



# Highlights third quarter 2009

## Important events in the quarter:

- Revenues at USD 15.3 million for the quarter
- The second purpose-built 3D EM vessel launched
- EMGS awarded 3D EM survey offshore Greenland
- Frigg reservoir characterisation survey awarded by TOTAL

## Subsequent important events:

- Gulf of Mexico agreement with Rocksource

## Key financial figures

USD million (except per share data)	Q3 2009	Q3 2008	YTD 2009	YTD 2008	2008	Q1 2009	Q2 2009
Revenues	15.3	33.4	52.0	100.5	116.2	5.8	30.8
Operating profit/(loss)	(17.5)	(11.4)	(38.8)	(37.9)	(60.3)	(23.5)	2.2
Income/(loss) before income taxes	(17.8)	(6.6)	(49.5)	(37.7)	(62.7)	(24.7)	(7.0)
Earnings per share	(0.20)	(0.10)	(0.55)	(0.51)	(0.83)	(0.27)	(0.08)
Average number of shares outstanding (in thousands)	91 569	83 093	91 569	80 167	82 878	91 569	91 569
EBITDA	(11.5)	0.7	(21.1)	(5.7)	(21.4)	(17.6)	8.1
Multi-client investment	-	7.2	-	16.6	16.9	-	-
Adjusted EBITDA	(11.5)	(6.5)	(21.1)	(22.4)	(38.3)	(17.6)	8.1

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

## Financial review

### Revenues and EBITDA

EMGS recorded revenues of USD 15.3 million in the third quarter of 2009 compared with USD 33.4 million in the third quarter of 2008, corresponding to a decrease of 54.2 per cent. The revenues for the second quarter 2009 were USD 30.8 million, giving a decrease of 50.3 per cent.

There were no multi-client revenues in the third quarter 2009, while in the corresponding quarter in 2008 the multi-client revenues were USD 10.4 million. The multi-client revenues amounted to USD 15.0 million in the second quarter 2009.

Charter hire, fuel and crew expenses totalled USD 17.6 million in the third quarter 2009 compared with USD 17.0 million in the corresponding quarter in 2008, an increase of 3.5 per cent. While in the third quarter 2008 USD 7.2 million of expenses were capitalised due to the multi-client policy, a provision of USD 5.6 million related to onerous contracts was made in the third quarter 2009. Please see Notes to the financial statement for more details on the onerous contracts. Disregarding the reduction in cost in the third quarter 2008 due to the capitalisation of multi-client costs, and the increase in cost in third quarter 2009 due to the provision of onerous contracts, there has been a decrease in charter hire, fuel and crew expenses from USD 24.8 million to USD 12.0 million. The main reasons for the actual decreased cost level are reduced cost of vessel hire, fuel and a costly patent case in 2008. One of the vessels has been off hire for approximately a month, 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 for the mentioned month is not accounted for in the third quarter. 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. The comparable amount for the second quarter 2009 was USD 12.0 million.

Employee expenses decreased from USD 10.8 million in the third quarter of 2008 to USD 6.3 million in the third quarter 2009. The decrease of 41.7 per cent is mainly due to the decreased number of employees and costs associated with this, while there is also an effect from a change in the pension insurance for the employees. The comparable amount for the second quarter 2009 was USD 7.6 million.

Other operational costs decreased by 39.7 per cent in the third quarter 2009 over the same period last year, from USD 4.9 million to USD 2.9 million. The decrease from 2008 to 2009 is mainly due to the reduced activity level as well as the effective cost reduction program. The decrease from the second quarter 2009 to the third quarter 2009 was USD 0.3 million.

### Depreciation and amortisation

Depreciation and amortisation was USD 6.0 million in the third quarter 2009, down from USD 12.2 million in the corresponding quarter in 2008.

The decrease is due to the amortisation of multi-client costs of USD 6.4 million in the third quarter of 2008. Depreciation and amortisation in second quarter 2009 was USD 5.9 million.

