EMGS SECOND QUARTER and first half year 2009 report

13 August 2009

emgs

Highlights
second quarter and first half year 2009

Important events in the quarter:

- Second quarter 2009 revenues at USD 30.8 million
- EBITDA of USD 8.1 million for the quarter
- Barents Sea multi-client campaign contribution of USD 15.0 million
- Operating expenses reduced to USD 22.7 million
- Strategic alliance with Fugro
- Substantial contracts awarded by supermajors

Subsequent important events:

- The second purpose-built 3D EM vessel launched
- EMGS awarded 3D EM survey offshore Greenland

Key financial figures

USD million (except per share data)	**Q2 2009**	Q2 2008	First half year 2009	First half year 2008	2008	Q1 2009
Revenues	**30.8**	23.7	36.7	67.2	116.2	5.8
Operating profit/(loss)	**2.2**	(25.1)	(21.3)	(26.5)	(60.3)	(23.5)
Income/(loss) before income taxes	**(7.0)**	(27.9)	(31.7)	(31.1)	(62.7)	(24.7)
Earnings per share	**(0.08)**	(0.39)	(0.35)	(0.45)	(0.83)	(0.27)
Average number of shares outstanding (in thousands)	**91 569**	74 469	91 569	74 404	82 878	91 569
EBITDA	**8.1**	(13.3)	(9.6)	(6.5)	(21.4)	(17.6)
Multi-client investment	**-**	6.1	-	9.4	16.9	-
Adjusted EBITDA	**8.1**	(19.4)	(9.6)	(15.9)	(38.3)	(17.6)

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at June 30, 2009, was 91 569 261.

Financial review

Revenues and EBITDA

EMGS recorded revenues of USD 30.8 million in the second quarter of 2009 compared with USD 23.7 million in the second quarter of 2008, corresponding to an increase of 30.0 per cent. The increased revenues were partly due to the uplift revenues on the Multi-client sales in the Barents Sea. Multi-client revenues amounted to USD 15.0 million in the second quarter 2009, while the amount was USD 10.7 million in the corresponding quarter last year.

Revenues for the first half year of 2009 were at USD 36.7 million, while the corresponding figure in 2008 was USD 67.2 million. Multi-client revenues for the first half of 2009 amounted to USD 15.0 million, while the amount was USD 18.7 million in the first half of 2008.

Charter hire, fuel and crew expenses totalled USD 12.0 million in the second quarter 2009 compared with USD 18.7 million in the corresponding quarter in 2008, a decrease of 35.8 per cent. In the second quarter 2008 USD 6.1 million of expenses were capitalised, giving an even larger decrease between the two quarters. The main reason for the decrease is the cost of vessel hire; while EMGS was carrying the cost of five vessels in the second quarter 2008, EMGS covered the full operational cost of three vessels in the second quarter 2009. A fourth vessel was subleased covering parts of the costs. Fuel costs and other survey costs have also been reduced by the reduced vessel fleet. In addition a major cost cut plan has been implemented during the last year, giving a lower and sounder cost base in all levels of the company.

In the first half year 2009 charter hire, fuel and crew expenses amounted to USD 24.2 million, compared to USD 38.8 million in the first half 2008. This reflects a decrease of 37.6 per cent, mainly due to fewer vessels in the fleet. In the first quarter 2009 EMGS covered the full operational cost of only two vessels. A third vessel was subleased covering parts of the costs, while the forth vessel was off hire due to technical improvements. EMGS's opinion is that there is a sound basis for not paying the charter hire during the period the vessel was at yard, so the charter hire is not accounted for during the quarter. In the first half year 2008 there were five vessels in operation, and in addition EMGS had an expense of USD 3.0 million related to costs of the patent dispute in the Netherlands.

Employee expenses decreased from USD 10.1 million in the second quarter of 2008 to USD 7.6 million in the second quarter 2009. The decrease of 24.8 per cent is due to the decreased number of employees and costs associated with this.

