EMGS second quarter & first half year 2013

22/08/2013

Highlights in the second quarter and first half year 2013

- Second quarter financial results:
  - Total revenues at USD 44.4 million
  - EBITDA of USD 13.2 million
  - Net loss of USD 1.6 million
- Cooperation agreement with TGS to develop joint multi-client projects in north-western Europe
  - Joint investment in a 3D EM multi-client programme in the Barents Sea
- New unsecured bond loan of NOK 350 million
- Contract extension of USD 15 million in Asia, bringing total value up to around USD 50 million
- Awarded contract of USD 99.8 million by PEMEX

Key financial figures

USD million (except per share data)	**Q2 2013**	Q2 2012	First half year 2013	First half year 2012	2012	Q1 2012
Contract sales	**29.6**	49.6	49.5	102.6	176.1	20.1
Multi-client sales	**14.8**	7.5	26.6	10.0	24.7	11.6
Total revenues	**44.4**	57.1	76.1	112.6	200.8	31.7
Operating profit/ (loss)	**2.0**	14.8	(4.1)	26.5	29.2	(6.1)
Income/ (loss) before income taxes	**(1.6)**	13.2	(2.8)	22.1	17.9	(1.2)
Net income/ (loss)	**(1.6)**	11.4	(4.2)	18.4	11.9	(2.5)
Earnings((loss) per share	**(0.01)**	0.06	(0.02)	0.09	0.06	(0.01)
Average number of shares outstanding (in thousands)	**198 936**	198 443	198 936	197 971	198 161	198 880
EBITDA	**13.2**	22.4	14.5	38.5	55.9	1.3
Multi-client investment	**11.9**	5.6	20.3	9.8	21.4	8.4
Adjusted EBITDA	**1.3**	16.8	(5.8)	28.7	34.5	(7.1)

Financial review

Revenues and operating expenses

EMGS recorded revenues of USD 44.4 million in the second quarter of 2013, down from USD 57.1 million in the second quarter of 2012. Contract sales totalled USD 29.6 million while multi-client sales came in at USD 14.8 million in the second quarter of 2013, compared to contract sales of USD 49.6 million and multi-client sales of USD 7.5 million in the corresponding period last year. The multi-client sales in 2013 do not include the contribution from TGS to the joint project in the Barents Sea, as this is booked as a reduction of the carrying value of the multi-client library.

The Company recorded 11.5 vessel months in the second quarter of 2013 as opposed to 10.3 in the second quarter of 2012. EMGS's vessels were allocated 32% to contract and 46% to multi-client programmes in the second quarter of 2013, compared to 53% to contract and 24% to multi-client programmes the corresponding period last year.

Revenues for the first half year of 2013 came in at USD 76.1 million, compared with USD 112.6 million for the first half year of 2012. The reduction in revenues, both for the second quarter and first half year, is related to a higher percentage of multi-client work this year than the corresponding periods in 2012.

Charter hire, fuel and crew expenses totalled USD 11.7 million in the second quarter of 2013, down from USD 17.2 million in the corresponding quarter in 2012. The reduction is related to capitalisation of multi-client costs of USD 11.9 million in the second quarter of 2013, compared with USD 5.6 million in the corresponding period last year.

For the first half year of 2013, charter hire, fuel and crew expenses came in at USD 22.0 million, down from USD 38.2 million in 2012. USD 20.3 million was capitalised as multi-client costs in the first half of 2013 as opposed to USD 9.8 million in the same period last year.

Employee expenses increased from USD 12.2 million in the second quarter of 2012 to USD 13.6 million in the second quarter 2013 owing to higher operational activity throughout 2012 and a corresponding increase in the work force during 2012.

Employee expenses for the first half year were USD 28.4 million and USD 26.0 million in 2013 and 2012 respectively.

Other operating expenses increased from USD 5.3 million in the second quarter last year to USD 5.9 million in 2013.

For the first half year 2013, other operating expenses came in at USD 11.3 million, up from USD 10.0 million in 2012.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 4.1 million in the second quarter 2013, up from USD 3.0 million in the same quarter in 2012. The increase is due to investment in equipment.

Multi-client amortisation totalled USD 7.1 million in the second quarter of 2013, up from USD 4.5 million in the second quarter last year.