### Net financial items

Net financial items in the third quarter of 2009 amounted to negative USD 0.1 million, while a gain of USD 5.2 million was reported in the corresponding period in 2008. The comparable figure for second quarter 2009 was negative USD 0.6 million. An essential effect in the third quarter 2009 was the change of fair value of conversion rights of positive USD 2.3 million. The conversion right effect arises because EMGS has established a loan agreement with a conversion price in NOK, while the company has USD as functional currency.

### Share of profit of joint venture

The share of profit in joint venture amounted to a negative USD 0.3 million in the third quarter 2009. The corresponding figure for the third quarter 2008 was negative USD 0.3 million. In the second quarter the Group recognised USD 8.1 million in impairment charges for goodwill and technology recorded on acquisition of KJT Inc in 2007, giving a quarterly negative effect of totally USD 8.5 million.

### Result before income tax

EMGS recorded a loss of USD 17.8 million before income tax in the third quarter 2009, compared with a loss of USD 6.6 million in the corresponding quarter in 2008 and a loss of USD 7.0 million in the second quarter 2009.

### Income tax expense

Income tax expenses of USD 0.9 million were recorded in the third quarter of 2009, compared to USD 1.4 million in the third quarter of 2008 and USD 0.1 million in the second quarter 2009. These taxes relate to profits earned in foreign jurisdictions.

### Net result for the period

The net loss in the third quarter of 2009 was USD 18.7 million, compared with a loss of USD 7.9 million in the same period last year and USD 7.1 million in the second quarter 2009.

### Balance sheet and cash flow

Cash and cash equivalents totalled USD 23.4 million at 30 September 2009, compared with USD 28.1 million at 31 December 2008 and USD 40.9 million at 30 September 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.

Trade receivables were USD 12.4 million at 30 September 2009, down from USD 13.9 million at 31 December 2008, while the figure was USD 36.4 million at 30 September 2008.

Net cash flow from operating activities was negative by USD 20.6 million year to date 2009, compared with a negative net cash flow of USD 12.1 million in the same period in 2008.

Cash applied in investing activities in the first nine months of 2009 amounted to USD 7.4 million, compared with USD 22.0 million in the corresponding period of 2008.

Cash flow from financial activities was USD 23.2 million in the first nine months of 2009 compared with USD 34.3 million in the corresponding period in 2008. The convertible loans established in the 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 third quarter 2009 ended at 40 per cent, compared to 46 per cent in the first quarter and 47 per cent in the second 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.

During the third quarter 2009 EMGS had three vessels in operation; M/V Siem Mollie, M/V BOA Galatea and M/V BOA Thalassa. M/V Siem Mollie was decommissioned in mid-September following the completion of a major EM work program offshore Canada. M/V BOA Galatea was launched on 20 July and its first survey was conducted in the first half of August in the Norwegian Sea. Following this, the vessel performed a survey offshore Greenland for Cairn Energy. M/V BOA Thalassa was off hire from 6 August to 12 September due to technical improvements. Subsequently, the vessel carried out a survey over the Frigg field in the North Sea.

Both M/V Siem Sasha and M/V Atlantic Guardian are still part of the fleet, but they have been subleased and are operating in the PSV spot marked in the North Sea.

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

#### Events in the quarter

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, worth approximately USD 1 million, was conducted in the Norwegian Sea in the beginning of August.

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 EM survey in the Disko West area offshore Greenland. The survey, which lasted approximately one month, was performed by the BOA Galatea shortly after completion of the EM work programme in the Norwegian Sea.

On August 28, EMGS signed a contract with TOTAL E&P NORGE AS to provide 3D EM data acquisition and processing services in relation to the Frigg field in the North Sea. The Clearplay Evaluate 3D EM data were acquired by the BOA Thalassa in September, covering an area of 100 km<sup>2</sup> in water depths of approximately 100 meters. Frigg was the world's largest and deepest offshore gas field when it was discovered in 1971. Field production ended in October 2004, and the decommissioning activity is expected to be finalised soon. The license is operated by TOTAL. The objective of the EM work programme is to develop a better understanding of the reservoir as of today.

