EMGS fourth quarter

12 February 2009

Finding hydrocarbons™

FOURTH QUARTER 2008

Highlights

Important events in the quarter:

- Revenues at USD 15.6 million for the quarter
- Vessel capacity reduced to 3 vessels
- Operational costs reduced to below USD 30 million
- Purpose-built EM vessel BOA Thalassa launched in December 2008

Subsequent important events:

- Decision received on court case in London
- Strategic review announced in January 2009

Key financial figures

USD million (except per share data)	Q4 2008	Q4 2007	2008	2007	Q3 2008
Revenues	**15.6**	28.2	116.2	140.3	33.4
EBITDA	**(14.2)**	(13.4)	(19.9)	(12.1)	0.7
Adjusted EBITDA	**(14.2)**	(13.4)	(36.8)	(12.1)	(6.5)
EBIT	**(20.9)**	(17.7)	(58.8)	(25.6)	(11.4)
Profit/(loss) before taxes	**(23.5)**	(17.6)	(61.2)	(27.5)	(6.6)
Earnings per share	**(0.25)**	(0.24)	(0.78)	(0.47)	(0.10)
Average number of shares outstanding (in thousands)	**91 567**	73 964	82 878	72 172	83 093

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at 31 December 2008, was 91 569 261.

FINANCIAL REVIEW

Revenues and EBITDA

EMGS recorded revenues of USD 15.6 million in the fourth quarter of 2008 compared with USD 28.2 million in the fourth quarter of 2007, corresponding to a decrease of 44.7 per cent. The revenue for the third quarter 2008 was USD 33.4 million, giving a decrease from the third quarter to the fourth quarter of 53.3 per cent.

Multi-client revenues in the fourth quarter 2008 amounted to USD 4.6 million. No revenues related to multi-client surveys were reported in the same period in 2007, while multi-client revenues in the third quarter 2008 amounted to USD 10.4 million.

Charter hire, fuel and crew expenses totalled USD 14.7 million in the fourth quarter 2008 compared with USD 25.0 million in the corresponding quarter in 2007, a decrease of 41.2 per cent. In October 2008 EMGS reduced the fleet from 4 to 3 vessels when the time charter for M/V Stad Angler expired. The M/V BOA Thalassa was launched in mid December. In addition to reduced capacity, there was a major reduction of costs related to patent disputes from fourth quarter 2007 to the fourth quarter this year. The cost of charter hire, fuel and crew expenses was reduced from USD 17.0 million to USD 14.7, a reduction of 13.5 per cent, from the third quarter 2008 to the fourth quarter. Taking into consideration that USD 7.3 million was capitalised as multi-client costs in the third quarter, the reduction is in reality USD 9.6 million. This is due to a lower activity level.

Employee expenses increased from USD 7.7 million in the fourth quarter of 2007 to USD 9.4 million in the fourth quarter 2008. The increase of 22.1 per cent is due to an accrual for restructuring costs in the fourth quarter 2008 and a negative cost on the option program in the fourth quarter 2007. The employee expenses for the third quarter were USD 10.8 million, giving a decrease of 13.0 per cent from the third to the fourth quarter. The reduction is due to the temporary and permanent lay-offs and a reversal of accrued bonus in fourth quarter.

Other operational costs decreased by 36.0 per cent in the fourth quarter 2008 over the same period last year, from USD 8.9 million to USD 5.7 million. The decrease from 2007 to 2008 is due to less accrual for write down on receivables in the fourth quarter 2008 compared to the fourth quarter in 2007, as well as a cost reduction program. Other operating costs were USD 4.9 million in the third quarter 2008. The increase from the third quarter to the fourth quarter of 16.3 per cent is due to the accrual for write down on receivables balanced by the cost reduction effort.

Depreciation and amortisation

Depreciation and amortisation was USD 6.7 million in the fourth quarter 2008, up from USD 4.3 million in the corresponding quarter in 2007. The increase is due to normal course depreciation of assets and amortisation of multi-client costs of USD 1.1 million in the fourth quarter 2008. The depreciation in the third quarter 2008 was USD 12.2 million, of which amortisation of multi-client costs were USD 6.4 million.