For the first half year 2009 the employee expenses amounted to USD 15.4 million, while the amount for the corresponding period in 2008 was USD 20.3 million. The main reason for the decrease is the reduced number of employees.

Other operational costs decreased by 61.0 per cent in the second quarter 2009 over the same period last year, from USD 8.2 million to USD 3.2 million. The decrease from 2008 to 2009 is mainly due to the lower activity level as well as the effective cost reduction program.

Other operational costs decreased from first half 2008 to the first half 2009, going down from USD 14.5 million to USD 6.6 million. The decrease is mainly due to the reduced activity level and the cost reduction program.

Depreciation and amortisation

Depreciation and amortisation was USD 5.9 million in the second quarter 2009, down from USD 11.8 million in the corresponding quarter in 2008. The decrease is due to the amortisation of multi-client costs of USD 6.1 million in the second quarter of 2008.

For the first half year 2009 the depreciation and amortisation amounted to USD 11.7 million, while the depreciation and amortisation in first half 2008 was USD 20.0 million, of which USD 9.4 million was due to the amortisation of multi-client costs.

Net financial items

Net financial items in the second quarter of 2009 amounted to negative USD 0.6 million, while a loss of USD 2.4 million was reported in the corresponding period in 2008. An essential effect in the second quarter 2009 was the change of fair value of conversion rights of positive USD 1.9 million. The conversion right effect arises because EMGS has established a new loan agreement with a conversion price in NOK, while the company has USD as functional currency. Please see Notes to the financial statement for more details.

The comparative figures for the first half year were a loss of USD 2.1 million in 2009 and a loss of USD 4.3 million in 2008.

Share of profit of joint venture

The share of profit of joint venture amounted to a negative USD 8.5 million in the second quarter 2009, while the loss in second quarter 2008 was USD

0.5 million. In second quarter 2009 EMGS recognised USD 8.1 million in impairment charges for goodwill and technology recorded on acquisition of KJT Inc in 2007. Please see Notes to the financial statement for further details.

For the first half year 2009 share of profit of joint venture ended at a negative USD 8.3 million due to the write down mentioned above. The corresponding amount for last year was USD 0.4 million.

Result before income tax
EMGS recorded a loss of USD 7.0 million before income tax in the second quarter 2009, compared with a loss of USD 27.9 million in the corresponding quarter in 2008.

For the first half year 2009 the loss before income tax was USD 31.7 million, while the amount for the same period in 2008 was USD 31.1 million.

Income tax
Income tax expenses of USD 0.1 million was recorded in the second quarter of 2009, compared to USD 0.9 million in the second quarter of 2008. These taxes relate to profits earned in foreign jurisdictions.

Tax expenses for the first half year of 2009 were USD 0.1 million, while the corresponding figure for 2008 was USD 2.1 million.

Net result for the period
The net loss in the second quarter of 2009 was USD 7.1 million, compared with a loss of USD 28.8 million in the same period last year.

EMGS recorded a loss for the first half year 2009 of USD 31.8 million, while the loss for the first half 2008 was USD 33.3 million.

Balance sheet and cash flow
Cash and cash equivalents totalled USD 24.9 million at 30 June 2009, compared with USD 28.1 million at 31 December 2008 and USD 14.2 million at 30 June 2008. The credit facility with Nordea Bank ASA expired in May 2009 and has not been renewed. During the second quarter two convertible loans were established. Please find more information about the loan agreements in Notes to the financial statement.

Trade receivables were USD 20.1 million at 30 June 2009, up from USD 13.9 million at 31 December 2008, while the figure was USD 39.8 million at 30 June 2008.

Net cash flow from operating activities was negative by USD 25.8 million year to date 2009, compared with a negative net cash flow of USD 18.6 million in the same period in 2008.

Cash applied in investing activities in the first half of 2009 amounted to USD 1.6 million, compared with USD 14.1 million in the corresponding period of 2008.

