the seabed logging company

November 28, 2007

Third quarter

Finding hydrocarbons™

Third quarter 2007

Highlights

- Record quarterly revenues
- Improved operational efficiency and margins
- Seabed logging contract worth USD 10 million off Canada from super-major
- Capacity increased and growth opportunities secured through:
  – a significant expansion in data processing capacity in the existing computer cluster
  – a new high-efficiency vessel in service from September
  – employment of a number of new high-quality specialists
- Developing interest in new scanning product

Key financial figures

USD million (except per share data)	Q3 2007	Q3 2006	YTD 2007	YTD 2006	2006	Q1 2007	Q2 2007
Revenues	48.4	21.8	112.1	77.4	117.7	25.9	37.8
EBITDA	8.8	(0.8)	1.3	16.5	20.7	(8.0)	0.5
EBIT	5.2	(2.5)	(7.8)	11.6	13.2	(10.6)	(2.5)
Profit/ (loss) before taxes	4.0	0.5	(10.0)	11.2	(19.6) *	(11.6)	(2.4)
Earnings per share	0.03	(0.06)	(0.20)	0.17	0.62	(0.28)	(0.04)
Average number of shares outstanding (in thousands)	73 691	40 919	63 487	40 919	40 933	43 337	73 432

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

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at September 30, 2007, was 73 740 973.

Financial review

Revenues and EBITDA
Revenues for the third quarter totalled USD 48.4 million, an increase of 122.3 per cent from the corresponding period of 2006. They rose by 28.0 per cent from the second quarter figure of USD 37.8 million, primarily because of fleet expansion and improved vessel utilisation. An additional vessel, m/v Siem Mollie, came into service during September, one month later than anticipated. This vessel has been on contract since mobilisation.

Charter hire, fuel and crew expense increased by only 2.2 per cent in the third quarter from the previous quarter, despite m/v Siem Mollie being on charter since the end of July. This reflects better operating cost efficiency, mostly due to the trading pattern during the third quarter versus previous quarter.

Payroll costs increased by 9.2 per cent from the second quarter, primarily because of a large expansion in the number of employees and annual pay rises. EMGS employed 250 people at 30 September, compared with 220 at 30 June.

Other operational costs climbed by 20.5 per cent from the second quarter, and by 47.8 per cent from the third quarter of 2006. A provision of USD 1.8 million was made for bad debts in the third quarter. No other provisions have been made so far this year.

EBITDA improved to USD 8.8 million compared with USD 0.5 million for the second quarter. EBITDA for the third quarter of 2006 was negative at USD 0.8 million. This improvement reflected higher activity, improved vessel utilisation, a better pricing environment and a more normalised cost level.

Depreciation and amortisation
USD 3.6 million in depreciation and amortisation was recorded in the third quarter, up by 19.9 per cent from USD 3.0 million for the second quarter. The corresponding figure for the third quarter of 2006 was USD 1.7 million.

Net financial items
Net financial expenses of USD 1.2 million were recorded in the third quarter, compared with a financial income of USD 0.1 million in the second quarter. This reduction primarily reflects the weakening of the USD/NOK exchange rate. EMGS had net financial expenses of USD 3.0 million in the third quarter of 2006.

Profit before tax
EMGS recorded a profit of USD 4.0 million before tax, an improvement of USD 6.4 million from the loss of USD 2.4 million reported for the second quarter. The company posted a marginal profit of USD 0.5 million before tax for the third quarter of last year.

Tax
An income tax expense of USD 1.7 million was recorded for the third quarter, compared with USD 2.9 million for the same period of last year and USD 0.6 million for the second quarter of 2007. These taxes relate to profits earned in foreign jurisdictions.

Net profit for the period
EMGS recorded a net profit of USD 2.3 million for the third quarter, compared with a net loss of USD 2.4 million for the same period of 2006. The net loss for the second quarter of 2007 was USD 3.0 million.

Balance sheet and cash flow
Cash and cash equivalents totalled USD 66.2 million at 30 September, compared with USD 1.4 million a year earlier and USD 89.5 million at 30 June 2007.

EMGS repaid an 11.25 per cent senior notes loan of USD 20 million on 2 August, leaving the company with virtually no outstanding debt.

Net cash flow from operating activities was negative at USD 13.2 million for the first nine months, compared with a negative USD 0.6 million for the same period of 2006. The earlier negative effect of reduced vessel utilisation and unfavourable trading patterns was reversed during the third quarter, when net cash flow from operating activities was USD 2.2 million.

