EMGS THIRD QUARTER

18 / 11 / 2010

HIGHLIGHTS IN THE THIRD QUARTER 2010

· Total revenues at USD 22.8 million
· EBITDA gain of USD 6.5 million
· USD 150 million PEMEX-contract signed
· Several contracts awarded in Asia
· Barents Sea multi-client sales of USD 4.6 million
· Launch of EDDA, a joint industry 3D EM project
· Completed USD 20 million bond offering
· EMGS won patent dispute launched by Schlumberger

Subsequent important events:
· Shetland-survey awarded by TOTAL and DONG
· Shallow water survey awarded in Malaysia
· Surveys offshore Brunei and Philippines awarded by Shell

KEY FINANCIAL FIGURES

USD million (except per share data)	Q3 2010	Q3 2009	YTD 2010	YTD 2009	2009	Q2 2010
Revenues	**22.8**	15.3	37.5	36.7	59.0	14.7
Operating profit/(loss)	**0.2**	(17.5)	(5.6)	(21.3)	(63.4)	(5.8)
Income/(loss) before income taxes	**(7.7)**	(17.8)	(12.4)	(31.7)	(81.4)	(4.6)
Earnings per share	**(0.05)**	(0.08)	(0.19)	(0.35)	(0.76)	(0.03)
Average number of shares outstanding (in thousands)	**153 629**	91 567	139 629	91 569	106 572	139 580
EBITDA	**6.5**	(11.5)	0.0	(21.1)	(39.7)	1.2
Multi-client investment	**3.4**	-	11.3	-	-	5.5
Adjusted EBITDA*	**3.0**	(11.5)	(11.3)	(21.1)	(39.7)	(4.3)

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at 30 September 2010, was 153 678 261.

*Adjusted EBITDA is EBITDA adjusted for the capitalisation of operating expenses related to multi-client surveys.

FINANCIAL REVIEW

Revenues and operating expenses

EMGS recorded revenues of USD 22.8 million in the third quarter of 2010, up from USD 15.3 million in the third quarter of 2009. Contract sales totalled USD 18.2 million, whilst multi-client sales from the Barents Sea data library came in at USD 4.6 million. EMGS did not record multi-client sales in the corresponding period last year.

Charter hire, fuel and crew expenses totalled USD 5.2 million in the quarter, down from USD 17.6 million in the same period in 2009. This is mainly due to the capitalisation of multi-client costs of USD 3.4 million and a credit of USD 3.4 million related to the patent dispute win against Schlumberger.

Employee expenses increased from USD 6.3 million in the third quarter of 2009 to USD 7.4 million in the third quarter 2010. The variance is mainly due to a change in the company's pension scheme which affected the expenses in the third quarter 2009.

Other operational costs increased from USD 2.9 million in the third quarter last year to USD 3.7 million this quarter. This is due to the fact that EMGS had three vessels in operation in the third quarter 2010 compared to two vessels in the same quarter last year.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 4.6 million in the third quarter 2010, down from USD 6.0 million in the same quarter in 2009. The reduction is due to reduced capital expenditure through 2009 to date, along with some assets becoming fully depreciated. Multi-client amortisation amounted to USD 1.6 million in the third quarter 2010, while there was no such amortisation in the third quarter 2009.

Share of profit of joint venture

The share of profit in joint ventures in the third quarter of 2010 was nil. The corresponding figure for the third quarter 2009 was negative USD 0.3 million.

Net financial items

Net financial items in the third quarter of 2010 was negative with USD 7.9 million, while a negative USD 0.1 million was reported in the corresponding period in 2009. The increase is due to additional interest expenses, loss on the net foreign currency and a negative change in fair value of conversion rights on the convertible loan agreement with Fugro. Please see Notes to the financial statement for more details.

Result before income tax

EMGS recorded a loss of USD 7.7 million before income tax in the third quarter 2010, compared with a loss of USD 17.8 million in the corresponding quarter in 2009.

Income tax expense

Income tax expenses of USD 0.6 million were recorded in the third quarter of 2010, compared with USD 0.9 million in the third quarter of 2009. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

Net loss in the third quarter of 2010 ended at USD 8.3 million, compared with a loss of USD 18.7 million in the same period last year.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 29.1 million at 30 September 2010, compared with USD 29.6 million at 31 December 2009. USD 16.6 million of the cash at 30 September 2010 were restricted, mainly due to client performance guarantees.

Trade receivables were USD 26.7 million at 30 September 2010, up from USD 9.9 million at 31 December 2009.

