels as contracts did not fall into place as expected and the level of employment for the fleet as a whole was low.

In April, EMGS announced that it has received industry pre-funding to begin an extensive multi-client EM scanning survey

at more than 3,000 km<sup>2</sup> in the Barents Sea, ahead of Norway's 20th exploration licensing round. In the same month EMGS was awarded a contract worth approximately USD 5 million by StatoilHydro to determine the hydrocarbon potential of exploration prospects in the Barents Sea. In June, the scanning survey in the Barents Sea was extended to 5,500 km<sup>2</sup>, or 18 blocks, subject to additional commitments. There are a total of 30 Barents Sea blocks currently scheduled to be in the round pending official notification by the Norwegian Petroleum Directorate (NPD).

EMGS is in a process of gradually shifting its focus from selling individual lines to the sale of more advanced technological products such as Clearplay Find and Clearplay Evaluate – grid based acquisition for coarse or dense wide azimuth 3D volumes. EMGS's principal challenge today is to increase the adoption of EM technology among the oil companies, and the company takes the view that it will be crucial to highlight more – and more integrated – aspects of EM technology in the market. An important part of the marketing strategy will be to focus on fewer oil companies and larger jobs where scanning is well suited.

In addition to the Barents Sea, India represents an exciting market for EMGS. Both of these areas will be important for multi-client services in the future. The North Sea, the Gulf of Mexico and West Africa are also important markets, where EMGS has broad experience and high quality surveys to use as references.

EMGS has conducted several EM surveys on the Troll field in the North Sea. During first half of 2008 StatoilHydro funded a survey which tested various new EM technologies against a known seismic 3D structure. Both EMGS and the client are very content with the result, and believe that the Troll case is a showcase study that will have a very

positive impact on demand for EM surveys in general.

As a further effort to increase demand for EM, EMGS and Blueback Reservoir have collaborated to develop and launch a new decision-support tool for exploration professionals called Bridge. Bridge has been created to help oil and gas companies find and develop hydrocarbons more efficiently. The new software enables the easy integration of EM data with other geophysical and geological information, resulting in a clearer and more complete understanding of the subsurface.

In April 2008 a Dutch patent court decision confirmed that EMGS was the first company to use EM technology to directly detect hydrocarbons, that the company can assert its patent position with clients and that EMGS can invoke its patents against third parties. Although the Dutch court's ruling was not a final decision, the court's decision is welcome.

During June and July, EMGS participated in a patent hearing at the High Court in London brought by Schlumberger Holdings Ltd. A decision on this case is expected in fourth quarter 2008. EMGS is not permitted to comment on these matters as they are governed by the sub judice rules of the UK High Court. EMGS will continue to defend its patents in this area and expects further such challenges as more companies appreciate the game changing nature of EMGS's technology.

## RECENT EVENTS

On 4 July, EMGS released preliminary revenues and a performance update due to weaker sales than market consensus for the three months ended 30 June 2008.

On 6 August, EMGS announced a fully underwritten share capital increase, in the form of a rights issue of new ordinary shares

in the amount of NOK 250 million. The subscription price per share under the rights issue will be set at a 20 per cent discount to the volume weighted average trading price of the company's ordinary shares on the Oslo Stock Exchange during five trading days following EMGS' second quarter announcement on 21 August.

On 11 August EMGS announced a contract award worth more than USD 5 million by a repeat customer in Malaysia. EMGS is now using a new technology in water depths of approximately 60 meters, which significantly broadens the company's addressable market since many hydrocarbon opportunities remain in shallow-water basins across the world.

On 15 August, EMGS announced the completion of the world's largest multi-client EM survey in the Barents Sea, ahead of Norway's 20th exploration licensing round. The survey area, at more than 9,000 km<sup>2</sup> and covering 30 blocks, includes all the Barents Sea acreage in the licensing round. EMGS believe that the heavily pre-funded data sets will reveal valuable information related to the prospectivity of the survey areas and give potential bidders a competitive advantage during the licensing round.

### RISK AND UNCERTAINTY FACTORS

EMGS is subject to a number of risk factors, of which the most important is the demand for EM imaging services. EM technology is still a technology in its early 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 has initiated a strategy which it believes addresses this challenge. Furthermore, the Company 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' markets, technical downtime, adverse weather conditions and licenses and permitting. For a further description of other relevant risk factors, refer to both the Annual Report for 2007, as well as the Offering Circular dated 29 March 2007.

### OUTLOOK

Through the share issue announced on 6 August, EMGS is seeking to strengthen the Company's position for implementing its growth plans for 2009. Advanced technological products such as Clearplay Find are key components of these plans. The successful introduction of multi-client services will also be pursued.