Depreciation and ordinary amortisation increased from USD 6.2 million in the first half year of 2012 to USD 8.7 million in 2013. Multi-client amortisation totalled USD 9.9 million for the first half year 2013, up from USD 5.8 million in 2012.

Net financial items

Interest expenses increased from USD 1.4 million in the second quarter of 2012 to USD 3.1 million this quarter. The increase is mainly related to repurchase of bonds in the bond issue EMGS01 maturing in May 2014. The Company recorded a loss on net foreign currency of USD 0.6 million this quarter, while a loss of USD 0.3 million was recorded in the corresponding quarter last year. Net financial items ended at negative USD 3.6 million, compared with a loss of USD 1.6 million in the second quarter 2012.

For the first half year of 2013, net financial items were positive USD 1.3 million, up from a negative USD 4.4 million in the first half of 2012.

Income/(loss) before income taxes

Loss before income taxes came in at USD 1.6 million in the second quarter 2013, compared with an income before income taxes of USD 13.2 million in the corresponding quarter in 2012.

Loss before income taxes for the first half of 2013 was USD 2.8 million, compared with an income before income taxes of USD 22.1 million for the same period last year.

Income tax expenses

Income tax expenses of USD 0.1 million were recorded in the second quarter of 2013, compared with an income tax expense of USD 1.8 million in the second quarter of 2012. These taxes relate to results in foreign jurisdictions.

Income tax expenses for the first half year of 2013 were USD 1.4 million, compared with USD 3.7 million for the same period in 2012.

Net income for the period

Loss for the second quarter of 2013 ended at USD 1.6 million, down from an income of USD 11.4 million in the same period last year.

Loss for the first half year of 2013 was USD 4.2 million, down from an income of USD 18.4 million in 2012.

Cash flow and balance sheet

Cash increased by USD 5.7 million during the first half year of 2013, compared to a decrease of USD 15.5 million during the same period last year.

Cash flow from operating activities was USD 8.2 million for the half year ended 30 June 2013, compared with USD 4.2 million for the comparable period in 2012.

Cash applied in investing activities in the first half year of 2013 amounted to USD 29.5 million, compared with USD 19.1 million in the same period in 2012. The investments in 2013 consist of USD 9.2 million in property, plant and equipment and USD 20.3 million in multi-client data.

Cash flow from financial activities was USD 27.0 million in the first half year of 2013, compared with a negative USD 0.6 million in the same period in 2012. In June 2013, the Company issued a new unsecured bond of NOK 350 million with maturity in June 2016. The new bond issue replaced the NOK 250 million bond which matured in May 2014.

Cash and cash equivalents totalled USD 46.2 million at 30 June 2013, compared with USD 50.5 million at 30 June 2012. USD 1.3 million of the cash at 30 June 2013 was restricted.

Trade receivables were USD 48.6 million at 30 June 2013, down from USD 54.4 million at 30 June 2012.

Trade payables totalled USD 13.2 million at 30 June 2013, down from USD 14.4 million at 30 June 2012.

The ending multi-client library balance on 30 June 2013 was USD 22.8 million, up from USD 9.1 million at 30 June 2012. The carrying value of the multi-client library balance was in the second quarter reduced by USD 1.8 million through the contribution from TGS to the joint project in the Barents Sea.

Total borrowings were USD 73.0 million at 30 June 2013, compared with USD 44.0 million at 30 June 2012.

Operational review

Vessel utilisation and fleet allocation
EMGS defines “vessel utilisation” as the percentage of the vessel charter period spent on contracted or multi-client data acquisition.

Vessel utilisation for the second quarter of 2013 came in at 78% compared with 77% in the second quarter of 2012.

In the second quarter of 2013, the Company's vessels were allocated 32% to contract and 46% to multi-client programmes.

In the second quarter of 2012, EMGS's vessels were allocated 53% to contract and 24% to multi-client programmes.

EMGS recorded 11.5 vessel months in the second quarter of 2013 compared with 10.3 in the second quarter of 2012.