#### Recent events

On November 18, EMGS announced that the company has entered into a data-licensing agreement with Rocksource, in which Rocksource pre-committed to license newly acquired Clearplay Test EM data over a number of prospects in the Gulf of Mexico. This agreement will generate fourth quarter revenues in excess of USD 2.5 million. EMGS and Rocksource are evaluating additional prospects to extend the program, including additional new acquisition as well as late sales of existing data library. This new program to de-risk prospects in the Gulf of Mexico is an extension of the pre-existing relationships between FOCUS Exploration, Rocksource and EMGS.

#### Outlook

EMGS has conducted a cost-cutting program and reorganization aimed at aligning the company's capacity with market conditions. The vessel fleet restructuring has been completed, and the company's core vessel fleet will, going forward, consist of the two purpose-built vessels BOA Galatea and BOA Thalassa. As a consequence, EMGS believes that broad industry adoption of the company's marine EM technology is less critical than was previously the case.

The company's strategy of targeting major and national oil companies continues unabated, as does EMGS's commitment to building a commercially oriented and sustainable business. Signs of increased tendering activity, along with positive movements in negotiations with targeted oil companies and the global cooperation agreement with Fugro, suggest that profits are within reach for 2010. Customer spending patterns do, however, remain challenging to predict, and the future risks for EMGS will still largely be dictated by the ability to capitalize on encouraging movements in negotiations with targeted customers.

Oslo, 18 November 2009  
Board of Directors

## Consolidated income statement

Amounts in USD 1 000	Q3 2009 Unaudited	Q3 2008 Unaudited	YTD 2009 Unaudited	YTD 2008 Unaudited	2008 Audited
<b>Operating revenues</b>					
Contract sales	15 345	33 361	51 994	100 535	116 177
<b>Total revenues</b>	<b>15 345</b>	<b>33 361</b>	<b>51 994</b>	<b>100 535</b>	<b>116 177</b>
<b>Operating expenses</b>					
Charter hire, fuel and crew expenses	17 620	16 952	41 836	55 779	70 518
Employee expenses	6 293	10 803	21 736	31 093	40 451
Depreciation and ordinary amortisation	6 008	5 816	17 734	16 402	22 029
Multi-client amortisation	-	6 376	-	15 803	16 889
Other operating expenses	2 932	4 863	9 492	19 393	26 572
<b>Total operating expenses</b>	<b>32 853</b>	<b>44 810</b>	<b>90 798</b>	<b>138 470</b>	<b>176 459</b>
<b>Operating profit/(loss)</b>	<b>(17 508)</b>	<b>(11 449)</b>	<b>(38 804)</b>	<b>(37 935)</b>	<b>(60 282)</b>
<b>Financial income and expenses</b>					
Interest income	88	218	303	896	1 314
Interest expenses	(1 481)	(1 294)	(2 819)	(3 415)	(4 056)
Change in fair value of conversion rights	2 250	-	4 188	-	-
Net foreign currency income/(loss)	(909)	6 286	(3 815)	3 455	1 578
<b>Net financial items</b>	<b>(52)</b>	<b>5 210</b>	<b>(2 143)</b>	<b>936</b>	<b>(1 164)</b>
<b>Share of profit of joint venture</b>	<b>(266)</b>	<b>(336)</b>	<b>(8 579)</b>	<b>(705)</b>	<b>(1 227)</b>
<b>Income/(loss) before income taxes</b>	<b>(17 826)</b>	<b>(6 575)</b>	<b>(49 526)</b>	<b>(37 704)</b>	<b>(62 674)</b>
Income tax expenses	872	1 359	974	3 495	3 096
<b>Income/(loss) for the period</b>	<b>(18 698)</b>	<b>(7 934)</b>	<b>(50 500)</b>	<b>(41 199)</b>	<b>(65 770)</b>
Basic loss per share (result for the period/shares) in USD	(0.20)	(0.10)	(0.55)	(0.51)	(0.83)

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000	Q3 2009 Unaudited	Q3 2008 Unaudited	YTD 2009 Unaudited	YTD 2008 Unaudited	2008 Audited
<b>Income/(loss) for the period</b>	<b>(18 698)</b>	<b>(7 934)</b>	<b>(50 500)</b>	<b>(41 199)</b>	<b>(65 770)</b>
Exchange differences on translation of foreign operations	3	687	22	687	(6)
<b>Total comprehensive income/(loss) for the period</b>	<b>(18 695)</b>	<b>(7 247)</b>	<b>(50 478)</b>	<b>(40 512)</b>	<b>(65 776)</b>