Cash used in investing activities in the first nine months increased to USD 22.1 million, compared with USD 11.0 million for the same period of 2006. This reflected an expansion of the vessel fleet. Cash flow from financial activities was USD 81.0 million in the first nine months, compared with USD 10.4 million for the same period of 2006. Net proceeds of USD 113.3 million from the company's initial public offering and a reduction in debt were the main reasons for this increase.

Operational review

Vessel utilisation rose during the third quarter in line with expectations. Utilisation was 65 per cent in the first quarter, 63 per cent in the second and 71 per cent in the third. Utilisation is defined as vessel time spent on contracted work, paid mobilisation included.

M/v Stad Angler finished production for Rocksource ASA in the North Sea at the beginning of third quarter. It then mobilised to Canada and worked for a super-major under the third contract from this client in 2007.

M/v Atlantic Guardian continued operating off Australia during July. It then mobilised for work in the South China Sea and was in production in this area at 30 September.

M/v Sasha operated in India during the third quarter.

M/v Relume was in production for Norwegian clients in the North Sea during the third quarter.

M/v Siem Mollie was operational from the beginning of September and took over production for Rocksource in the North Sea when Stad Angler left for Canada.

Market trends and technology

In July 2007, EMGS was awarded a contract worth USD 10 million by a major energy company to determine the hydrocarbon content of potential reservoirs off eastern Canada using seabed logging technology. In October, the same oil major awarded the company a contract worth USD 6 million in a frontier exploration area off Libya, with an option worth an additional USD 10 million.

These contracts represent good examples of repeat business, confirming that seabed logging is an accepted exploration technology and increasingly the tool of choice in the global search for hydrocarbons.

EMGS' founders, chief executive Terje Eidesmo and vice president Svein Ellingsrud, were awarded the prestigious Virgil Kauffman Gold Medal for 2007 at the Society of Exploration Geophysicists (SEG) conference. The medal is awarded to people who, in the unanimous opinion of the members of the honours and awards and executive committees, have made an outstanding contribution to geophysical exploration science.

The company experienced tremendous interest in the seabed logging technology at SEG's 77th annual meeting in San Antonio, Texas, during September. The general impression gained at this event, the world's largest conference for geophysicists, was that the technology is gaining acceptance and is about to change the exploration game. Many participants in the conference regarded seabed logging as one of the fastest-growing exploration-related technologies in the oil service industry.

EMGS believes that the recent industry attention shown by a number of oil service companies clearly indicates a real shift in expectations about the value of EM technology and its future market potential. Combined with growing oil company acceptance, this will also contribute positively to increasing acceptance for EMGS and its technology.

Following the launch of a new scanning contract in the second quarter, EMGS has been working on commercialising the product. Scanning is performed in an early phase to generate leads rapidly and to target further exploration activity in the most prospective areas. It will ultimately lead to more prospects, fewer dry wells and reduced finding costs for the oil companies. EMGS experienced promising interest in scanning during the third quarter, and the company is excited about the potential for the product in the future.

Recent events

Following a period of extreme organisational growth, EMGS intend to meet the positive challenge of managing its human capital in the most optimal way by strengthen the world-wide organization and management. An important first step was to recruite a new chief operating officer (COO). Roar Bekker took office on 5 October in his new position as COO for EMGS. With a strong technical background and extensive international management experience, he will be responsible for global operations.

EMGS secured a seabed logging contract on 19 October in Libya from one of the world's leading energy companies to determine the hydrocarbon content of potential offshore reservoir structures. This frontier exploration programme is expected to start before the end of 2007. Worth about USD 6 million, it includes extension options worth up to another USD 10 million.

A number of smaller contracts have recently been awarded to EMGS, representing total revenues of about USD 6 million.

On 24 October, the company awarded a contract to ODIM for the delivery of automated handling systems to be used in seabed logging. Worth USD 7.4 million, this order secures the current growth plan.

EMGS announced on 15 November that it has acquired the exclusive worldwide rights to patented EM technology developed by KMS Technologies (Houston) that broadens its ability to support oil and gas exploration companies searching for new reserves in shallow waters. The KMS technology offers an alternative to EMGS' proprietary methodologies in shallow water applications significantly broadening EMGS' product offering for oil companies.

The company recently received notice that three EMGS patents have been issued in Norway by the Norwegian Patent Office. These are the first to be granted in Norway. EMGS pursues extensive R&D activities to develop the EM technology and meet market requirements for better ways of finding hydrocarbons offshore. The current portfolio includes 18 patent families with more than 70 patents granted or applications accepted for grant in over 30 countries worldwide

Outlook

EMGS is planning for substantial growth over the next couple of years. As part of this expansion programme, the Company expanded its fleet by one vessel and took on a number of high-quality employees during the third quarter.

EMGS is experiencing strong interest in the Company's technology and an increasing client base. In particular, we are encouraged by the developing interest in the new scanning product.