Cash flow from operating activities was negative by USD 34.2 million for the first nine months of 2010, compared with a negative cash flow from operating activities of USD 20.6 million in the comparable period of 2009.

Cash applied in investing activities year to date 2010 amounted to USD 12.4 million, the majority of which was related to the multi-client library. This compares to USD 7.4 million in the same period in 2009.

Cash flow from financial activities was positive by USD 46.2 million in the first nine months of 2010 owing to proceeds from the subsequent offering following a private placement in December 2009, a private placement which was completed in June and a new bond that was entered into in July. The comparable amount in the first nine months of 2009 was USD 23.2 million due to two new bonds that were established in that period.

OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation. The company's vessel utilisation in 2009 and 2010 were as follows:

	Q1	Q2	Q3	Q4
2009	46%	47%	32%	27%
2010	69%	66%	84%	-

Vessel overview

VESSEL	STATUS Q3	UTILISATION Q3	CHARTER EXPIRATION
BOA Thalassa	In operation	89.8%	December 2013
BOA Galatea	In operation	68.8%	July 2014
Siem Mollie	In operation	93.7%	20 October 2010
Atlantic Guardian	Subleased	Not applicable	January 2011

BOA Thalassa spent the first three weeks of July acquiring multi-client 3D EM data in the Barents Sea. Subsequently, the vessel mobilised for the USD 150 million contract with PEMEX. This multi-year contract extends through 2012 and consists of approximately 30 deep water surveys in the Mexican sector of the Gulf of Mexico. Data acquisition started towards the end of August and the contract generated third quarter revenues of USD 6 million.

BOA Galatea has been located in Malaysia throughout the quarter providing 3D EM data acquisition services for a major oil company. A planned yard stay was performed in the last two weeks of August.

Siem Mollie acquired multi-client 3D EM data in the Barents Sea until mid-August. The vessel then performed a survey for EnQuest on the UK continental shelf before heading back to Norwegian waters for a joint industry project named EDDA. Data acquisition over Linerle, Valkyrie and Snøhvit was conducted in September.

EVENTS IN THE QUARTER

On 2 July, EMGS was awarded a USD 1 million-contract to provide marine EM services for independent oil and gas company EnQuest. This is the first time EMGS has worked with EnQuest, which focuses on production and development on the UK Continental Shelf.

On 6 July, EMGS reported that it had signed a multi-year contract worth a minimum of USD 150 million with repeat customer PEMEX, one of the world's largest national oil companies.

On 20 July, the company signed a bond agreement for a USD 20 million senior secured bond with Norsk Tillitsmann ASA on behalf of Fugro as sole bondholder. The bonds will yield quarterly coupons of LIBOR + 8.0 percentage points, and will, unless previously redeemed or purchased, mature 3.5 years after the settlement date. EMGS reported that the proceeds from the bonds would be used in relation to the issuance of a performance guarantee, required according to the contract with PEMEX announced on 6 July 2010, and for general corporate purpose.

On 28 July, the Court of Appeal in London ruled in favour of EMGS in a patent dispute launched by Schlumberger, where Schlumberger sought to invalidate two of EMGS's basic method patents. The decision overturned a ruling by the High Court in London handed down on 19 January 2009. Consequently, the two method patents are confirmed valid in the UK. EMGS has been awarded its costs of the appeal in full and majority of its costs at first instance, the total figure for which will be determined by the Court if not agreed between the parties. In the meantime, Schlumberger has been ordered to make an initial payment on account of these costs to EMGS of GBP 2.3 million (approximately USD 3.5 million).

On 3 September, EMGS received industry funding for a joint project to accelerate the use of 3D EM data in exploration and production. EMGS has acquired datasets over the Linerle and Valkyrie fields in the Norwegian Sea and the Snøhvit and Albatross gas fields in the Barents Sea. Data from this campaign will enable participating customers to develop the use of 3D EM data in various scenarios, from early exploration to improved oil recovery.

On 15 September, EMGS announced that it had been awarded a contract extension worth a minimum of USD 3 million for the vessel BOA Galatea in Asia.

On 22 September, Fugro was awarded a CSEM contract by Woodside, Australia's largest publicly traded oil company. EMGS reported that the acquisition part of this contract, which is worth in excess of USD 2 million, would take place on the North West Shelf offshore Australia in the fourth quarter of 2010 using the 3D EM vessel BOA Galatea.

RECENT EVENTS

On 4 October, EMGS announced that it had secured late-sales worth approximately USD 4 million for its multi-client 3D EM data in the Barents Sea, and that these revenues would be recognised in the third quarter of 2010.