The Company has recorded the following vessel utilisation:

	Q1	Q2	Q3	Q4
2012	72%	77%	69%	84%
2013	63%	78%		

Vessel overview

Vessel	Status Q2	Utilisation Q2	Firm charter period	Optional charter period
BOA Thalassa	In operation	96%	18 December 2014	2 x 12 months
BOA Galatea	In operation	96%	17 July 2015	2 x 12 months
Atlantic Guardian	In operation	81%	1 March 2016	3 x 12 months
EM Leader	In operation until 7 May. Standby until expiration of charter on 15 June.	31%	15 June 2013	Optional 1-, 3-, 6- or 12-month charters until 9 March 2015
EM Express	Standby at no cost in Bergen	Not applicable	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.

Vessel activity

BOA Thalassa
The BOA Thalassa spent the entire second quarter of 2013 acquiring 3D electromagnetic (EM) data under a USD 35 million contract in Asia, which was extended by USD 15 million in June. It is expected that the vessel BOA Thalassa will complete the entire work programme, including the contract extension, in October 2013.

The vessel's utilisation for the second quarter was 96%.

BOA Galatea
In the second quarter, the BOA Galatea acquired 3D EM data under a multi-client programme in the Foz do Amazonas area in the equatorial margin of Brazil.

On 10 July, EMGS announced that it had signed a contract worth USD 99.8 million with PEMEX. The Company expects that 3D EM data acquisition under this contract will start in early September 2013, following a two-week mobilisation of the vessel BOA Galatea from its ongoing multi-client programme in Brazil.

The vessel's utilisation came in at 96% for the second quarter.

Atlantic Guardian
The Atlantic Guardian completed a multi-client survey in Production License 527 in the Norwegian Sea in mid-April. For

the remainder of the second quarter, the vessel acquired 3D EM data under a multi-client programme in the Barents Sea.

On 19 June, EMGS and TGS signed an agreement to jointly invest in a 3D EM multi-client survey programme covering 11 blocks, or approximately 3300 km^2, in the Hoop area of the Barents Sea. The majority of these blocks were acquired by the Atlantic Guardian in the second quarter; consequently, most of TGS's investment in this project was recognised in the second quarter (please see financial review on page 4 for further details). The 3D EM data will be sold by both EMGS and TGS, and the two companies will split revenues according to their respective investments.

On May 22, EMGS entered into an agreement with North Sea Shipping to extend the charter hire period for the vessel Atlantic Guardian to at least 1 March 2016. Furthermore, EMGS has three optional one-year extensions. Under the terms of the agreement, the vessel owner will conduct upgrades which will provide significantly improved fuel efficiency and station-keeping capabilities. It is expected that this work will be done during a five-week yard stay in the first or second quarter of 2014. At the same time, modifications will be made to the vessel to accommodate EMGS's next-generation equipment.

It is expected that the vessel during the third quarter will perform a mix of multi-client and contract work in Norway.
A total of nine days in the second quarter were spent testing the Company's new source system, Deep Xpress. The Atlantic Guardian's utilisation for the second quarter was 81%.

EM Leader
The EM Leader completed 3D EM data acquisition under a USD 7 million contract for the new customer China National Petroleum Corporation (CNPC) in Myanmar on 7 April. The vessel then performed a 3D EM survey worth approximately USD 5 million for another new customer, JX Nippon Oil & Gas Exploration, in Malaysia. This survey was completed on 7 May, after which the vessel was idle until the firm charter period expired on 15 June.

The EM Leader's utilisation came in at 31% for the second quarter.

Other events in the quarter

On 23 May, EMGS and TGS signed a cooperation agreement to develop joint multi-client projects in defined areas of north-western Europe. With this agreement, EMGS will be given access to TGS's 2D seismic data as the basis for planning new 3D controlled-source electromagnetic (CSEM) projects, while TGS obtains access to 2D/3D CSEM data to design and acquire new 3D seismic projects.

On 4 June, EMGS successfully completed a new unsecured bond issue of NOK 350 million with maturity in June 2016. Please see the financial review for further details.

On 12 June, The Ministry of Petroleum and Energy announced the award of new licenses in the 22nd Licensing Round on the Norwegian Continental Shelf. Based on these awards, EMGS realised uplift revenues of USD 7.7 million from data-licensing agreements related to the Company's multi-client library in the Barents Sea.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2013, the EMGS share was traded between NOK 7.98 and NOK 10.79 per share.

The last closing price before 30 June 2013 was NOK 10.25. The Company had a total of 198 992 055 shares outstanding at 30 June 2013.