Operationally, the Company will increase its focus on building sales and running a costs efficient operation with a strong commercial orientation. EMGS is well under way with regard to transferring resources and making organisational changes to enhance its operational efficiency and boost its commercial strength.

As previously described, patent court proceedings were held in London in June. The outcome of these proceedings is expected during the fourth quarter of 2008.

EMGS is in the process of building up a Stavanger office which will be responsible for marketing and sales in Europe, Africa and Middle East. Together with the Houston and Kuala Lumpur offices, this will represent EMGS' commercial units. The Trondheim head office will have overall responsibility,

in particular for R&D and technology development.

Given a declining reserve replacement rate, geophysical services will be crucial for the oil companies in their hunt for new hydrocarbon reserves. EMGS' technology is accepted and is being adopted to an increasing extent. The company's efforts to boost the adoption rate will be accelerated in the second half of 2008 and this will be maintained into succeeding years.

EMGS remains very confident that the EM market will be a profitable growth segment in the coming years, affording great opportunities for the Company.

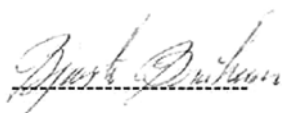
**RESPONSIBILITY STATEMENT**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2008, which has been prepared in

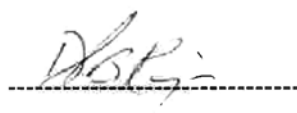
accordance with IAS 34 –Interim Financial Reporting, gives a true and fair view of Electromagnetic Geoservices ASA's consolidated assets, liabilities, financial position and results of operations. We also

confirm, to the best of our knowledge, that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

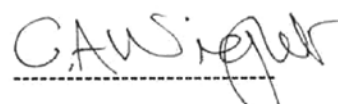
Oslo, 20 August 2008



Bjarte H. Bruheim  
Chairman of the Board



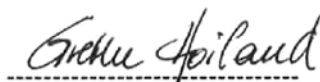
David B. Krieger



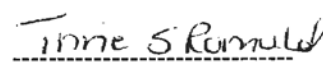
Christopher A. Wright



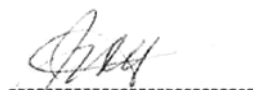
Berit Svendsen



Grethe Høiland



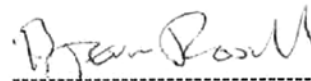
Trine S. Romuld



Jeffrey Harris



Jens E. Danielsen



Bjørn H. Rosvoll



Svein Knudsen  
Chief Financial Officer



Terje Eidesmo  
Chief Executive Officer

# CONSOLIDATED INCOME STATEMENT

(USD 1 000)	Q2 2008 Unaudited	Q2 2007 Unaudited	First half year 2008 Unaudited	First half year 2007 Unaudited	2007 Audited
<b>Operating revenues</b>					
Contract sales	23 688	37 817	67 174	63 695	140 339
<b>Total revenues</b>	<b>23 688</b>	<b>37 817</b>	<b>67 174</b>	<b>63 695</b>	<b>140 339</b>
<b>Operating expenses</b>					
Charter hire, fuel and crew expenses	18 713	24 748	38 828	43 575	93 816
Employee expenses	10 060	6 716	20 290	17 853	32 930
Depreciation and ordinary amortisation	5 671	2 980	10 586	5 579	13 477
Multiclient amortisation	6 104	-	9 427	-	-
Other operating expenses	8 194	5 838	14 530	9 710	25 685
<b>Total operating expenses</b>	<b>48 741</b>	<b>40 282</b>	<b>93 660</b>	<b>76 718</b>	<b>165 909</b>
<b>Operating profit/ (loss)</b>	<b>(25 054)</b>	<b>(2 465)</b>	<b>(26 486)</b>	<b>(13 023)</b>	<b>(25 570)</b>
<b>Financial income and expenses</b>					
Financial income	1 156	512	2 560	1 429	4 624
Financial expenses	(4 030)	(452)	(7 203)	(2 390)	(6 596)
<b>Net financial items</b>	<b>(2 874)</b>	<b>60</b>	<b>(4 643)</b>	<b>(961)</b>	<b>(1 972)</b>
<b>Income/ (loss) before income taxes</b>	<b>(27 928)</b>	<b>(2 405)</b>	<b>(31 129)</b>	<b>(13 983)</b>	<b>(27 542)</b>
Income tax expense	873	550	2 136	1 283	3 384
<b>Income/ (loss) for the period</b>	<b>(28 801)</b>	<b>(2 955)</b>	<b>(33 265)</b>	<b>(15 266)</b>	<b>(30 926)</b>
<b>Other financial data</b>					
EBITDA	(13 279)	515	(6 473)	(7 444)	(12 093)
Multiclient investment	6 104	-	9 427	-	-
Adjusted EBITDA	(19 383)	515	(15 900)	(7 444)	(12 093)



