the seabed logging company

February 20, 2008

Fourth quarter

Finding hydrocarbons™

Fourth quarter 2007

Highlights

- Revenues in line with revised guidance
- EMGS' developing technology continues to drive awareness and acceptance of EM
- Repeat business and contract award by super major for work offshore Libya
- Contract award by important new client PEMEX, the national oil company of Mexico
- Operational costs in line with third quarter
- EMGS expects profitable growth for the fiscal year 2008

Key financial figures

USD million (except per share data)	Q4 2007	Q4 2006	YTD 2007	2006	Q1 2007	Q2 2007	Q3 2007
Revenues	28,2	40,4	140,3	117,7	25,9	37,8	48,4
EBITDA	(13,4)	4,2	(12,1)	20,7	(8,0)	0,5	8,8
EBIT	(17,7)	1,5	(25,6)	13,2	(10,6)	(2,5)	5,2
Profit/ (loss) before taxes	(17,6)	(30,8)	(27,5)	(19,6)*	(11,6)	(2,4)	4,0
Earnings per share	(0,24)	(0,79)	(0,49)	(0,62)	(0,28)	(0,04)	0,03
Average number of shares outstanding (in thousands)	73 794	40 919	72 172	40 933	43 337	73 432	73 691

*) 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 31 December 2007 was 74,186,773.

Financial review

Revenues and EBITDA

For the full year, revenues grew 19.1% to USD 140.3 million, from USD 117.8 million in 2006.

Revenues for the fourth quarter of 2007 totalled USD 28.2 million, a decrease of 30.2% over the corresponding period in 2006. This reduction was primarily due to low utilisation through delayed and postponed projects, and permitting challenges. Third quarter revenues in 2007 were USD 48.4 million.

Charter hire, fuel and crew expenses in fourth quarter are in line with the third quarter. The expenses decreased by 1.3% in the fourth quarter of 2007 compared with the third quarter.

Employee expenses rose by 5.5% in the fourth quarter of 2007 compared with the third quarter. This was primarily due to the increase in the number of employees over the period, but was offset by a reversal of the accrual for employment tax on the option programme. EMGS employed 250 people as at 30 September 2007 compared with 266 people as at 31 December 2007.

Other operational costs increased by 27.2% in the fourth quarter of 2007 over the third quarter, and by 37.6% over the same period in 2006. The main reason for this increase was the accrual of USD 2.5 million for a doubtful receivable.

EBITDA ended at a deficit of USD 13.4 million for the fourth quarter of 2007 compared with a gain of USD 8.8 million for the third quarter. The EBITDA for the fourth quarter of 2006 was a gain of USD 4.2 million.

The EBITDA for the full year ended at a deficit of USD 12.1 million compared with a gain of USD 20.7 million for 2006.

Depreciation and amortisation

Depreciation and amortisation of USD 4.3 million were recorded for the fourth quarter of 2007, up 21.0% from the USD 3.6 million recorded for the third quarter. This increase was mainly due to the new data processing cluster becoming operative in the fourth quarter. For the corresponding quarter in 2006, depreciation and amortisation were USD 2.6 million.

Net financial items

A net financial gain of USD 0.2 million was recorded in the fourth quarter of 2007 compared with net financial loss of USD 1.2 million in the third quarter. In the fourth quarter of 2006, EMGS had a net loss of USD 32.3 million from financial items owing to the effect of the change in the fair value of the conversion rights.

Result before income tax

EMGS recorded a loss of USD 17.6 million before income tax for the fourth quarter of 2007, compared with a profit of USD 4.0 million reported in third quarter of 2007. During the fourth quarter of 2006, the company posted a loss of USD 30.8 million before income tax.

Income tax

Income tax expenses of USD 0.4 million were recorded for the fourth quarter of 2007 compared with USD 1.7 million in the third quarter and USD 1.4 million for the corresponding period in 2006. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

EMGS recorded a net loss of USD 17.9 million in the fourth quarter of 2007 compared with a net loss of USD 32.2 million for the same period in 2006. The net gain for the third quarter of 2007 was USD 2.3 million.