Revenues in the fourth quarter will be challenging, due to delayed contracts. As per the end of November, EMGS has secured revenues of USD 135 million for 2007. EMGS is engaged in several contract negotiations that might be transferred into revenues for 2007, but there are uncertainties related to the start up and revenue recognition of these contracts.

During the fourth quarter EMGS will reposition the fleet, and expects to be well positioned for the first quarter of 2008.

EMGS maintains its strong belief in the EM market as one of the fastest expanding segments in the oil service industry.

Oslo, 27 November 2007
The board of directors

Consolidated income statement

(USD 1 000)	Q3 2007 Unaudited	Q3 2006 Unaudited	YTD 2007 Unaudited	YTD 2006 Unaudited	2006 Audited
Operating revenues					
Contract sales	48 415	21 779	112 110	77 362	117 748
Total revenues	**48 415**	**21 779**	**112 110**	**77 362**	**117 748**
Operating expenses					
Charter hire, fuel and crew expenses	25 291	13 663	68 866	41 479	62 744
Employee expenses	7 335	4 162	25 188	9 686	18 154
Depreciation and amortisation	3 574	1 692	9 153	4 895	7 510
Other operating expenses	7 032	4 759	16 742	9 664	16 162
Total operating expenses	**43 232**	**24 276**	**119 949**	**65 724**	**104 570**
Operating profit/ (loss)	**5 184**	**(2 497)**	**(7 838)**	**11 638**	**13 178**
Financial income and expenses					
Financial income	1 747	998	3 176	1 500	2 236
Financial expenses	(2 923)	(1 561)	(5 313)	(5 940)	(12 074)
Change in fair value of conversion rights	-	3 539	-	3 960	(22 969)
Net financial items	**(1 176)**	**2 976**	**(2 137)**	**(480)**	**(32 807)**
Income/ (loss) before income taxes	**4 008**	**479**	**(9 975)**	**11 158**	**(19 629)**
Income tax expense	1 733	2 858	3 016	4 231	5 642
Income/ (loss) for the period	**2 275**	**(2 379)**	**(12 991)**	**6 927**	**(25 271)**
Other financial data					
EBITDA	8 758	(805)	1 315	16 533	20 688

Consolidated balance sheet

(USD 1 000)	Nine months ended 30 September 2007	Nine months ended 30 September 2006	Year ended 31 December 2006
ASSETS			
Current assets			
Cash and cash equivalents	66 161	1 369	20 485
Trade receivables	41 818	18 824	31 910
Other receivables	5 919	2 126	3 142
Inventories	16 341	3 569	5 625
Total current assets	130 239	25 888	61 162
Fixed assets			
Intangible assets	3 325	1 460	2 430
Property, plant and equipment	36 771	23 399	23 302
Total fixed assets	40 096	24 859	25 732
Total assets	170 335	50 747	86 894
LIABILITIES			
Current liabilities			
Trade payables	21 531	17 132	20 677
Borrowings	1 901	31 200	13 623
Fair value conversion rights	-	21 125	-
Current tax liability	6 168	2 858	4 843
Other short term liabilites	16 296	2 763	7 751
Total current liabilites	45 896	75 078	46 894
Long-term liabilities			
Borrowings	934	1 332	21 459
Employee benefit obligations	3 254	872	1 421
Total long-term liabilities	4 189	2 204	22 880
Total liabilities	50 084	77 282	69 774
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	197 457	2 726	77 940
Other reserves	273	(742)	(104)
Retained earnings	(77 478)	(28 519)	(60 716)
Total equity	120 251	(26 535)	17 120
Total equity and liabilities	170 335	50 747	86 894