General meeting

EMGS held its annual general meeting 21 June 2013. At the general meeting, Maria Moræus Hanssen was elected as a new board member, following Iman Hill who resigned from the board in March 2013 as a consequence of her new employer restricting directorship with oil service companies.

Related party transactions

Note 32 in EMGS's annual report for 2012 concerns transactions with related parties. There have not been any new transactions with related parties during the first half of 2013, nor any material changes in the transactions mentioned in the note to the annual report.

Risks and uncertainty factors for the second half 2013

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.

For the next six months, EMGS has reduced uncertainty following the closing of the USD 99.8 million contract with PEMEX for the vessel BOA Galatea. However, there is still uncertainty related to multi-client sales as well as backlog for the vessel EM Leader in Asia.

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 2012.

Statement of responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2013, 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.

Outlook

Based on the results for the first half year, the high dependency of multi-client late sales in the second half of 2013 as well as contract opportunities which have been delayed to 2014, EMGS adjusts its revenue guiding to USD 170-200 million and widens its EBITDA margin range to 20-30% for the full year. These new ranges reflect the Company's short term sensitivity to multi-client late sales.

EMGS's long-term outlook remains unchanged, and the Company reiterates its strategy to achieve industry-wide integration of EM into the exploration workflow. EMGS is pursuing several long-term contract opportunities and is delivering on its strategy to expand the product portfolio, including sub-basalt and sub-salt imaging. In addition, EMGS has made investments to expand its multi-client data library in Brazil and the Barents Sea based on the success of previous campaigns. Although the timing of multi-client sales remains challenging to predict, the Company is experiencing high interest for its data library and expects to continue to deliver a solid return on its multi-client investments.

Oslo, 21 August 2013
Board of Directors and CEO

Bjarte H. Bruheim
Chairman of the Board

Stig Eide Sivertsen

Berit Svendsen

Jeffrey Alan Harris

Christel B. Pedersen

Svein Ellingsrud

Maria Moræus Hansen

Roar Bekker
CEO

Electromagnetic Geoservices Group

Consolidated income statement

Quarter ended 30 June

Amounts in USD 1 000	Q2 2013 Unaudited	Q2 2012 Unaudited	First half year 2013 Unaudited	First half year 2012 Unaudited	2012 Audited
Operating revenues					
Contract sales	**29 560**	49 613	49 544	102 595	176 118
Multi-client pre-funding	**800**	3 528	800	4 896	15 960
Multi-client late sales	**14 036**	3 944	25 754	5 152	8 753
Total operating revenues	**44 396**	**57 085**	**76 098**	**112 643**	**200 831**
Operating expenses					
Charter hire, fuel and crew expenses	**11 707**	17 181	21 963	38 213	68 822
Employee expenses	**13 569**	12 211	28 360	25 998	55 076
Depreciation and ordinary amortisation	**4 080**	3 043	8 673	6 242	13 920
Multi-client amortisation	**7 112**	4 540	9 866	5 756	12 709
Other operating expenses	**5 907**	5 330	11 286	9 978	21 080
Total operating expenses	**42 375**	**42 305**	**80 148**	**86 187**	**171 607**
Operating profit/(loss)	**2 021**	14 780	-4 050	26 456	29 224
Financial income and expenses					
Interest income	**83**	77	111	93	220
Interest expenses	**-3 069**	-1 421	-4 590	-2 825	-5 377
Net foreign currency income/(loss)	**-609**	-282	5 734	-1 652	-6 125
Net financial items	**-3 595**	**-1 626**	**1 255**	**-4 384**	**-11 282**
Income/(loss) before income taxes	**-1 574**	**13 154**	**-2 795**	**22 072**	**17 942**
Income tax expense	**68**	1 753	1 384	3 700	6 047
Income/(loss) for the period	**-1 642**	**11 401**	**-4 179**	**18 372**	**11 895**

Consolidated statement of comprehensive income

Income/(loss) for the period	**-1 642**	**11 401**	**-4 179**	**18 372**	**11 895**
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**37**	-2 371	274	8	4 619
Items not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains/(losses) on defined benefit plans	**-**	-	-	-	3 075
Other comprehensive income	**37**	**-2 371**	**274**	**8**	**7 694**
Total comprehensive income/(loss) for the period net of tax	**-1 605**	**9 030**	**-3 905**	**18 380**	**19 589**

