EMGS third quarter

20 November 2008

Finding hydrocarbons™

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THIRD QUARTER 2008

Highlights

Important events in the quarter:

- New 3D EM products rapidly replacing traditional 2D EM
- Introduction of shallow water survey with USD 5 million contract in Malaysia
  - Broadens EMGS's addressable market
- A share capital increase of NOK 250 million completed in the third quarter
- Completion of the world's largest multi-client 3D EM survey in the Barents Sea

Subsequent important events:

- Costs in EMGS scaled down to be in line with a fleet of three vessels operating during the winter months

Key financial figures

USD million (except per share data)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	2007	Q2 2008
Revenues	33.4	48.4	100.5	112.1	140.3	23.7
EBITDA	0.7	8.8	(5.7)	1.3	(12.1)	(13.3)
Adjusted EBITDA	(6.5)	8.8	(22.4)	1.3	(12.1)	(19.4)
EBIT	(11.4)	5.2	(37.9)	(7.8)	(25.6)	(25.1)
Profit/ (loss) before taxes	(6.6)	4.0	(37.7)	(10.0)	(27.5)	(27.9)
Earnings per share	(0.10)	0.03	(0.50)	(0.22)	(0.49)	(0.39)
Average number of shares outstanding (in thousands)	83 093	73 712	82 876	58 384	72 172	74 469

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at September 30, 2008, was 91 565 334.

FINANCIAL REVIEW

Revenues and EBITDA

EMGS recorded revenues of USD 33.4 million in the third quarter of 2008 compared with USD 48.4 million in the third quarter of 2007, corresponding to a decrease of 31.0 per cent. The revenue for the second quarter 2008 was USD 23.7 million, giving an increase from the second quarter to the third quarter of 40.9 per cent.

Multi-client revenues in the third quarter 2008 amounted to USD 10.4 million. No revenues related to multi-client surveys were reported in the same period in 2007, while multi-client revenues in the second quarter 2008 amounted to USD 10.7 million.

Charter hire, fuel and crew expenses totalled USD 17.0 million in the third quarter 2008 compared with USD 25.3 million in the corresponding quarter in 2007, a decrease of 32.8 per cent. In August 2008 EMGS reduced the fleet from 5 to 4 vessels when MS Relume went off hire. In addition, for the third quarter 2008, the amount capitalised related to the multi-client library was USD 7.2 million. Of that, USD 6.4 million was amortised in the same quarter. The cost of charter hire, fuel and crew expenses was reduced from USD 18.7 million to USD 17.0, a reduction of 9.1 per cent from the second quarter 2008 to the third quarter. This is mainly due to the reduction in capacity.

Employee expenses increased from USD 7.3 million in the third quarter of 2007 to USD 10.8 million in the third quarter 2008. The increase of 47.9 per cent is due to increased number of employees, costs associated with the option program and general cost inflation. The employee expenses for the second quarter was USD 10.1 million, giving an increase of 6.9 per cent from the second to the third quarter.

Other operational costs decreased by 30.0 per cent in the third quarter 2008 over the same period last year, from USD 7.0 million to USD 4.9 million. The decrease from 2007 to 2008 is mainly due to the accrual for write down on receivables in the third quarter 2007, amounting to USD 1.8 million. Other operating costs was USD 8.2 million in the second quarter 2008. The 40.2 per cent reduction from the second quarter to the third quarter is due to finalisation of various projects in the second quarter.

Depreciation and amortisation

Depreciation and amortisation was USD 12.2 million in the third quarter 2008, up from USD 3.6 million in the corresponding quarter in 2007. The increase is due to normal course depreciations and the amortisation of multi-client costs of USD 6.4 million in the third quarter of 2008. The depreciation in the second quarter 2008 was USD 11.8 million.

Net financial items

Net financial items in the third quarter of 2008 amounted to USD 4.9 million, of which the majority is unrealised, while a loss of USD 1.2 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, bank overdraft and the part of the accounts payable in Norwegian Kroner. In the second quarter 2008 a loss of USD 2.9 million was reported.

Result before income tax

EMGS recorded a loss of USD 6.6 million before income tax in the third quarter 2008, compared with a gain of USD 4.0 million in the corresponding quarter in 2007 and a loss of USD 27.9 million in the second quarter 2008.