The net loss for the full year was USD 30.9 million, compared with a net loss of USD 25.3 million in 2006.

Balance sheet and cash flow

The cash and cash equivalents totalled USD 40.7 million at 31 December 2007 compared with USD 20.5 million at the end of 2006 and USD 66.1 million at 30 September 2007.

EMGS maintains a NOK 115 million multi-currency credit and guarantee facility with Nordea Bank ASA. As of 31 December 2007, there was a draw of USD 9.8 million on the credit facility.

The net cash flow from operating activities was negative with USD 20.7 million for the whole of 2007, compared with a negative net cash flow of USD 4.0 million for 2006.

The cash used for investing activities during 2007 increased to USD 51.0 million compared with USD 14.4 for the same period in 2006. This reflects investment in additional operating equipment, the second data processing cluster and the purchase of own shares in connection with the purchase of a 50% stake in KMS Technologies Inc.

The cash flow from financial activities was USD 91.9 million in 2007 compared with USD 36.3 million for 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

Utilisation is defined as vessel time spent on contracted work and includes paid mobilisation. Vessel utilisation decreased to 48% in the fourth quarter of 2007, in line with revised expectations, as many of the vessels were off contracted work. 2007 utilisation was 65% in the first quarter, 63% in the second quarter and 71%in the third quarter.

MV Stad Angler conducted an internal research and development project in Gulf of Mexico at the beginning of the fourth quarter 2007. In the later part of the quarter, the vessel was in operation in Libya.

MV Atlantic Guardian continued operating in the South China Sea for the first part of the fourth quarter 2007. After a yard stay during the second part of the quarter, the vessel mobilised for first quarter 2008 work in West Africa.

MV Sasha operated in India during the beginning of the fourth quarter 2007. Permitting issues in the later part of the quarter lowered its utilisation, the vessel will be in the region during first quarter 2008.

MV Relume was in operation for Norwegian clients in the North Sea during the fourth quarter of 2007. The vessel will be operational in the North Sea during first quarter 2008.

MV Siem Mollie operated in the North Sea at the beginning of the fourth quarter 2007. In December 2007, she completed a contract in French Guiana, South America for Gaz de France. The vessel will be in the Gulf of Mexico during first quarter 2008.

Mr Roar Bekker was employed in the new position of chief operating officer (COO) in the fourth quarter 2007. Bekker has extensive international experience within the geophysical industry. He will be in charge of day-to-day operations as well as being instrumental in the organisational and strategic undertakings for streamlining EMGS' marketing, sales and operational efforts. With effect from January 2008, EMGS has implemented a new organisational structure to reflect these efforts.

Market trends and technology

EMGS continues to see the number of opportunities for work expanding, despite the disappointing fourth quarter. The company engaged in several contract negotiations during the fourth quarter of 2007. The largest contract, worth about USD 10 million, was awarded by a new client, the national oil company of Mexico, Petróleos Mexicanos (PEMEX). PEMEX is one of the world's largest national oil companies and controls a substantial exploration area.

This work is to determine the hydrocarbon content of deepwater drilling locations in the Mexican area of the Gulf of Mexico. Pre-acquisition services were completed by the end of 2007, and the acquisition phase should commence in February 2008. Follow-on processing and interpretation services will be performed by EMGS in Houston working in close cooperation with PEMEX.

In October 2007, EMGS secured a contract worth about USD 6 million with a super major oil company to determine the hydrocarbon content of potential reservoir structures offshore Libya using seabed-logging technology. Included in the contract was an option for extensions worth up to USD 10 million. On 8 February 2008, EMGS announced that a significant portion, at least USD 7 million, of this option was taken up by the customer.

EM-surveying technology has been accepted and the market for EM-surveying services is rapidly expanding. EMGS is the market leader and is experiencing a good response to its technology and products. In 2007, EMGS successfully increased awareness of EM technology through an expanding client portfolio, strengthening industry acceptance and improving general product knowledge.

