EMGS FOURTH QUARTER

11 February 2010

emgs

Highlights
fourth quarter 2009

Important events in the quarter:

- Total revenues at USD 7.0 million for the quarter
- EBITDA loss of USD 18.7 million
- Data-licensing agreement with Rocksource in the Gulf of Mexico
- 3D EM survey worth USD 5 million awarded in the Caribbean
- Successful completion of private placement of 30 million shares at NOK 4.50 per share

Subsequent important events:

- Appointment of Dag W. Reynolds as Executive Vice President for Sales, Marketing and Business Development
- First joint EMGS – Fugro 3D EM Multi-Client project initiated in the Norwegian Sea
- Successful completion of subsequent offering of 4 million shares at NOK 4.50
- Contract worth in excess of USD 7 million awarded by Rocksource in Norway

Key financial figures

USD million (except per share data)	**Q4 2009**	Q4 2008	2009	2008	Q1 2009	Q2 2009	Q3 2009
Revenues	**7.0**	15.6	59.0	116.2	5.8	30.8	15.3
Operating profit/(loss)	**(24.6)**	(20.9)	(63.4)	(60.3)	(23.5)	2.2	(17.5)
Income/(loss) before income taxes	**(31.9)**	(23.5)	(81.4)	(62.7)	(24.7)	(7.0)	(17.8)
Earnings per share	**(0.29)**	(0.25)	(0.76)	(0.83)	(0.27)	(0.08)	(0.20)
Average number of shares outstanding (in thousands)	**106 572**	91 567	106 572	82 878	91 569	91 569	91 569
EBITDA	**(18.7)**	(14.2)	(39.7)	(21.4)	(17.6)	8.1	(11.5)
Multi-client investment	**-**	7.2	-	16.9	-	-	-
Adjusted EBITDA	**(18.7)**	(21.4)	(39.7)	(38.3)	(17.6)	8.1	(11.5)

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at December 31, 2009, was 121 574 261.

Financial review

Revenues and EBITDA

EMGS recorded revenues of USD 7.0 million in the fourth quarter 2009 compared with USD 15.6 million in the same quarter in 2008, corresponding to a decrease of 55.1 per cent. The revenues for the third quarter 2009 were USD 15.3 million.

The company recorded USD 3.4 million as multi-client revenues in the fourth quarter 2009, compared with USD 4.6 million in the corresponding quarter in 2008 and zero in the third quarter 2009.

Charter hire, fuel and crew expenses totalled USD 13.4 million in the fourth quarter 2009 compared with USD 14.7 million in the corresponding quarter in 2008, representing a decrease of 8.8 per cent. A provision of USD 4.6 million related to onerous contracts was made in the fourth quarter 2009. Please see Notes to the financial statement for more details. The decrease in costs, disregarding the provision of onerous contracts in the fourth quarter 2009, is mainly due to the reduction in vessel fleet. The comparable amount for the third quarter 2009 was USD 17.6 million.

Employee expenses decreased from USD 9.4 million in the fourth quarter of 2008 to USD 8.5 million in the fourth quarter 2009. The decrease of 9.6 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 third quarter 2009 was USD 6.3 million. The increase from the third to the fourth quarter is mainly due to a one-off impact of changing the pension insurance in the third quarter. However, EMGS will in the future see a lower cost base for pension insurances.

Other operational costs decreased by 33.3 per cent in the fourth quarter 2009 over the same period last year, from USD 5.7 million to USD 3.8 million. The decrease from 2008 to 2009 is mainly due to the reduced activity level as well as the effective cost reduction program. The increase from the third quarter 2009 to the fourth quarter 2009 was USD 0.9 million, which was mainly due to costs related to an arbitration case with one of the vessel owners.

Depreciation and amortisation

Depreciation and amortisation was USD 6.0 million in the fourth quarter 2009, down from USD 6.7 million in the corresponding quarter in 2008. An amount of USD 1.1 million relates to the amortisation of multi-client costs in the fourth quarter of 2008. Depreciation and amortisation in the third quarter 2009 was USD 6.0 million.