Net financial items

Net financial items in the fourth quarter of 2008 amounted to a loss of USD 2.6 million, while a gain of USD 0.2 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 that is in Norwegian Kroner. In the third quarter 2008 a gain of USD 4.9 million was reported.

Result before income tax

EMGS recorded a loss of USD 23.5 million before income tax in the fourth quarter 2008, compared with a loss of USD 17.6 million in the corresponding quarter in 2007 and a loss of USD 6.6 million in the third quarter 2008.

Income tax

Income tax expenses of negative USD 0.4 million were recorded in the fourth quarter of 2008, compared with USD 0.4 million in the fourth quarter of 2007 and USD 1.4 million in the third quarter of 2008. The negative tax in the fourth quarter 2008 is due to reversal of previous accrual on tax.

Net result for the period

The net loss in the fourth quarter of 2008 was USD 23.1 million, compared with a loss of USD 17.9 million in the same period last year and a loss of USD 7.9 million in the third quarter 2008.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 28.1 million at 31 December 2008, compared with USD 40.7 million at 31 December 2007 and USD 40.9 million at 30 September 2008. As at 31 December 2008 EMGS had drawn USD 1.8 million on the Nordea credit facility compared with a draw of USD 9.8 million as at 31 December 2007 and USD 6.9 million at 30 September 2008.

Trade receivables were USD 13.9 million at 31 December 2008, compared to USD 32.8 million at 31 December 2007, while it was USD 36.4 million at 30 September 2008.

Net cash flow from operating activities was negative by USD 20.0 million for the year of 2008, compared with a negative net cash flow from operating activities of USD 20.7 million in 2007.

Cash applied in investing activities in 2008 amounted to USD 24.1 million, compared with USD 51.0 million in 2007. The investment in 2008 is mostly related to the multi-client library, while the investment in 2007 was investment in equipment and shares in a joint venture.

Cash flow from financial activities was USD 31.5 million in 2008 compared with USD 91.9 million in 2007. Both periods are mainly effected by the issuance of ordinary shares, USD 45.8 million in 2008 and USD 115.9 in 2007.

OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted work, including paid mobilisation. The Company's vessel utilisation in the fourth quarter 2008 decreased significantly to 49 per cent compared to 72 per cent in the third quarter 2008. Utilisation in the second quarter 2008 was 48 per cent and 71 per cent in the first quarter of 2008. 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.

Utilisation in 2008 was 60 per cent, compared to 62 per cent in 2007.

The time charter agreement for the vessel M/V Stad Angler expired on 8 October 2008, and EMGS decided not to extend it.

On the 15 December EMGS launched the first high capacity, purpose-built vessel, M/V Boa Thalassa. EMGS expects the second purpose-built vessel to be delivered in the third quarter 2009.

At the end of the fourth quarter 2008 EMGS has three vessels in operations; M/V Atlantic Guardian, M/V Siem Mollie and M/V Boa Thalassa. M/V Siem Sasha has been taken out of operation, and EMGS was at year end in the process of subletting the vessel to a third party. EMGS's flexible business model allows the company to increase or decrease its fleet size if market conditions should change.

EVENTS, MARKET TRENDS AND TECHNOLOGY

In late 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 organization would be scaled and costs realigned accordingly.

In mid-December, EMGS was awarded a contract worth about USD 7.5 million to use its Clearplay Test service to rank several hydrocarbon prospects offshore Malaysia. Testing these prospects with EM technology significantly reduces the likelihood of drilling dry wells, which in turn means reduced commercial risk for this repeat customer. More of EMGS's customers are turning to survey layouts where the receivers are placed in a grid rather than in lines, and EMGS believes that this trend will accelerate in the future. 3D EM surveys provide data for the entire hydrocarbon prospect, not just a limited part. The result is a much clearer and more complete understanding of the subsurface and an improved estimation of the hydrocarbon volume.

On 15 December, EMGS launched the world's first purpose-built EM survey vessel. The M/V BOA Thalassa was built by Bergen Group Fosen and is leased from the owner BOA Offshore on a long-term charter. EMGS's survey capacity is substantially increased by the vessel's ability to handle a record number of receivers. The M/V BOA Thalassa carries 100 receivers and can double this figure. Surveying efficiency and flexibility is increased by the vessel's high speed, large fuel volume and extensive storage capacity. A fully integrated spare equipment set and a new advanced on-board processing system enhances data quality and improves the delivery time for EM data.