# CONSOLIDATED BALANCE SHEET

(USD 1 000)	Half year ended 30 June 2008 Unaudited	Half year ended 30 June 2007 Unaudited	Year ended 31 December 2007 Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14 245	89 537	40 685
Trade receivables	39 821	41 799	32 838
Prepaid assets	11 967	-	9 077
Other receivables	6 972	2 899	4 810
Inventories	11 581	10 650	12 509
<b>Total current assets</b>	<b>84 586</b>	<b>144 885</b>	<b>99 917</b>
<b>Fixed assets</b>			
Intangible assets	3 506	2 239	3 341
Property, plant and equipment	51 233	32 917	48 303
Investment in joint venture	13 179	-	13 212
<b>Total fixed assets</b>	<b>67 918</b>	<b>35 156</b>	<b>64 855</b>
<b>Total assets</b>	<b>152 503</b>	<b>180 041</b>	<b>164 772</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	30 607	18 994	28 543
Borrowings	20 639	21 473	11 625
Current tax liability	4 145	4 513	4 240
Other short term liabilities	15 437	15 116	14 710
<b>Total current liabilities</b>	<b>70 828</b>	<b>60 096</b>	<b>59 118</b>
<b>Long-term liabilities</b>			
Borrowings	5 705	578	1 064
Employee benefit obligations	4 396	2 467	2 509
<b>Total long-term liabilities</b>	<b>10 101</b>	<b>3 045</b>	<b>3 572</b>
<b>Total liabilities</b>	<b>80 929</b>	<b>63 141</b>	<b>62 690</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Share capital, share premium and other paid-in equity	201 591	193 333	198 996
Other reserves	(202)	(451)	(220)
Retained earnings	(129 815)	(75 982)	(96 694)
<b>Total equity</b>	<b>71 574</b>	<b>116 900</b>	<b>102 082</b>
<b>Total equity and liabilities</b>	<b>152 503</b>	<b>180 041</b>	<b>164 772</b>

# STATEMENT OF CASH FLOW

(USD 1 000)	Half year ended 30 June 2008 Unaudited	Half year ended 30 June 2007 Unaudited	31 December 2007 Audited
<b>Net cash flow from operating activities</b>			
Income/ (loss) after income taxes		(15 266)	
Income/ (loss) before income taxes	(31 128)		(27 541)
<b>Adjustments for:</b>			
Total tax expenses	-	2 232	-
Taxes paid	(2 230)	(2 815)	(3 987)
Amortisation of interest	-	963	-
Depreciation and ordinary amortisation	10 587	5 579	13 477
Multiclient amortisation	9 427	-	-
Share of net profit of joint venture	(235)	-	-
Impairment of disposal of property, plant and equipment	-	-	-
Non-cash portion of pension expense	1 816	1 046	1 159
Cost of share-based payment	1 122	871	1 392
Change in trade receivables	(6 984)	(10 349)	(928)
Change in inventories	928	(5 025)	(6 884)
Change in trade payables	2 063	(1 512)	7 866
Change in other working capital	(3 969)	7 669	(5 252)
Currency translation effect	-	1 208	-
<b>Net cash flow from operating activities</b>	<b>(18 603)</b>	<b>(15 399)</b>	<b>(20 698)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(3 792)	(14 280)	(35 853)
Purchase of intangible assets	(667)	(188)	(1 894)
Purchase of shares	-	-	(13 211)
Investment in multiclient library	(9 669)	-	-
<b>Cash used in investing activities</b>	<b>(14 128)</b>	<b>(14 568)</b>	<b>(50 958)</b>
<b>Financial activities</b>			
Financial lease payments - principal	(1 802)	(123)	(1 438)
Payment of Bond	-	-	(20 800)
Proceeds from bond offering	-	-	-
Proceeds from issuance of ordinary shares	1 618	114 522	115 892
Additional proceeds from bank borrowings	-	-	-
Proceeds of bank borrowings	6 475	(11 262)	(1 797)
Change in other debt	-	(4 118)	-
<b>Cash provided by financial activities</b>	<b>6 291</b>	<b>99 019</b>	<b>91 857</b>
<b>Net increase in cash</b>	<b>(26 440)</b>	<b>69 052</b>	<b>20 201</b>
Cash balance beginning of period	40 685	20 485	20 485
Cash balance end of period	14 245	89 537	40 685
Increase in cash	(26 440)	69 052	20 200