# Consolidated balance sheet

Amounts in USD 1 000	Nine months ended 30 September 2009 Unaudited	Nine months ended 30 September 2008 Unaudited	Year ended 31 December 2008 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3 214	4 891	3 784
Property, plant and equipment	37 730	46 440	42 665
Investment in joint venture	4 942	13 083	12 800
<b>Total non-current assets</b>	<b>45 886</b>	<b>64 414</b>	<b>59 249</b>
<b>Current assets</b>			
Inventories	8 677	11 337	9 539
Trade receivables	12 400	36 383	13 923
Other receivables	7 160	3 680	2 943
Prepaid assets	10 358	12 018	12 631
Cash and cash equivalents	23 385	40 881	28 112
<b>Total current assets</b>	<b>61 980</b>	<b>104 299</b>	<b>67 148</b>
<b>Total assets</b>	<b>107 866</b>	<b>168 712</b>	<b>126 397</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital, share premium and other paid equity	127 160	244 320	244 961
Other reserves	(204)	(907)	(226)
Retained earnings	(93 985)	(137 749)	(162 319)
<b>Total equity</b>	<b>32 971</b>	<b>105 664</b>	<b>82 416</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations	5 185	4 476	4 392
Borrowings	31 621	3 812	2 780
<b>Total non-current liabilities</b>	<b>36 806</b>	<b>8 288</b>	<b>7 172</b>
<b>Current liabilities</b>			
Trade payables	15 306	26 850	19 514
Current tax liability	2 738	5 129	2 836
Other short term liabilities	15 907	11 914	9 360
Borrowings	4 138	10 867	5 099
<b>Total current liabilities</b>	<b>38 089</b>	<b>54 760</b>	<b>36 809</b>
<b>Total liabilities</b>	<b>74 895</b>	<b>63 048</b>	<b>43 981</b>
<b>Total equity and liabilities</b>	<b>107 866</b>	<b>168 712</b>	<b>126 397</b>

# Consolidated statement of cash flow

Amounts in USD 1 000	Nine months ended 30 September 2009 Unaudited	Nine months ended 30 September 2008 Unaudited	Year ended 31 December 2008 Audited
<b>Net cash flow from operating activities:</b>			
Income/(loss) before income tax	(49 526)	(37 704)	(62 674)
Adjustments for:			
Withholding tax expenses	496	-	-
Total taxes paid	(1 568)	(2 605)	(4 499)
Depreciation and ordinary amortisation	17 734	16 920	22 028
Multi-client amortisation	-	15 271	16 889
Profit on sale of fixed asset	(4)	-	(84)
Share of net (profit)/loss of joint venture	(245)	(139)	143
Non-cash portion of pension expense	793	1 896	1 883
Cost of share-based payment	906	2 029	2 011
Cost of rights issue	(36)	1 211	1 134
Change in trade receivables	1 523	(3 546)	18 915
Change in inventories	862	1 171	2 969
Change in trade payables	(4 208)	(1 694)	(9 029)
Change in other working capital	4 625	(4 954)	(7 043)
Change in fair value of conversion rights	(3 592)	-	-
Write down of investment in JV	8 103	-	-
Amortisation of interest	3 550	-	-
<b>Net cash flow from operating activities</b>	<b>(20 587)</b>	<b>(12 144)</b>	<b>(17 356)</b>
<b>Investing activities:</b>			
Investment in joint ventures	-	-	412
Purchases of property, plant and equipment	(6 419)	(3 528)	(6 396)
Purchases of intangible assets	(986)	(1 581)	(2 037)
Proceeds from sales of assets	54	-	1 198
Investment in multi-client library	-	(16 889)	(16 889)
<b>Cash used in investing activities</b>	<b>(7 351)</b>	<b>(21 998)</b>	<b>(23 712)</b>
<b>Financial activities:</b>			
Financial lease payments-principal	(1 880)	(4 971)	(6 319)
Proceeds from convertible loans	27 364	-	-
Proceeds from issuance of ordinary shares	-	42 228	42 820
Proceeds of bank borrowings	-	(2 919)	(8 005)
Payment of interest on bonds	(454)	-	-
Payment of bank borrowings	(1 819)	-	-
<b>Cash provided by financial activities</b>	<b>23 211</b>	<b>34 338</b>	<b>28 496</b>
<b>Net increase in cash</b>	<b>(4 727)</b>	<b>196</b>	<b>(12 573)</b>
Cash balance beginning of period	28 112	40 685	40 685
Cash balance end of period	23 385	40 881	28 112
<b>Increase in cash</b>	<b>(4 727)</b>	<b>196</b>	<b>(12 573)</b>