RECENT EVENTS

On 19 January, EMGS reported that, following proceedings launched by Schlumberger, three of its patents were not upheld in a first instance decision at the High Court in London. Although the decision is disappointing, these patents apply only to certain activities in UK waters and EMGS retains full patent protection in more than 30 other jurisdictions. Globally, EMGS's IP position remains intact.

In addition, EMGS and Warburg Pincus LLC jointly announced the appointment of Goldman Sachs to conduct a review of the strategic options available to EMGS in the future commercialization of its business. This step is part of the company's ongoing strategy to exploit fully the commercial opportunities created by our EM technology.

On 30 January, EMGS announced that Terje Eidesmo, EMGS chief executive officer, will soon be undergoing a full hip replacement due to the effects of a rheumatic condition. The subsequent convalescence period is expected to last for at least three months. This means that he will be on sick leave until the end of May. Chief operating officer Roar Bekker is acting as chief executive officer in Terje Eidesmo's absence.

OUTLOOK

EMGS's strategy on improved adoption for the EM technology is well aligned with sensible risk reducing tactics to fence off the current market challenges. By targeting national and major oil companies EMGS is less exposed to oil price volatility, reduced E&P spending and a worldwide credit crisis than most other companies. At the same time EMGS hopes to utilise the resources in a sensible way towards companies which have both the financial strength and opportunity to become large scale users of the EM technology.

Nevertheless, the uncertainty of the unprecedented current market conditions demand drastic measures; vessel capacity has been reduced to 3 vessels, a cost cutting program is well under way and capital expenditures have been scaled back. The future risks for EMGS will however largely be dictated by the ability to turn encouraging interest in the company's technology into revenue generating contracts. Recent client related developments cause EMGS to remain carefully optimistic.

Oslo, 12 February 2009
Board of Directors

CONSOLIDATED INCOME STATEMENT

(USD 1 000)	Q4 2008 Unaudited	Q4 2007 Unaudited	2008 Unaudited	2007 Audited
Operating revenues				
Contract sales	15 642	28 229	116 177	140 339
Total revenues	**15 642**	**28 229**	**116 177**	**140 339**
Operating expenses				
Charter hire, fuel and crew expenses	14 739	24 950	70 518	93 816
Employee expenses	9 358	7 742	40 451	32 930
Depreciation and ordinary amortisation	5 627	4 324	22 029	13 477
Multi-client amortisation	1 086	-	16 889	-
Other operating expenses	5 733	8 943	25 126	25 685
Total operating expenses	**36 543**	**45 960**	**175 013**	**165 909**
Operating profit/ (loss)	**(20 901)**	**(17 731)**	**(58 836)**	**(25 570)**
Financial income and expenses				
Financial income	1 838	1 448	12 014	4 624
Financial expenses	(4 460)	(1 283)	(14 406)	(6 596)
Net financial items	**(2 622)**	**165**	**(2 392)**	**(1 971)**
Income/(loss) before income taxes	**(23 523)**	**(17 566)**	**(61 227)**	**(27 541)**
Income tax expense	(399)	368	3 096	3 384
Income/ (loss) for the period	**(23 124)**	**(17 934)**	**(64 323)**	**(30 925)**
Other financial data				
EBITDA	(14 188)	(13 407)	(19 918)	(12 093)
Multi-client investment	-	-	16 889	-
Adjusted EBITDA	(14 188)	(13 407)	(36 807)	(12 093)