On 6 October, EMGS signed a contract worth approximately USD 1.5 million with Total E&P UK Ltd and DONG Energy to acquire 3D EM data in the West of Shetland area on the UK Continental Shelf. The company reported that the survey had already started using EMGS's mobile acquisition set deployed from the vessel Siem Mollie, thereby extending the charter on this vessel from 1 to 21 October.

On 15 October, EMGS was awarded a shallow water survey in Malaysia worth more than USD 2.5 million by a major oil company.

On 19 October, BOA Galatea's backlog was extended as EMGS was awarded a contract worth USD 1 million by Brunei Shell Petroleum Co Sdn Bhd.

On 12 November, EMGS was awarded a USD 2 million survey by Shell Philippines Exploration BV, which operates the block SC60 joint venture. EMGS reported that the work would be performed from the 3D EM vessel BOA Galatea and that the vessel as a consequence is fully booked for the remainder of the fourth quarter 2010.

OUTLOOK

EMGS is pleased to report four consecutive quarters of improved financial results. The company is confident that this trend will continue into the fourth quarter of 2010. This confidence is based on the company's survey backlog for its two high-capacity 3D EM vessels. The BOA Galatea is now fully booked for the remainder of the year, and the BOA Thalassa is committed to the USD 150 million PEMEX contract until 2012.

Current contract negotiations lead EMGS to believe that the company will secure a backlog and good utilisation levels for the BOA Galatea into the first half year 2011.

The company has two other core assets that support a positive outlook. The first is a growing multi-client library of 3D EM data, which now covers more than 20,000 km^2 in several highly prospective regions. The second is a mobile acquisition set, which gives EMGS the flexibility to swiftly scale operations up or down according to demand.

The vessel backlog, multi-client library and mobile acquisition set provide a solid platform from which EMGS can further develop the EM market.

The company maintains that operational profits are within reach for the 2010 financial year.

Oslo, 17 November 2010
Board of Directors

CONSOLIDATED INCOME STATEMENT

Amounts in USD 1 000	Q3 2010 Unaudited	Q3 2009 Unaudited	YTD 2010 Unaudited	YTD 2009 Unaudited	2009 Audited
Operating revenues					
Contract sales	**18 177**	15 345	37 362	36 932	39 593
Multi-client sales	**4 589**	-	10 814	15 062	19 385
Total operating revenues	**22 766**	**15 345**	**48 176**	**51 994**	**58 978**
Operating expenses					
Charter hire, fuel and crew expenses	**5 150**	17 620	17 937	41 836	55 211
Employee expenses	**7 408**	6 293	20 565	21 736	30 194
Depreciation and ordinary amortisation	**4 642**	6 008	14 728	17 734	23 707
Multi-client amortisation	**1 637**	-	4 083	-	-
Other operating expenses	**3 746**	2 932	9 634	9 492	13 308
Total operating expenses	**22 583**	**32 853**	**66 947**	**90 798**	**122 420**
Operating profit (loss)	**183**	**-17 508**	**-18 771**	**-38 804**	**-63 442**
Share of profit of joint venture	**-**	-266	-	-8 579	-10 746
Financial income and expenses					
Interest income	**77**	88	189	303	375
Interest expenses	**-2 334**	-1 481	-5 505	-2 819	-4 517
Change in fair value of conversion rights	**-2 093**	2 250	-1 849	4 188	1 212
Net foreign currency income/(loss)	**-3 563**	-909	-123	-3 815	-4 286
Net financial items	**-7 913**	**-52**	**-7 288**	**-2 143**	**-7 217**
Income/(loss) before income tax	**-7 730**	**-17 826**	**-26 059**	**-49 526**	**-81 404**
Income tax expenses	**617**	872	758	974	-109
Income/(loss) for the period	**-8 347**	**-18 698**	**-26 817**	**-50 500**	**-81 295**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2010 Unaudited	Q3 2009 Unaudited	YTD 2010 Unaudited	YTD 2009 Unaudited	2009 Audited
Income/(loss) for the period	**-8 347**	**-18 698**	**-26 817**	**-50 500**	**-81 295**
Exchange differences on translation of foreign operations	**265**	3	283	22	8
Total comprehensive income/(loss) for the period	**-8 082**	**-18 695**	**-26 534**	**-50 478**	**-81 287**