# 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
<b>Balance at 31 December 2007 (Audited)</b>	<b>198 996</b>	<b>(220)</b>	<b>(96 694)</b>	<b>102 082</b>
Currency translation differences	-	(6)	-	(6)
Loss for the period	-	-	(65 769)	(65 769)
<b>Total comprehensive income</b>	<b>-</b>	<b>(6)</b>	<b>(65 769)</b>	<b>(65 775)</b>
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)
<b>Balance at 31 December 2008 (Audited)</b>	<b>244 961</b>	<b>(226)</b>	<b>(162 320)</b>	<b>82 415</b>
Currency translation differences	-	5	-	5
Loss for the period	-	-	(24 748)	(24 748)
<b>Total comprehensive income</b>	<b>-</b>	<b>5</b>	<b>(24 748)</b>	<b>(24 743)</b>
Cost of share-based payment	263	-	-	263
Cost of rights issue	(36)	-	-	(36)
<b>Balance at 31 March 2009 (Unaudited)</b>	<b>245 188</b>	<b>(221)</b>	<b>(187 067)</b>	<b>57 900</b>
Currency translation differences	-	14	-	14
Loss for the period	-	-	(7 054)	(7 054)
<b>Total comprehensive income</b>	<b>-</b>	<b>14</b>	<b>(7 054)</b>	<b>(7 040)</b>
Cost of share-based payment	230	-	-	230
Equity component of convertible loan	163	-	-	163
<b>Balance at 30 June 2009 (Unaudited)</b>	<b>245 581</b>	<b>(207)</b>	<b>(194 121)</b>	<b>51 253</b>
Currency translation differences	-	3	-	3
Loss for the period	-	-	(18 698)	(18 698)
<b>Total comprehensive income</b>	<b>-</b>	<b>3</b>	<b>(18 698)</b>	<b>(18 695)</b>
Cost of share-based payment	413	-	-	413
Transfer of share premium to retained earnings	(118 834)	-	118 834	-
<b>Balance at 30 September 2009 (Unaudited)</b>	<b>127 160</b>	<b>(204)</b>	<b>(93 985)</b>	<b>32 971</b>

## 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	Q3 2009 Unaudited	Q3 2008 Unaudited	YTD 2009 Unaudited	YTD 2008 Unaudited	2008 Audited
Americas	7.5	4.1	18.0	18.9	19.6
Asia	(0.2)	10.9	4.8	18.9	28.2
Europe	8.0	16.8	26.1	38.3	44.0
Africa	0.0	1.5	3.1	24.2	24.2
Australia	-	-	-	0.2	0.2
<b>Total</b>	<b>15.3</b>	<b>33.4</b>	<b>52.0</b>	<b>100.6</b>	<b>116.2</b>

### Onerous contracts

EMGS has evaluated the vessel lease contracts on the vessels that are not used in production of the company's services any longer. According to IAS 37 the present obligation of a contract that is onerous should be recognised and measured as a provision. The company has calculated a best estimate of the net present value of the future rental obligation based on the net charge of unavoidable lease payments on the non-operating vessels. A provision of USD 5.6 million was made to the third quarter 2009 figures. The company will evaluate the situation going forward and if necessary make new provisions.

### 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 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.

# Notes

## 10 **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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