In 2007, EMGS gained repeat business from several customers. EMGS considers this to be typical market behaviour early in the product uptake cycle. The company also takes this as a sign of increasing acceptance of EM surveying technology. A significant number of the contracts signed or under negotiation in 2007 were from returning customers. EMGS will continue making access to EM data more user friendly and developing integrated products to successfully develop the market.

EMGS acquired the exclusive worldwide rights to a new and promising EM technology developed by KMS Technologies in Houston, USA. EMGS teamed up with Reservoir Exploration Technology ASA to acquire KMS Technologies in a 50:50 joint venture. The acquisition price was USD 10 million in EMGS shares and USD 7 million in cash for EMGS, and the transaction was closed by the end of December 2007.

This acquisition enhances EMGS's ability to support oil and gas exploration companies searching for new reserves in shallow waters.

EMGS is constantly developing its products, and is involved in several projects to affirm the benefits of the latest EM technology.

Recent events

On 24 January 2008, EMGS announced that it will perform a large-scale multiclient EM scanning survey to search for commercial hydrocarbon deposits in the Krishna-Godavari basin ahead of India's 7th New Exploration Licensing Policy round. The survey is the first of its kind and a significant milestone in the adoption of EMGS's proprietary EM scanning technology. This is an important development, as it is the first example of a new and potentially rewarding multiclient business model.

On 31 January, EMGS announced that it has begun an extensive and diverse programme of EM imaging surveys over the Troll field in the North Sea in a project funded by StatoilHydro. The primary objectives are to validate EMGS's latest EM imaging technology and to advance a new generation of EM technology and its applications. EMGS believes that this work will provide an ideal showcase for its current portfolio of advanced EM products and services.

On 1 February 2008, EMGS participated in an oral Patent hearing at the court of The Hague brought by Schlumberger Holdings Ltd. A decision on this is expected approximately six weeks after the hearing. EMGS will continue to defend its strong patent position in the interests of its shareholders and other stakeholders.

On 14 February 2008, EMGS announced that they had been awarded a contract by Hess Corporation to provide Scanning and further delineations services to aid in the assessment of the hydrocarbon potential in Hess' acreage offshore Ghana. The contract is worth about USD 10 million.

Outlook

EMGS believes the market drivers are stronger than ever before. The company is confident that the quantity and quality of its EM data and its extensive operational experience are well suited to meet the oil industry's main challenge: the falling reserves replacement ratio. Although sales in 2007 were slower than anticipated, EMGS is confident about its long-term potential.

In 2008, EMGS will focus on building the market further, streamlining organisation, improving efficiency, strengthening international skills and, most importantly, profitable growth.

Oslo, 19 February 2007
Board of Directors

Consolidated income statement

(USD 1 000)	Q4 2007 Unaudited	Q4 2006 Unaudited	2007 Unaudited	2006 Audited
Operating revenues				
Contract sales	28 229	40 386	140 339	117 748
Total revenues	28 229	40 386	140 339	117 748
Operating expenses				
Charter hire, fuel and crew expenses	24 950	21 265	93 816	62 744
Employee expenses	7 742	8 468	32 930	18 154
Depreciation and amortisation	4 324	2 615	13 477	7 510
Other operating expenses	8 943	6 498	25 685	16 162
Total operating expenses	45 960	38 846	165 909	104 570
Operating profit/ (loss)	(17 731)	1 540	(25 570)	13 178
Financial income and expenses				
Financial income	1 448	736	4 624	2 236
Financial expenses	(1 283)	(6 134)	(6 596)	(12 074)
Change in fair value of conversion rights	-	(26 929)	-	(22 969)
Net financial items	165	(32 327)	(1 972)	(32 807)
Income/ (loss) before income taxes	(17 566)	(30 787)	(27 542)	(19 629)
Income tax expense	368	1 411	3 384	5 642
Income/ (loss) for the period	(17 934)	(32 198)	(30 926)	(25 271)
Other financial data				
EBITDA	(13 407)	4 155	(12 093)	20 688