Statement of cash flow

(USD 1 000)	Nine months ended 30 September 2007	Nine months ended 30 September 2006	31 December 2006
Net cash flow from operating activities			
Income/ (loss) after income taxes	(12 991)	-	-
Income/ (loss) before income taxes	-	11 158	(19 629)
Adjustments for:			
Total tax expenses	3 975	-	-
Taxes paid	(2 650)	(1 373)	(799)
Amortisation of interest	-	-	-
Depreciations and amortisation	9 152	5 020	7 510
Impairment of disposal of property, plant and equipment	-	-	892
Non-cash portion of pension expense	1 833	34	583
Cost of share-based payment	1 077	767	1 022
Non-cash cost on preferance shares and bond	-	3 319	5 046
Change in trade receivables	(9 908)	(11 008)	(24 388)
Change in inventories	(10 716)	(2 270)	(4 326)
Change in trade payables	854	3 481	7 026
Change in other working capital	5 829	(5 404)	77
Change in fair value of conversion rights	-	(3 964)	22 969
Currency translation effect	377	(390)	-
Net cash flow from operating activities	**(13 168)**	**(630)**	**(4 017)**
Investing activities			
Purchase of property, plant and equipment	(20 622)	(10 508)	(12 666)
Purchase of intangible assets	(1 502)	(452)	(1 686)
Cash used in investing activities	**(22 124)**	**(10 960)**	**(14 352)**
Financial activities			
Financial lease payments - principal	(1 638)	(1 307)	(1 773)
Payment of Bond	(20 800)	-	-
Proceeds from bond offering	-	-	19 450
Proceeds from issuance of ordinary shares	114 668	-	2 299
Proceeds from preferance share issuance	-	6 475	6 475
Additional proceeds from bank borrowings	-	5 242	9 854
Payment of bank borrowings	(11 262)	-	-
Change in other debt	-	-	-
Cash provided by financial activities	**80 968**	**10 410**	**36 305**
Net increase in cash	**45 676**	**(1 180)**	**17 936**
Cash balance beginning of period	20 485	2 549	2 549
Cash balance end of period	66 161	1 369	20 485
Increase in cash	**45 676**	**(1 180)**	**17 936**

Consolidated statement of changes in equity

(USD 1 000)	Share capital, share premium and other paid in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2006	1 958	(8)	(35 445)	(33 495)
Currency translation differences	-	(96)	-	(96)
Net income/(expense) recognised directly in equity	-	(96)	-	(96)
Loss for the year	-	-	(25 271)	(25 271)
Total recognised loss for 2006	-	(96)	(25 271)	(25 367)
Reclassification of preference shares	72 660	-	-	72 660
Cost of share-based payment	1 022	-	-	1 022
Proceeds from shares issued	2 299	-	-	2 299
Balance at 31 December 2006	77 940	(104)	(60 716)	17 120
Currency translation differences	-	377	-	377
Net income/(expense) recognised directly in equity	-	377	-	377
Loss for the period	-	-	(12 991)	(12 991)
Recognised loss as of 30 September 2007	-	377	(12 991)	(12 614)
Dividend payout	-	-	(3 772)	(3 772)
Cost of share-based payment	1 077	-	-	1 077
Proceeds from shares issued - options exercised	5 145	-	-	5 145
Proceeds from shares issued - IPO	113 295	-	-	113 295
Balance at 30 September 2007	197 457	273	(77 478)	120 251

Detailed information related to proceeds from shares issued - IPO:	
Increase in share capital, par value	227
Share premium	122 137
Issuance cost	(9 068)
Proceeds from shares issued - IPO	113 295

Segment reporting

EMGS reports its sales revenue as one reportable segment. EMGS offers one product; SBL. However, the sales revenues and related costs are incurred worldwide.

The amounts below show sales revenues reported by geographic region.

(USD million)	**Q3 2007**	**Q3 2006**	**YTD 2007**	**YTD 2006**	**2006**
Americas	7.0	8.4	21.4	15.7	24.4
Asia	20.8	10.5	25.6	57.0	70
Europe	13.9	3.0	34.8	4.6	12.5
Africa	-	-	11.9	-	10.8
Australia	6.6	-	18.4	-	-
Total	48.4	21.8	112.1	77.4	117.7

Statement of compliance

These condensed consolidated interim accounts have been prepared in accordance with IAS 34 and should be read in conjunction with the consolidated financial statements for the group for the year ending 31 December 2006. The group's financial statements are available upon request from the company's registered office in Trondheim or at www.emgs.com.

Accounting principles

The group has applied the same accounting standards and policies as in the group's financial statements at 31 December 2006, and has implemented standards, interpretations and amendments which were effective from 1 January 2007.

Disclaimer for forward-looking statements

This quarterly report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for EMGS ASA and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the EMGS's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although EMGS ASA believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this report. EMGS ASA nor any other company within the EMGS group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the report, and neither EMGS ASA, any other company within the EMGS group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the report. EMGS ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.

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Notes

Notes

EMGS is the market leader in deep electromagnetic (EM) imaging. The company spawned the EM imaging industry in 2002 with the commercialisation of seabed logging, a proven exploration method that uses EM energy to find offshore hydrocarbons without drilling wells. This proprietary and patented technology has been developed over the past 10 years, and its ability to indicate hydrocarbons directly is enabling EMGS' customers to dramatically improve their exploration performance in frontier and mature provinces. EMGS employs over 250 people from three main offices in Trondheim, Norway; Houston, USA; and Kuala Lumpur, Malaysia. The company operates the world's largest seabed-logging vessel fleet, and has, since its incorporation in 2002, conducted more than 300 surveys for many of the world's leading energy companies

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