Cash flow from financial activities was USD 24.1 million in the first half of 2009 compared with USD 6.3 million in the corresponding period in 2008. The convertible loans established in second quarter 2009 amounted to USD 27.4 million.

Operational review

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation. The Company's vessel utilisation in the second quarter 2009 ended at 47 per cent, compared to 46 per cent in the first quarter. Utilisation in 2008 was 71 per cent in the first quarter, 48 per cent in the second quarter, 72 per cent in the third quarter and 49 per cent in the fourth quarter. At the end of the second quarter 2009 EMGS had two vessels in operation; M/V Siem Mollie and M/V Boa Thalassa. M/V Siem Mollie has been located in the Gulf of Mexico. M/V Boa Thalassa has mainly been working in West Africa in the second quarter.

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

M/V Atlantic Guardian has been decommissioned and is made available on the spot market.

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

Events in the quarter

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

On April 17, EMGS announced the award of a contract worth about USD 4 million by Shell Exploration and Production B.V. to conduct a 3D electromagnetic (EM) survey offshore Senegal. This is the first EM exploration programme to be performed under the Global Frame Agreement which was announced on 30 March. EMGS reported that the survey would be carried out using the new, purpose-built EM vessel BOA Thalassa and would start immediately after the surveys in the Norwegian Sea had been completed. The 3D EM survey covers parts of a license area where a number of hydrocarbon drilling prospects have been identified by the operator First Australian Resources (FAR).

On April 20, EMGS signed a multi-client data-licensing contract worth approximately USD 5.8 million with a major oil company for Clearplay 3D EM data from the eastern Gulf of Mexico. The Gulf of Mexico is one of the most substantial exploration areas in the world, yet the eastern part of this region remains significantly underexplored. EMGS believes that the market potential for EMGS in this region is promising, as the company has seen growing interest in its multi-client 3D EM data.

On 24 April, EMGS entered into a global cooperation agreement with Fugro N.V. (Fugro), the world's leading geotechnical, survey and geoscience company. The cooperation agreement is in effect through 2011. Under the agreement, Fugro will gain full access to EMGS's marine EM methods for hydrocarbon exploration and production, and EMGS will gain access to Fugro's worldwide marketing network and marine operating expertise. Both companies have also entered into a nonexclusive worldwide multi-client cooperation agreement, as well as a non-exclusive global technology licensing agreement. EMGS believes that the combination of EMGS's industry-leading EM technology and Fugro's position brings to the market a solution that will enhance industry adoption of EMGS's technology.

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

On May 12, EMGS announced measures to restructure the company and reduce its workforce. The operating vessel fleet will be temporarily reduced from three to two vessels to match the demand environment. The organisation has been scaled accordingly, resulting in 29 temporary layoffs, 28 redundancies and 4 consultancy contracts being terminated. EMGS anticipates that the measures will result in annual reductions in operating expenses of approximately USD 8 - 10 million.

On May 26, the Board appointed Roar Bekker as Chief Executive Officer (CEO). Roar Bekker has held the position of Chief Operating Officer in EMGS since December 2007 and has been temporary CEO since December 2008.

Recent events

On July 20, EMGS launched its second purpose-built EM survey vessel in order to enhance hydrocarbon exploration across the world. The new vessel, the BOA Galatea, was built by Bergen Group Fosen and is leased from the owner BOA Offshore on a long-term charter. As previously communicated, EMGS's core vessel fleet will consist of the two purpose-built 3D EM vessels BOA Thalassa and BOA Galatea. Each vessel has the capacity to carry 200 receivers and offers two high power source systems, making these the most productive and efficient vessels available in the industry.

The BOA Galatea's first survey, which is worth approximately USD 1 million, was conducted in the Norwegian Sea in the beginning of August. The BOA Thalassa has been off hire since August 6 due to technical improvements, and it is expected that the vessel will be fully operational again from September 12.

On August 12, EMGS was awarded a contract worth about USD 4 million by the Cairn Energy group through its subsidiary Capricorn and its joint venture partner Nunaoil, to perform a 3D electromagnetic (EM) survey in the Disko West area offshore Greenland. The survey is due to start around 25 August and will be performed using the vessel BOA Galatea.