CONSOLIDATED BALANCE SHEET

Amounts in USD 1 000	Nine months ended 30 September 2010 Unaudited	Nine months ended 30 September 2009 Unaudited	Year ended 31 Dec 2009 Audited
ASSETS			
Non-current assets			
Intangible assets	**7 728**	3 214	2 862
Property, plant and equipment	**25 466**	37 730	32 117
Assets under construction	**8 850**	10 358	10 533
Investments in joint venture	**3 015**	4 942	3 015
Restricted cash	**7 434**	-	-
Total non-current assets	**52 493**	**56 244**	**48 527**
Current assets			
Inventories	**9 102**	8 677	8 147
Trade receivables	**26 656**	12 400	9 930
Other receivables	**7 689**	7 160	6 924
Cash and cash equivalents	**12 503**	23 385	29 578
Restricted cash	**9 176**	-	-
Total current assets	**65 127**	**51 622**	**54 579**
Total assets	**117 620**	**107 866**	**103 106**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid equity	**181 521**	127 160	149 739
Other reserves	**65**	-204	-218
Retained earnings	**-151 596**	-93 985	-124 780
Total equity	**29 990**	**32 971**	**24 741**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	**5 327**	5 185	5 462
Borrowings	**56 607**	31 621	4 263
Total non-current liabilities	**61 934**	**36 806**	**9 725**
Current liabilities			
Trade payables	**8 747**	15 306	14 570
Current tax liabilities	**2 567**	2 738	2 047
Provisions	**585**	-	6 718
Other short term liabilities	**9 992**	15 907	10 806
Borrowings	**3 805**	4 138	34 499
Total current liabilities	**25 696**	**38 089**	**68 640**
Total liabilities	**87 630**	**74 895**	**78 365**
Total equity and liabilities	**117 620**	**107 866**	**103 106**

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in USD 1 000	Nine months ended 30 September 2010 Unaudited	Nine months ended 30 September 2019 Unaudited	Year ended 31 Dec 2009 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	**-26 058**	-49 526	-81 404
Adjustments for:			
Witholding tax expenses	**256**	496	410
Total taxes paid	**-494**	-1 568	-1 090
Depreciation and ordinary amortisation	**14 728**	17 734	23 707
Multi-client amortisation	**4 083**	-	-
Profit of sale of fixed asset	**121**	-36	-36
Share of net (profit)/loss of joint venture	**-**	-245	2 643
Impairment of disposal of property, plant and equipment	**-**	-4	-
Non-cash portion of pension expenses	**-135**	793	1 070
Cost of share-based payments	**920**	906	1 185
Change in trade receivables	**-16 726**	1 523	3 993
Change in inventories	**-955**	862	1 392
Change in trade payables	**-5 823**	-4 208	-4 944
Change in other working capital	**-10 132**	4 625	5 331
Change in fair value of conversion rights	**1 849**	-3 592	-616
Currency effect on convertible loans	**-181**	-	-
Write down of investment in JV	**-**	8 103	8 103
Amortisation of interest	**4 333**	3 550	4 861
Net cash flow from operating activities	**-34 214**	**-20 587**	**-35 395**
Investing activities:			
Purchases of property, plant and equipment	**-2 388**	-6 419	-4 940
Purchases of intangible assets	**-353**	-986	-2 507
Proceeds from sales of assets	**280**	54	119
Investment in multi-client library	**-9 979**	-	-
Cash used in investing activities	**-12 440**	**-7 351**	**-7 328**
Financial activities:			
Financial lease payments-principal	**-2984**	-1 880	-2 578
Proceeds from bond offering	**20 000**	-	-
Proceeds from convertible loans	**-**	27 364	27 364
Proceeds from issuance of ordinary shares	**33 443**	-	22 264
Cost of rights issue	**-2 581**	-	-
Payment of interest on bonds	**-1 689**	-454	-1 027
Payment of bank borrowings	**-**	-1 819	-1 834
Cash provided by financial activities	**46 189**	**23 211**	**44 189**
Net increase in cash	**-465**	**-4 727**	**1 466**
Cash balance beginning of period	**29 578**	28 112	28 112
Cash balance end of period	**29 113**	23 385	29 578
Increase in cash	**-465**	**-4 727**	**1 466**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	Share capital, share premium and other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 31 December 2008 (Audited)	**244 961**	**-226**	**-162 319**	**82 416**
Currency translation differences	-	8	-	**8**
Loss for the period	-	-	-81 295	**-81 295**
Total comprehensive income	**-**	**8**	**-81 295**	**-81 287**
Cost of share-based payment	1 185	-	-	**1 185**
Equity component of convertible loan	163	-	-	**163**
Cost of rights issue	-36	-	-	**-36**
Transfer of share payment to retained earnings	-118 834	-	118 834	**-**
Cost of private placement	-1 192	-	-	**-1 192**
Proceeds from shares issued - private placement and options exercised	23 492	-	-	**23 492**
Balance at 31 December 2009 (Audited)	**149 739**	**-218**	**-124 780**	**24 741**
Currency translation differences	-	26	-	**26**
Loss for the period	-	-	-13 765	**-13 765**
Total comprehensive income	**-**	**26**	**-13 765**	**-13 739**
Cost of share-based payment	211	-	-	**211**
Cost of private placement	-243	-	-	**-243**
Proceeds from shares issued - private placement and options exercised	3 086	-	-	**3 086**
Balance at 31 March 2010 (Unaudited)	**152 793**	**-192**	**-138 545**	**14 056**
Currency translation differences	-	-8	-	**-8**
Loss for the period	-	-	-4 704	**-4 704**
Total comprehensive income	**-**	**-8**	**-4 704**	**-4 712**
Cost of share-based payment	558	-	-	**558**
Cost of private placement	-1 427	-	-	**-1 427**
Proceeds from shares issued - private placement and options exercised	30 285	-	-	**30 285**
Balance at 30 June 2010 (Unaudited)	**182 210**	**-200**	**-143 249**	**38 761**
Currency translation differences	-	265	-	**265**
Loss for the period	-	-	-8 347	**-8 347**
Total comprehensive income	**-**	**265**	**-8 347**	**-8 082**
Cost of share-based payment	151	-	-	**151**
Cost of private placement	-913	-	-	**-913**
Proceeds from shares issued - private placement and options exercised	72	-	-	**72**
Balance at 30 September 2010 (Unaudited)	**181 521**	**65**	**-151 596**	**29 990**