Consolidated statement of financial position

Quarter ended 30 June

Amounts in USD 1 000	Half year ended 30 June 2013 Unaudited	Half year ended 30 June 2012 Unaudited	Year ended 31 December 2012 Audited
ASSETS			
Non-current assets			
Goodwill	**14 422**	14 422	14 422
Multi-client library	**22 775**	9 099	14 126
Other intangible assets	**4 614**	4 867	4 877
Property, plant and equipment	**27 364**	23 919	32 233
Assets under construction	**17 112**	13 177	10 893
Restricted cash	**-**	489	-
Total non-current assets	**86 287**	**65 973**	**76 551**
Current assets			
Spare parts, fuel, anchors and batteries	**11 907**	10 811	12 874
Trade receivables	**48 563**	54 370	47 000
Other receivables	**29 976**	8 484	14 960
Cash and cash equivalents	**44 927**	42 247	39 259
Restricted cash	**1 308**	7 720	8 543
Total current assets	**136 682**	**123 633**	**122 637**
Total assets	**222 969**	**189 607**	**199 189**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid-in equity	**283 392**	267 129	268 709
Other reserves	**-1 187**	-4 420	-383
Actuarial gains/(losses)	**3 563**	488	3 563
Retained earnings	**-172 908**	-151 463	-157 939
Total equity	**112 861**	**111 735**	**113 951**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	**2 150**	5 178	2 285
Non-current tax liability	**193**	474	351
Provisions	**4 260**	-	3 811
Borrowings	**57 186**	42 747	45 608
Total non-current liabilities	**63 789**	**48 399**	**52 055**
Current liabilities			
Trade payables	**13 206**	14 401	9 616
Current tax liabilities	**1 391**	334	2 383
Other short term liabilities	**15 939**	13 461	19 843
Borrowings	**15 781**	1 275	1 340
Total current liabilities	**46 318**	**29 472**	**33 183**
Total liabilities	**110 107**	**77 871**	**85 238**
Total equity and liabilities	**222 969**	**189 607**	**199 189**

Consolidated statement of cash flows

Quarter ended 30 June

Amounts in USD 1 000	Half year ended 30 June 2013 Unaudited	Half year ended 30 June 2012 Unaudited	Year ended 31 December 2012 Audited
Net cash flow from operating activities:			
Income/-loss before income tax	**-2 795**	22 072	17 942
Adjustments for:			
Withholding tax expenses	**1 284**	2 295	10 847
Total taxes paid	**-3 659**	-12 848	-21 594
Depreciation and ordinary amortisation	**8 673**	6 242	13 920
Multi-client amortisation	**9 866**	5 756	12 709
Non-cash portion of pension expense	**-135**	263	-1 769
Cost of share-based payment	**4 005**	1 080	2 305
Change in trade receivables	**-1 563**	-26 609	-19 239
Change in inventories	**967**	-1 078	-3 142
Change in trade payables	**3 590**	125	-4 660
Change in other working capital	**-14 864**	5 502	16 071
Amortisation of interest	**2 883**	1 393	5 347
Net cash flow from operating activities	**8 252**	**4 193**	**28 737**
Investing activities:			
Purchases of property, plant and equipment	**-9 187**	-9 395	-21 171
Purchases of intangible assets	**-**	-	-263
Investment in multi-client library	**-20 360**	-9 699	-21 362
Cash used in investing activities	**-29 547**	**-19 094**	**-42 796**
Financial activities:			
Financial lease payments - principal	**-797**	-642	-1 159
Proceeds from issuance of ordinary shares	**104**	1 022	1 377
Proceeds of bond offering	**56 550**	-	-
Repayment of bond	**-26 928**	-	-
Payment of interest on bonds	**-1 966**	-1 028	-4 696
Cash provided by financial activities	**26 963**	**-648**	**-4 478**
Net increase in cash	**5 668**	**-15 549**	**-18 537**
Cash balance beginning of period	**39 259**	57 796	57 796
Cash balance end of period	**44 927**	42 247	39 259
Increase in cash	**5 668**	**-15 549**	**-18 537**