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD 1 000)	Share capital, share premium and other paid in equity	Other reserves	Retained earnings	Total equity
<b>Balance at 31 December 2006 (Audited)</b>	<b>77 940</b>	<b>(104)</b>	<b>(60 716)</b>	<b>17 120</b>
Currency translation differences	-	(116)	-	(116)
Net income/(expense) recognised directly in equity	-	-	-	-
Dividend payout	-	-	(4 950)	(4 950)
Proceeds from shares issued - dividend converted	3 772	-	-	3 772
Cost of share-based payment	1 392	-	-	1 392
Proceeds from shares issued - options exercised	2 597	-	-	2 597
Proceeds from shares issued - IPO	113 295	-	-	113 295
Purchase of own shares	(4 968)	-	-	(4 968)
Use of shares for consideration acquired interest in joint venture	4 968	-	(102)	4 866
Loss for the period	-	-	(30 926)	(30 926)
<b>Balance at 31 Dec 2007 (Audited)</b>	<b>198 996</b>	<b>(220)</b>	<b>(96 694)</b>	<b>102 082</b>
Currency translation differences	-	18	-	18
Proceeds from shares issued - for consideration acquired interest in joint venture	405	-	144	549
Proceeds from shares issued - options exercised	1 068	-	-	1 068
Cost of share-based payment	1 112	-	-	1 112
Loss for the period	-	-	(33 265)	(33 265)
<b>Balance at 30 June 2008 (Unaudited)</b>	<b>201 591</b>	<b>(202)</b>	<b>(129 815)</b>	<b>71 574</b>

## SEGMENT REPORTING

For management purposes, the Group is organised into one reportable segment. The Group offers one product; seabed logging and the sales contracts and costs are incurred world wide.

Management monitors the operating result of the single reportable segment for the purpose of making decisions about resource allocation and performance assessment.

No operating segments have been aggregated to form the above reportable operating segment.

The customers are international oil companies and the risk and profitability is similar in the different geographical areas.

The Group's main property, plant and equipment are the survey equipment on the vessels. As the surveys are executed world wide, the Group is not able to allocate any assets to different geographical areas.

## Geographic information

Revenues from external customers by country

(USD million)	Q2 2008 Unaudited	Q2 2007 Unaudited	First half year 2008 Unaudited	First half year 2007 Unaudited	2007 Audited
Norway	17.6	20.2	21.3	20.3	54.7
Mexico	5.2	-	12.3	-	0.9
Libya	-	-	11.6	-	2.6
Australia	0.1	6.5	0.2	11.2	17.9
India	0.8	2.6	8.2	2.7	16.8
Brazil	-	6.1	2.6	12.3	12.4
Canada	-	-	-	2.1	9.1
Congo	-	-	-	7.9	7.9
Malaysia	(0.1)	-	(0.3)	0.6	6.8
Ghana	-	-	11.0	2.1	2.1
Others	0.0	2.4	0.2	4.5	9.1
<b>Total</b>	<b>23.7</b>	<b>37.8</b>	<b>67.2</b>	<b>63.7</b>	<b>140.3</b>

The revenue information above is based on the location of the survey.

### 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 2007. The group's financial statements are available upon request from the company's registered office in Trondheim or at [emgs.com](http://emgs.com).

### ACCOUNTING PRINCIPLES

The group has applied the same accounting standards and policies as in the group's financial statements at 31 December 2007, and has implemented standards, interpretations and amendments which were effective from 1 January 2008.

### 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 market leader in electromagnetic (EM) imaging. The company launched the EM imaging industry in 2002 with the commercialisation of seabed logging, a proven exploration method that uses EM energy to help oil companies in their search for hydrocarbons. EMGS provides a full suite of services, including data planning, acquisition, imaging and interpretation. The company's integration systems enable seamless integration of EM data with seismic and other geophysical and geological information, giving explorationists a clearer and more complete understanding of the subsurface. This proprietary and patented technology has been developed over the past 10 years bringing dramatic improvement to exploration decision-making in frontier and mature provinces.

EMGS employs approximately 300 people from three main offices in Trondheim, Norway; Houston, USA; and Kuala Lumpur, Malaysia. The Company operates the world's largest EM vessel fleet and has conducted more than 350 surveys for many of the world's leading energy companies.

Please visit [emgs.com](http://emgs.com) for the latest news and in-depth information about EMGS and EM imaging technology.

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