Risk and uncertainty 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 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 the Annual Report for 2008.

Outlook

EMGS believes that the recently implemented corporate restructuring will streamline the company's operations, giving a more efficient and commercially oriented business.

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

In addition, EMGS believes that the global cooperation agreement with Fugro will be a crucial step to enhance industry adoption of the company's EM technology. However, the future risks for EMGS will still largely be dictated by the ability to turn encouraging interest in the company's technology into revenue generating contracts.

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 2009, 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, 12 August 2009
Board of directors

Bjarte H. Bruheim
Chairman of the Board

Berit Svendsen

Grethe Høiland

Christopher Alan Wright

Cecilie Arentz

Jeffrey Alan Harris

Friedrich Roth

Consolidated income statement

Amounts in USD 1 000	Q2 2009 Unaudited	Q2 2008 Unaudited	First half year 2009 Unaudited	First half year 2008 Unaudited	2008 Audited
Operating revenues					
Contract sales	30 837	23 688	36 650	67 174	116 177
Total operating revenues	**30 837**	**23 688**	**36 650**	**67 174**	**116 177**
Operating expenses					
Charter hire, fuel and crew expenses	12 027	18 713	24 216	38 828	70 518
Employee expenses	7 594	10 060	15 444	20 290	40 451
Depreciation and ordinary amortisation	5 907	5 671	11 726	10 586	22 029
Multi-client amortisation	-	6 104	-	9 427	16 889
Other operating expenses	3 151	8 194	6 560	14 530	26 572
Total operating expenses	**28 679**	**48 741**	**57 946**	**93 660**	**176 459**
Operating profit/(loss)	**2 158**	**(25 054)**	**(21 296)**	**(26 486)**	**(60 282)**
Financial income and expenses					
Interest income	193	300	215	679	1 314
Interest expenses	(1 017)	(1 398)	(1 338)	(2 121)	(4 056)
Change in fair value of conversion rights	1 938	-	1 938	-	-
Net foreign currency income/(loss)	(1 738)	(1 307)	(2 907)	(2 831)	1 578
Net financial items	**(624)**	**(2 405)**	**(2 092)**	**(4 273)**	**(1 164)**
Share of profit of joint venture	**(8 499)**	**(469)**	**(8 314)**	**(369)**	**(1 227)**
Income/(loss) before income taxes	**(6 965)**	**(27 928)**	**(31 702)**	**(31 129)**	**(62 674)**
Income tax expenses	89	873	102	2 136	3 096
Income/(loss) for the period	**(7 054)**	**(28 801)**	**(31 804)**	**(33 265)**	**(65 770)**
Basic loss per share (result for the period/shares) in USD	(0.08)	(0.39)	(0.35)	(0.45)	(0.83)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000	Q2 2009 Unaudited	Q2 2008 Unaudited	First half year 2009 Unaudited	First half year 2008 Unaudited	2008 Audited
Income/(loss) for the period	**(7 054)**	**(28 801)**	**(31 804)**	**(33 265)**	**(65 770)**
Exchange differences on translation of foreign operations	14	(2)	19	18	(6)
Total comprehensive income/(loss) for the period	**(7 040)**	**(28 803)**	**(31 785)**	**(33 247)**	**(65 776)**