Income tax

Income tax expenses of USD 1.4 million were recorded in the third quarter of 2008, compared with USD 1.7 million in the third quarter of 2007 and USD 0.9 million in the second quarter of 2008. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

The net loss in the third quarter of 2008 was USD 7.9 million, compared with a gain of USD 2.3 million in the same period last year and a loss of USD 28.8 million in the second quarter 2008.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 40.9 million at 30 September 2008, compared with USD 66.2 million at 30 September 2007 and USD 14.2 million at 30 June 2008. The capital increase was finalised end September 2008 giving a rise to the cash and cash equivalents. As at 30 September 2008 there was a draw of USD 6.9 million on the USD 35 million Nordea credit facility compared with a draw of USD 0 million as at 30 September 2007 and USD 16.3 at 30 June 2008..

Trade receivables were USD 36.4 million at 30 September 2008, USD 41.8 million at 30 September 2007 and USD 39.8 million at 30 June 2008.

Net cash flow from operating activities was negative by USD 12.1 million in the first nine months of 2008, compared with a negative net cash flow of USD 13.2 million in the same period in 2007.

Cash applied in investing activities in the first nine months of 2008 amounted to USD 22.0 million, compared with USD 22.1 million in the corresponding period of 2007. The investment in 2008 is mostly related to the multi-client library, while the investment in 2007 was investment in equipment only.

Cash flow from financial activities was USD 34.3 million in the first nine months of 2008 compared with USD 81.0 million in the corresponding period in 2007. Both periods are mainly effected by the issuance of ordinary shares, USD 42.2 million in 2008 and USD 114.7 in 2007.

OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted work, including paid mobilisation. The Company's vessel utilisation in 2008 increased to 72 per cent in the third quarter, up from 48 per cent in the second quarter and 71 per cent in the first quarter. EMGS had the same capacity under operation in the third quarter 2008 as 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.

In the third quarter, EMGS had as many as 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 has been acquired using 3-km-sampled, wide-azimuth 3D EM grids. EMGS has sold these data sets to a wide variety of customers to support their potential bidding activity in this licensing round.

Based on the current contract backlog and survey commitments EMGS took the opportunity of adjusting the capacity in line with historical activity through the winter months in the northern hemisphere. The flexible business model in EMGS allows the company to adjust its capacity rapidly to market demand, and operational costs will then follow suit. The time charter agreement for the vessel "OSV Relume" expired on 20 August 2008, and EMGS decided not to extend it.

The preparation for the launch of the first of EMGS' high capacity, purpose-built vessel is expected late in the fourth quarter this year. This will be followed by the introduction of the second new vessel in the second quarter of 2009 and is part of EMGS' long-term fleet plan.

EMGS expects a shift towards larger grid based 3D surveys which will require deployment of a larger number of active receivers, and not necessarily as many vessels as previously assumed. These new operational requirements can be more easily accommodated by the new vessels along with more efficient operations.

EVENTS, MARKET TRENDS AND TECHNOLOGY

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.

EMGS is in a process of gradually shifting its focus from selling individual lines – 2D EM - to the sale of more advanced grid based products such as 3D Clearplay Find and Clearplay Evaluate. The company's principal challenge today is to increase the adoption of EM technology among the oil companies, and it will be crucial to highlight more – and more integrated – aspects of EM technology in the market.

In mid-August, EMGS was awarded a shallow water contract worth more than USD 5 million by a repeat customer in Malaysia. EMGS has applied new technology in water depths of approximately 60 meters. This significantly broadens the company's addressable market, since many hydrocarbon opportunities remain in shallow-water basins across the world. EMGS can now perform surveys at virtually any depth.

EMGS has completed the world's largest multi-client 3D EM survey in the Barents Sea, ahead of Norway's 20th exploration licensing round. The survey area, at more than 9000 km2 and covering 30 blocks, includes all the Barents Sea acreage in the licensing round. The heavily pre-funded data sets reveal valuable information related to the prospectivity of the survey areas. EMGS has sold these data sets to a wide variety of customers to support their potential bidding activity in this licensing round. EMGS expects further sales both before and after the licensing blocks have been awarded in the spring 2009, in addition to uplift revenues.

In addition to the satisfactory results from the Barents Sea to date, the company is excited about the fact that the new business model has proven to produce valuable pre-licensing information in a timely manner. This renewed confidence leads EMGS to emphasise similar opportunities in other parts of the world. The North Sea, the Gulf of Mexico and West Africa are important markets, where EMGS has broad experience and good surveys to use as references.

In late August, EMGS was awarded a contract worth USD 10 million with a new customer in Malaysia to perform its Clearplay Evaluate service to appraise a hydrocarbon prospect in Malaysia. The service, which integrates 3D seismic and other information, improves the estimation of hydrocarbon volume and distribution. Clearplay Evaluate enables the operator to establish, with greater certainty, whether the prospect contains commercially viable reserves.