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 2009, and has implemented standards, interpretations and amendments which were effective from 1 January 2010.

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	Q3 2010 Unaudited	Q3 2009 Unaudited	YTD 2010 Unaudited	YTD 2009 Unaudited	2009 Audited
Americas	**6.2**	7.5	11.2	18.0	21.0
Asia	**9.5**	-0.2	10.8	4.8	5.1
Europe	**7.0**	8.0	21.2	26.1	29.6
Africa	**0.1**	-	4.9	3.1	3.3
Australia	**-**	-	0.1	-	-
Total	**22.8**	**15.3**	**48.2**	**52.0**	**59.0**

Change in fair value of conversion rights

In 2009, Fugro N.V provided EMGS ASA a NOK 150 million secured convertible loan bearing an interest of 7.00% p.a. The loan could be converted into common shares in EMGS at the conversion price of NOK 5.75 at any time until the maturity date on 2 January 2012. As the functional currency for the Group is USD and the conversion price is in NOK, the loan contains an embedded derivative that has to be accounted for separately at fair value using an option pricing model.

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 2009. The group's financial statements are available upon request from the company's registered office in Trondheim or at emgs.com.

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

For further information visit emgs.com, or contact:

Roar Bekker
CEO
Email: rbekker@emgs.com
Phone: +47 73 56 88 10

Svein T. Knudsen
CFO
Email: sk@emgs.com
Phone: +47 22 01 14 00

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EMGS, the marine EM market leader, uses its proprietary electromagnetic (EM) technology to support oil and gas companies in their search for offshore hydrocarbons. EMGS supports each stage in the workflow, from survey design and data acquisition to processing and interpretation. The company's services enable integration of EM data with seismic and other geophysical and geological information to give explorationists a clearer and more complete understanding of the subsurface. This improves exploration efficiency, and reduces risks and the finding costs per barrel.

EMGS has conducted more than 500 surveys to improve drilling success rates across the world's mature and frontier offshore basins. The company operates on a worldwide basis with main offices in Trondheim and Stavanger, Norway; Houston, USA; and Kuala Lumpur, Malaysia. Please visit www.emgs.com for more information.

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

EMGS HEADQUARTERS
Stiklestadveien 1
N-7041 Trondheim, Norway
Telephone +47 73 56 88 10

EUROPE AFRICA & MIDDLE EAST
Folkvordveien 11
N-4318 Sandnes, Norway
Telephone +47 73 56 88 10

NORTH & SOUTH AMERICA
15021 Katy Freeway, Suite 500
Houston, Texas 77094, USA
Telephone +1 281 920 5601

ASIA PACIFIC
Unit E-15. 2–4, 15th Floor
East Wing, Wisma Rohas Perkasa
No. 8 Jalan Perak
50450 Kuala Lumpur, Malaysia
Telephone +603 21 66 06 13

EMGS.COM