Consolidated balance sheet

(USD 1 000)	**Year ended 31 December 2007**	**Year ended 31 December 200**
ASSETS		
Current assets		
Cash and cash equivalents	40 685	20 485
Trade receivables	32 838	31 910
Other receivables	13 886	3 142
Inventories	12 509	5 625
Total current assets	99 917	61 162
Fixed assets		
Intangible assets	3 341	2 430
Property, plant and equipment	48 303	23 302
Other non-current assets	13 212	-
Total fixed assets	64 855	25 732
Total assets	164 772	86 894
LIABILITIES		
Current liabilities		
Trade payables	28 543	20 677
Borrowings	11 625	13 623
Current tax liability	4 240	4 843
Other short term liabilites	13 298	7 751
Total current liabilites	57 706	46 894
Long-term liabilities		
Borrowings	1 064	21 459
Employee benefit obligations	2 580	1 421
Total long-term liabilities	3 643	22 880
Total liabilities	61 350	69 774
EQUITY		
Capital and reserves attributable to equity holders		
Share capital, share premium and other paid-in equity	198 995	77 940
Other reserves	(159)	(104)
Retained earnings	(95 413)	(60 716)
Total equity	103 423	17 120
Total equity and liabilities	164 772	86 894

Statement of cash flow

(USD 1 000)	**31 December 2007**	**31 December 2006**
Net cash flow from operating activities		
Income/ (loss) after income taxes	(30 926)	
Income/ (loss) before income taxes		(19 629)
Adjustments for:		
Total tax expenses	4 110	-
Taxes paid	(4 713)	(799)
Amortisation of interest	-	-
Depreciations and amortisation	13 477	7 510
Impairment of disposal of property, plant and equipment	-	892
Non-cash portion of pension expense	1 159	583
Cost of share-based payment	1 392	1 022
Non-cash cost on preferance shares and bond	-	5 046
Change in trade receivables	(928)	(24 388)
Change in inventories	(6 884)	(4 326)
Change in trade payables	7 866	7 026
Change in other working capital	(5 252)	77
Change in fair value of conversion rights	-	22 969
Net cash flow from operating activities	(20 699)	(4 017)
Investing activities		
Purchase of property, plant and equipment	(35 853)	(12 666)
Purchase of intangible assets	(1 894)	(1 686)
Purchase of shares	(13 211)	-
Cash used in investing activities	(50 958)	(14 352)
Financial activities		
Financial lease payments - principal	(1 438)	(1 773)
Payment of Bond	(20 800)	-
Proceeds from bond offering	-	19 450
Proceeds from issuance of ordinary shares	115 892	2 299
Proceeds from preferance share issuance	-	6 475
Additional proceeds from bank borrowings	-	9 854
Payment of bank borrowings	(1 797)	-
Change in other debt	-	-
Cash provided by financial activities	91 857	36 305
Net increase in cash	20 200	17 936
Cash balance beginning of period	20 485	2 549
Cash balance end of period	40 685	20 485
Increase in cash	20 200	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	-	(55)	-	(55)
Net income/(expense) recognised directly in equity	-	(55)	-	(55)
Loss for the period	-	-	(30 926)	(30 926)
Recognised loss as of 31 December 2007	-	(55)	(30 926)	(30 981)
Dividend payout	-	-	(3 772)	(3 772)
Cost of share-based payment	1 392	-	-	1 392
Proceeds from shares issued - options exercised	6 369	-	-	6 369
Proceeds from shares issued - IPO	113 295	-	-	113 295
Balance at 31 December 2007	198 995	(159)	(95 413)	103 423

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)	**Q4 2007**	**Q4 2006**	**2007**	**2006**
Americas	4,4	8,7	25,8	24,4
Asia	8,9	13,0	34,5	70,0
Europe	11,6	7,9	46,4	12,5
Africa	3,3	10,8	15,2	10,8
Australia	-	-	18,4	-
Total	**28,2**	**40,4**	**140,3**	**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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