OTHER

EMGS performed a fully underwritten share capital increase of NOK 250 million, in the form of a rights issue, to strengthen the working capital position of the company and support its long term growth. The subscription result shows that 11,261,078 shares were subscribed for at a subscription price of NOK 15.14 per share. The 5,251,471 shares that were not subscribed for in the offering were allocated to underwriters. A total of 16,512,549 new shares were issued.

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 the fourth quarter of 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 21 October, EMGS announced a contract with the independent prospect generation company FOCUS Exploration to license multi-client EM data for exploration purposes in the Gulf of Mexico. The contract is worth more than USD 4.6 million, with the potential for additional work and revenues for EMGS. EMGS believes that the market growth potential in the Gulf of Mexico is promising, as this is one of the most substantial exploration areas in the world.

On 24 October, EMGS announced that the vessel fleet in the last few months has been reduced from five to three vessels, and that the organisation must be scaled and costs realigned accordingly. The updated vessel plan entails EMGS operating three vessels through the winter months, when market activity traditionally is lower. This includes the first high capacity, purpose-built vessel "BOA Thalassa" which will be delivered in December. Market conditioning permitting, the fleet is expected to increase once the second purpose-built vessel is delivered and operational in the second quarter 2009.

OUTLOOK

The short and long term effects upon EMGS and the commercialisation of the EM market from the current unprecedented market conditions is difficult to predict. However, we believe that prudent action has been taken to weather off the immediate global market challenges: Firstly, EMGS has decided to immediately initiate an aggressive cost reduction program, and secondly, the Company recently completed a NOK 250 million share capital increase to further strengthen its balance sheet.

EMGS's strategy on improved adoption of the EM technology will not be changed. In light of the current market turmoil, EMGS is relatively fortunately placed in so far that the company seek to strengthen the large scale adoption among National and Major oil companies – the targeted key customers. These customers are financially in an excellent position, and the challenge of improving their respective Reserve Replacement Ratios remains. Profitable growth in the coming years for EMGS and the EM segment continues to be an achievable goal.

EMGS's actions to date, continued operational flexibility and our continuously enhanced value proposition cause us to be carefully optimistic.

Oslo, 20 November 2008
Board of Directors

CONSOLIDATED INCOME STATEMENT

(USD 1 000)	Q3 2008 Unaudited	Q3 2007 Unaudited	YTD 2008 Unaudited	YTD 2007 Unaudited	2007 Audited
Operating revenues					
Contract sales	33 361	48 415	100 535	112 110	140 339
Total revenues	**33 361**	**48 415**	**100 535**	**112 110**	**140 339**
Operating expenses					
Charter hire, fuel and crew expenses	16 952	25 291	55 779	68 866	93 816
Employee expenses	10 803	7 335	31 093	25 188	32 930
Depreciation and ordinary amortisation	5 816	3 574	16 402	9 153	13 477
Multiclient amortisation	6 376	-	15 803	-	-
Other operating expenses	4 863	7 032	19 393	16 742	25 685
Total operating expenses	**44 810**	**43 232**	**138 470**	**119 950**	**165 909**
Operating profit/ (loss)	**(11 449)**	**5 183**	**(37 935)**	**(7 840)**	**(25 570)**
Financial income and expenses					
Financial income	7 616	1 747	10 176	3 176	4 624
Financial expenses	(2 743)	(2 923)	(9 946)	(5 313)	(6 596)
Net financial items	**4 873**	**(1 176)**	**230**	**(2 137)**	**(1 972)**
Income/ (loss) before income taxes	**(6 575)**	**4007**	**(37 704)**	**(9 976)**	**(27 542)**
Income tax expense	1 359	1 733	3 495	3 016	3 384
Income/ (loss) for the period	**(7 934)**	**2 274**	**(41 999)**	**(12 992)**	**(30 926)**
Other financial data					
EBITDA	743	8 757	(5 730)	1 313	(12 093)
Multiclient investment	7 220	-	16 647	-	-
Adjusted EBITDA	(6 477)	8 757	(22 377)	1 313	(12 093)