Consolidated balance sheet

Amounts in USD 1 000	Half year ended 30 June 2009 Unaudited	Half year ended 30 June 2008 Unaudited	Year ended 31 Dec. 2008 Audited
ASSETS			
Non-current assets			
Intangible assets	3 269	3 506	3 784
Property, plant and equipment	37 751	51 233	42 665
Investment in joint venture	4 966	13 179	12 800
Total non-current assets	**45 986**	**67 918**	**59 249**
Current assets			
Inventories	9 120	11 581	9 539
Trade receivables	20 129	39 821	13 923
Other receivables	4 629	6 972	2 943
Prepaid assets	15 361	11 967	12 631
Cash and cash equivalents	24 850	14 245	28 112
Total current assets	**74 089**	**84 586**	**67 148**
Total assets	**120 075**	**152 503**	**126 397**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid equity	245 581	201 591	244 961
Other reserves	(207)	(202)	(226)
Retained earnings	(194 122)	(129 815)	(162 319)
Total equity	**51 252**	**71 574**	**82 416**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	5 575	5 705	4 392
Borrowings	31 423	4 396	2 780
Total non-current liabilities	**36 998**	**10 101**	**7 172**
Current liabilities			
Trade payables	14 840	30 607	19 514
Current tax liability	2 943	4 145	2 836
Other short term liabilities	10 191	15 437	9 360
Borrowings	3 851	20 639	5 099
Total current liabilities	**31 825**	**70 828**	**36 809**
Total liabilities	**68 823**	**80 929**	**43 981**
Total equity and liabilities	**120 075**	**152 503**	**126 397**

Consolidated statement of cash flow

Amounts in USD 1 000	Half year ended 30 June 2009 Unaudited	Half year ended 30 June 2008 Unaudited	31 Dec. 2008 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	(31 701)	(31 128)	(62 674)
Adjustments for:			
Withholding tax expenses	544	-	-
Total taxes paid	(539)	(2 230)	(4 499)
Depreciation and ordinary amortisation	11 726	10 587	22 028
Multi-client amortisation	-	9 427	16 889
Profit on sale of fixed asset	(4)	-	(84)
Share of net (profit)/loss of joint venture	(269)	(235)	143
Non-cash portion of pension expense	1 183	1 816	1 883
Cost of share-based payment	493	1 122	2 011
Cost of rights issue	(36)	-	1 134
Change in trade receivables	(6 206)	(6 984)	18 915
Change in inventories	419	928	2 969
Change in trade payables	(4 674)	2 063	(9 029)
Change in other working capital	(3 566)	(3 969)	(7 043)
Write down of investment in JV	8 103	-	-
Amortisation of interest	711	-	-
Change in fair value of conversion rights	(1 938)	-	-
Net cash flow from operating activities	**(25 754)**	**(18 603)**	**(17 356)**
Investing activities:			
Investment in joint ventures	-	-	412
Purchases of property, plant and equipment	(1 122)	(3 792)	(6 396)
Purchases of intangible assets	(503)	(667)	(2 037)
Proceeds from sales of assets	54	-	1 198
Investment in multi-client library	-	(9 669)	(16 889)
Cash used in investing activities	**(1 571)**	**(14 128)**	**(23 712)**
Financial activities:			
Financial lease payments-principal	(1 482)	(1 802)	(6 319)
Proceeds from convertible loans	27 364	-	-
Proceeds from issuance of ordinary shares	-	1 618	42 820
Payment of bank borrowings	(1 819)	6 475	(8 005)
Cash provided by financial activities	**24 063**	**6 291**	**28 496**
Net increase in cash	**(3 262)**	**(26 440)**	**(12 573)**
Cash balance beginning of period	28 112	40 685	40 685
Cash balance end of period	24 850	14 245	28 112
Increase in cash	**(3 262)**	**(26 440)**	**(12 573)**