Electromagnetic Geoservices Group

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 31 December 2011	**265 027**	**-4 428**	**-**	**-169 836**	**90 765**
Implementation of IAS 19	-	-	488	-	**488**
Balance at 1 January 2012	**265 027**	**-4 428**	**488**	**-169 836**	**91 252**
Total comprehensive income	**-**	**2 379**	**-**	**6 972**	**9 351**
Cost of share-based payment	504	-	-	-	**504**
Proceeds from shares issued - private placement and options exercised	915	-	-	-	**915**
Balance at 31 March 2012 (Unaudited)	**266 446**	**-2 049**	**488**	**-162 864**	**102 022**
Total comprehensive income	**-**	**-2 371**	**-**	**11 401**	**9 030**
Cost of share-based payment	576	-	-	-	**576**
Proceeds from shares issued - private placement and options exercised	107	-	-	-	**107**
Balance at 30 June 2012 (Unaudited)	**267 129**	**-4 420**	**488**	**-151 463**	**111 735**
Total comprehensive income	**-**	**4 373**	**-**	**-5 771**	**-1 398**
Cost of share-based payment	539	-	-	-	**539**
Proceeds from shares issued - private placement and options exercised - shares not registered	352	-	-	-	**352**
Balance at 30 September 2012 (Unaudited)	**268 020**	**-47**	**488**	**-157 234**	**111 228**
Total comprehensive income	**-**	**-336**	**3 075**	**-705**	**2 034**
Cost of share-based payment	686	-	-	-	**686**
Proceeds from shares issued - private placement and options exercised - shares not registered	3	-	-	-	**3**
Balance at 31 December 2012	**268 709**	**-383**	**3 563**	**-157 939**	**113 951**
Change in functional currency	10 574	-1 078		-10 791	**-1 295**
Balance at 1 January 2013	**279 283**	**-1 461**	**3 563**	**-168 730**	**112 655**
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**	**-1 224**	**3 563**	**-171 266**	**112 075**
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 - shares not registered	104	-	-	-	**104**
Balance at 30 June 2013 (Unaudited)	**283 392**	**-1 187**	**3 563**	**-172 908**	**112 861**

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 2012, and has implied standards, interpretations and amendments which were effective from 1 January 2013.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss. Expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.

The Group has applied IAS19R retrospectively from 1 January 2012 and comparative figures have been changed. The Group has previously used the corridormechanism , which allowed the Group to not recognise changes resulting actuarial gains or losses as long as these were within in a pre-defined bandwith when accounting for actuarial gains and losses. The removal of the corridor mechanism implies that actuarial gains and losses shall be recognised in OCI in the current period. The gain within the corridor stood at USD 0.5 million as of 1 January 2012, and it has been dissolved, and the pension obligation decreased by the same amount, whereas equity increased by USD 0.5 million.

The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The difference between actual return of assets and the estimated return will be accounted for in OCI. The pension expense under previous standard was USD 2.3 million in 2012. No changes are made in the 2012 pension expense, as the changes are immaterial. Under the new standard, changes in actuarial assumptions recognised under OCI is USD 3.1 million. The pension obligation as of 31 Desember 2012 decreased from USD 5.8 million to USD 2.3 million. Since the Group has unrecognised deferred tax assets, no tax obligation has been recognised as a result of the implementation which these will be deducted from the asset.

Functional currency
EMGS ASA, the parent company, changed its functional currency from NOK to USD from 1 January 2013. The Group conducts operations in several countries around the world. Previously, contracts were entered into by wholly owned subsidiaries of EMGS ASA. From late 2012, nearly all of the Group's business has been transacted through EMGS ASA. The Company sees this trend continuing in 2013. As a consequence of these changes, management has assessed the functional currency of the parent company to be USD. The change in functional currency has no cash impact.

EMGS ASA will no longer have currency exchange effects, deriving from USD denominated monetary assets and liabilities, related to the "Net financial items". Conversely, monetary assets and liabilities, denominated in other currencies than USD, may now generate such currency effects.

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	**Q2 2013 Unaudited**	Q2 2012 Unaudited	First half year 2013 Unaudited	First half year 2012 Unaudited	2012 Audited
Americas	**-**	45.3	3.3	92.0	143.5
Asia/Pacific	**29.5**	4.0	49.4	10.3	30.1
EAME	**14.9**	7.8	23.4	10.3	27.2
Total	**44.4**	**57.1**	**76.1**	**112.6**	**200.8**

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 2012. The Group's financial statements are available upon request from the company's registered office in Trondheim or at www.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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