CONSOLIDATED BALANCE SHEET

(USD 1 000)	Nine month ended 30 Sept. 2008 Unaudited	Nine month ended 30 Sept. 2007 Unaudited	Year ended 31 December 2007 Audited
ASSETS			
Current assets			
Cash and cash equivalents	40 881	66 161	40 685
Trade receivables	36 383	41 818	32 838
Prepaid assets	12 018	-	9 077
Other receivables	3 680	5 919	4 810
Inventories	11 337	16 341	12 509
Total current assets	**104 299**	**130 239**	**99 917**
Fixed assets			
Intangible assets	4 891	3 325	3 341
Property, plant and equipment	46 440	36 771	48 303
Other non-current assets	13 083	-	13 212
Total fixed assets	**64 413**	**40 096**	**64 855**
Total assets	**168 712**	**170 335**	**164 772**
LIABILITIES			
Current liabilities			
Trade payables	26 850	21 531	28 543
Borrowings	10 867	1 901	11 625
Current tax liability	5 129	6 168	4 240
Other short term liabilities	11 914	16 296	14 710
Total current liabilities	**54 760**	**45 896**	**59 118**
Long-term liabilities			
Borrowings	3 812	934	1 064
Employee benefit obligations	4 476	3 254	2 509
Total long-term liabilities	**8 288**	**4 188**	**3 572**
Total liabilities	**63 049**	**50 084**	**62 690**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	244 320	197 457	198 996
Other reserves	(907)	273	(220)
Retained earnings	(137 749)	(77 478)	(96 694)
Total equity	**105 664**	**120 251**	**102 082**
Total equity and liabilities	**168 713**	**170 335**	**164 772**

STATEMENT OF CASH FLOW

(USD 1 000)	Nine month ended 30 Sept. 2008 Unaudited	Nine month ended 30 Sept. 2007 Unaudited	31 December 2007 Audited
Net cash flow from operating activities			
Income/ (loss) after income taxes		(12 991)	
Income/ (loss) before income taxes	(37 704)		(27 541)
Adjustments for:			
Total tax expenses	-	3 975	-
Taxes paid	(2 605)	(2 650)	(3 987)
Amortisation of interest	-	-	-
Depreciation and ordinary amortisation	16 920	9 152	13 477
Multiclient amortisation	15 271	-	-
Share of net profit of joint venture	(139)	-	-
Impairment of disposal of property, plant and equipment	-	-	-
Non-cash portion of pension expense	1 896	1 833	1 159
Cost of share-based payment	2 029	1 077	1 392
Cost of rights issue	1 211	-	-
Change in trade receivables	(3 546)	(9 908)	(928)
Change in inventories	1 171	(10 716)	(6 884)
Change in trade payables	(1 694)	854	7 866
Change in other working capital	(4 954)	5 829	(5 252)
Currency translation effect	-	377	-
Net cash flow from operating activities	**(12 144)**	**(13 168)**	**(20 698)**
Investing activities			
Purchase of property, plant and equipment	(3 528)	(20 622)	(35 853)
Purchase of intangible assets	(1 581)	(1 502)	(1 894)
Purchase of shares	-	-	(13 211)
Investment in multiclient library	(16 889)	-	-
Cash used in investing activities	**(21 998)**	**(22 124)**	**(50 958)**
Financial activities			
Financial lease payments - principal	(4 971)	(1 638)	(1 438)
Payment of Bond	-	(20 800)	(20 800)
Proceeds from bond offering	-	-	-
Proceeds from issuance of ordinary shares	42 228	114 668	115 892
Additional proceeds from bank borrowings	-	-	-
Proceeds of bank borrowings	(2 919)	(11 262)	(1 797)
Change in other debt	-	-	-
Cash provided by financial activities	**34 338**	**80 968**	**91 857**
Net increase in cash	**196**	**45 676**	**20 201**
Cash balance beginning of period	40 685	20 485	20 485
Cash balance end of period	40 881	66 161	40 685
Increase in cash	196	45 676	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
Balance at 31 December 2006 (Audited)	**77 940**	**(104)**	**(60 716)**	**17 120**
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)
Balance at 31 Dec 2007 (Audited)	**198 996**	**(220)**	**(96 694)**	**102 082**
Currency translation differences	-	(687)	-	(687)
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	1 112	-	-	1 122
Cost of rights issue	(1 584)	-	-	(1 584)
Loss for the period	-	-	(41 199)	(41 199)
Balance at 30 September 2008 (Unaudited)	**244 320**	**(907)**	**(137 749)**	**105 664**

NOTES

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 2008 Unaudited	Q3 2007 Unaudited	YTD 2008 Unaudited	YTD 2007 Unaudited	2007 Audited
Americas	4.1	7.0	18.9	21.4	25.8
Asia	10.9	20.8	18.9	25.6	34.5
Europe	16.8	13.9	38.3	34.8	46.4
Africa	1.5	-	24.2	11.9	15.2
Australia	-	6.6	0.2	18.4	18.4
Total	**33.4**	**48.4**	**100.5**	**112.1**	**140.3**

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 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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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 operates the world's largest EM vessel fleet and has conducted more than 400 surveys across the world's mature and frontier offshore basins, for many leading energy companies. The company's main offices are 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 imaging technology. For general enquiries please email findinghydrocarbons@emgs.com

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