Consolidated statement of changes in equity

Amounts in USD 1 000	Share capital, share premium and other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 31 December 2007 (Audited)	**198 996**	**(220)**	**(96 694)**	**102 082**
Currency translation differences	-	(6)	-	(6)
Loss for the period	-	-	(65 770)	(65 770)
Total comprehensive income	-	**(6)**	**(65 770)**	**(65 776)**
Proceeds from shares issued - for consideration acquired interest in joint venture	405	-	144	549
Proceeds from shares issued - rights issue and options exercised	45 380	-	-	45 380
Cost of share-based payment	2 011	-	-	2 011
Cost of rights issue	(1 832)	-	-	(1 832)
Balance at 31 December 2008 (Audited)	**244 961**	**(226)**	**(162 320)**	**82 415**
Currency translation differences	-	5	-	5
Loss for the period	-	-	(24 748)	(24 748)
Total comprehensive income	-	**5**	**(24 748)**	**(24 743)**
Cost of share-based payment	263	-	-	263
Cost of rights issue	(36)	-	-	(36)
Balance at 31 March 2009 (Unaudited)	**245 188**	**(221)**	**(187 068)**	**57 899**
Currency translation differences	-	14	-	14
Loss for the period	-	-	(7 054)	(7 054)
Total comprehensive income	-	**14**	**(7 054)**	**(7 040)**
Cost of share-based payment	230	-	-	230
Equity component of convertible loan	163	-	-	163
Balance at 30 June 2009 (Unaudited)	**245 581**	**(207)**	**(194 122)**	**51 252**

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 2008, and has implemented standards, interpretations and amendments which were effective from 1 January 2009.

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 million	Q2 2009 Unaudited	Q2 2008 Unaudited	Year to date 2009 Unaudited	Year to date 2008 Unaudited	2008 Audited
Americas	**10.3**	5.2	10.5	14.9	19.6
Asia	**0.2**	0.7	5.0	7.9	28.2
Europe	**17.2**	17.7	18.1	21.6	44.0
Africa	**3.1**	-	3.1	22.6	24.2
Australia	**-**	0.1	-	0.2	0.2
Total	**30.8**	**23.7**	**36.7**	**67.2**	**116.2**

Impairment assessment

The Group recognised USD 8.1 million in impairment charges for goodwill and technology recorded on acquisition of KJT Inc in 2007. The impairment is a result of lower market growth than initially expected and a reduction in ownership from 50 to 40 per cent due to sale of non-voting shares to officers and employees of KJT Inc. Key assumptions used in calculating the value of the investment are growth rate, revenues, EBITDA, operating profit and discount rate. The discount rate applied to value estimates on June 30, 2009 was 13.7 per cent, while the discount rate used in 2007 was 16.2 per cent. In the corresponding quarter last year the amount of share of profit of joint venture was negative USD 0.5 million.

Convertible loans

In second quarter, Fugro N.V provided EMGS ASA a NOK 150 million secured convertible loan bearing an interest of 7.00% p.a. The loan can be converted into common shares in EMGS at the conversion price of NOK 5.75 at any time until the maturity date being January 2, 2012. As the functional currency for the Group is USD and the conversion price is in NOK, the loan contains an embedded derivative that has to be accounted for separately at fair value using an option pricing model. The Loan equaled in total USD 22.9 million at the disbursement dates. The fair value of the derivative at the disbursement date was USD 7.6 million and subsequent changes in fair value are recorded in the income statement. At June 30, 2009 the fair value of the derivative was estimated to USD 5.7 million resulting in a financial gain of USD 1.9 million in the income statement. The residual, an additional liability component, is measured at amortised cost using the effective interest rate method. As of end June 2009, the value of this component amounted USD 15.6 million.

On April 30, EMGS ASA secured a USD 5 million senior unsecured convertible bond bearing an interest at 9.00% p.a. The loan can at any time be converted into common shares in EMGS at the conversion price of USD 0.88 until the maturity date on May 18, 2011. The USD 5 million convertible bond is separated into a liability and an equity component. On issuance of the convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non convertible bond; and this is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. At June 30, 2009 the carrying value of the liability component was estimated to USD 4.7 million. The remainder of the proceeds is allocated to the conversion option that is recognised and calculated in shareholders' equity. The carrying amount of the conversion option (USD 0.2 million) is not re-measured in subsequent periods.

Statement of compliance

These condensed consolidated interim accounts have been prepared in accordance with IAS 34 and should be read in conjunction with the consolidated financial statements for the group for the year ending 31 December 2008. The group's financial statements are available upon request from the company's registered office in Trondheim or at emgs.com.

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

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

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

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

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

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