CONSOLIDATED BALANCE SHEET

(USD 1 000)	Year ended 31 Dec 2008 Unaudited	Year ended 31 Dec 2007 Audited
ASSETS		
Current assets		
Cash and cash equivalents	28 112	40 685
Trade receivables	13 923	32 838
Prepaid assets	12 631	9 077
Other receivables	2 927	4 810
Inventories	9 539	12 509
Total current assets	**67 131**	**99 917**
Non-current assets		
Intangible assets	3 801	3 341
Property, plant and equipment	42 665	48 303
Investment in joint venture	12 800	13 212
Total non-current assets	**59 266**	**64 855**
Total assets	**126 396**	**164 772**
LIABILITIES		
Current liabilities		
Trade payables	19 514	28 543
Borrowings	5 099	11 625
Current tax liability	2 836	4 240
Other short term liabilities	7 914	14 710
Total current liabilities	**35 363**	**59 118**
Non-current liabilities		
Borrowings	2 780	1 064
Employee benefit obligations	4 392	2 509
Total non-current liabilities	**7 172**	**3 572**
Total liabilities	**42 535**	**62 690**
EQUITY		
Capital and reserves attributable to equity holders		
Share capital, share premium and other paid-in equity	244 961	198 996
Other reserves	(226)	(220)
Retained earnings	(160 873)	(96 694)
Total equity	**83 862**	**102 082**
Total equity and liabilities	**126 396**	**164 772**

STATEMENT OF CASH FLOW

(USD 1 000)	31 Dec 2008 Unaudited	31 Dec 2007 Audited
Net cash flow from operating activities		
Income/ (loss) after income taxes		
Income/ (loss) before income taxes	(61 227)	(27 541)
Adjustments for:		
Total tax expenses	-	-
Taxes paid	(4 500)	(3 987)
Amortisation of interest	-	-
Depreciation and ordinary amortisation	20 400	13 477
Multi-client amortisation	18 483	-
Profit on sale of fixed asset	(74)	
Share of net loss of joint venture	143	-
Impairment of disposal of property, plant and equipment	-	-
Non-cash portion of pension expense	1 813	1 088
Cost of share-based payment	2 011	1 392
Cost of rights issue	(1 746)	-
Change in trade receivables	18 915	(928)
Change in inventories	2 969	(6 884)
Change in trade payables	(9 029)	7 866
Change in other working capital	(8 134)	(5 181)
Currency translation effect	-	-
Net cash flow from operating activities	(19 976)	**(20 698)**
Investing activities		
Purchase of property, plant and equipment	(5 263)	(35 886)
Purchase of intangible assets	(2 054)	(1 905)
Proceeds from sale of assets	89	-
Purchase of shares	-	(13 212)
Investment in multi-client library	(16 889)	-
Cash used in investing activities	(24 118)	**(51 003)**
Financial activities		
Financial lease payments - principal	(6 319)	(2 549)
Payment of Bond	-	(20 800)
Proceeds from bond offering	-	-
Proceeds from issuance of ordinary shares	45 844	115 892
Additional proceeds from bank borrowings	-	-
Proceeds of bank borrowings	(8 005)	(642)
Change in other debt	-	-
Cash provided by financial activities	31 520	**91 901**
Net increase in cash	(12 573)	**20 200**
Cash balance beginning of period	40 685	20 485
Cash balance end of period	28 112	40 685
Increase in cash	(12 573)	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)
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	-	(6)	-	(6)
Proceeds from shares issued - for consideration acquired interest in joint venture	405	-	144	405
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)
Loss for the period	-	-	(64 323)	(64 179)
Balance at 30 September 2008 (Unaudited)	**244 961**	**(226)**	**(160 873)**	**83 862**

SEGMENT REPORTING

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

The amounts below show sales revenues reported by geographic region.

(USD million)	Q4 2008	Q4 2007	2008	2007
Americas	0.7	4.4	19.6	25.8
Asia	9.3	8.9	28.2	34.5
Europe	5.6	11.6	44.0	46.4
Africa	0.1	3.3	24.2	15.2
Australia	-	-	0.2	18.4
Total	**15.6**	**28.2**	**116.2**	**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 2007. 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 2007, and has implemented standards, interpretations and amendments which were effective from 1 January 2008.

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

EMGS uses its proprietary electromagnetic (EM) technology to support oil and gas companies in their search for offshore hydrocarbons. The company is the EM market leader and provides Clearplay, the world's first fully integrated EM system.

Three service offerings - Clearplay Find, Test and Evaluate - have been designed to assist operators in the exploration and production phase. Clearplay supports each stage in the workflow, from survey design and data acquisition to processing and interpretation. The 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 risk and finding costs per barrel.

EMGS operates the world's largest EM survey vessel fleet and has conducted more than 400 surveys, improving 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 emgs.com for the latest news and in-depth information about EMGS and EM technology. For general enquiries please email findinghydrocarbons@emgs.com

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