Net financial items

Net financial items in the fourth quarter of 2009 was negative with USD 5.1 million, while a loss of USD 2.1 million was reported in the corresponding period in 2008. The comparable figure for the third quarter 2009 was minus USD 0.1 million. An essential effect in the last three quarters of 2009 has been the change of fair value of conversion rights. While this effect was positive the first two quarters due to the low share price in the period, EMGS records a negative effect of USD 3.0 in the fourth quarter due to the increase in the share price.

Share of profit of joint venture

The share of profit in joint venture amounted was negative with USD 2.2 million in the fourth quarter 2009, compared with minus USD 0.5 million in the corresponding period in 2008. In the third quarter 2009 the Group recorded minus USD 0.3 million as share of profit in joint venture.

Result before income tax

EMGS recorded a loss of USD 31.9 million before income tax in the fourth quarter 2009, compared with a loss of USD 23.5 million in the corresponding quarter in 2008 and a loss of USD 17.8 million in the third quarter 2009.

Income tax expense

Income tax was recorded as a profit of USD 1.1 million in the fourth quarter 2009, compared with a profit of USD 0.4 million in the fourth quarter of 2008. These taxes relate to profits earned in foreign jurisdictions. In the third quarter 2009, the company had an income tax expense of USD 0.9 million.

Net result for the period

The net loss in the fourth quarter of 2009 was USD 30.8 million, compared with a loss of USD 23.1 million in the same period last year and USD 18.7 million in the third quarter 2009.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 29.6 million at 31 December 2009, compared with USD 28.1 million at 31 December 2008. In the fourth quarter 2009 a successful private placement was completed, resulting in gross proceeds of NOK 135 million (approximately USD 24 million).

Trade receivables were USD 9.9 million at 31 December 2009, down from USD 13.9 million at 31 December 2008.

As a result of a breach of one of the covenants (equity ratio of more than 25%) in the two loan agreements EMGS established in 2009, the long term convertible loans are reclassified from non-current liabilities to current liabilities.

Net cash flow from operating activities was negative by USD 36.6 million for the year of 2009, compared with a negative net cash flow of USD 17.4 million in 2008.

Cash applied in investing activities in 2009 amounted to USD 7.3 million, compared with USD 23.7 million in 2008.

Cash flow from financial activities was USD 45.4 million in 2009 compared with USD 28.5 million in 2008.

Operational review

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation. The Company's vessel utilisation in 2008 and 2009 were as follows:

	Q1	Q2	Q3	Q4
2008	71%	48%	72%	49%
2009	46%	47%	32%	27%

During the fourth quarter 2009 EMGS had two vessels in operation; M/V BOA Galatea and M/V BOA Thalassa. M/V BOA Galatea spent the quarter on two multi-client projects; one in the North Sea and the other one in the Gulf of Mexico. M/V BOA Thalassa was used for internal testing of equipment in the fourth quarter.

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. M/V Siem Mollie has been decommissioned, but has not been subleased yet.

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

Events in the quarter

On 18 November, EMGS announced it had 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. The agreement generated fourth quarter revenues in excess of USD 2.5 million. The program, aimed at de-risk prospects in the Gulf of Mexico, is an extension of the pre-existing relationships between FOCUS Exploration, Rocksource and EMGS.

In mid-December, EMGS was awarded a 3D EM survey in the Caribbean by a repeat customer. The survey started in mid-January 2010, and it is expected that the contract will generate first-quarter 2010 revenues in excess of USD 5 million.

On 2 December, EMGS completed a private placement of 30 million new shares at a subscription price of NOK 4.50 per share, resulting in gross proceeds of NOK 135 million. The proceeds will be used to increase the financial strength of the Company and for general corporate purposes. The placement was managed by First Securities AS.

Recent events

On 5 January, EMGS announced that Dag W. Reynolds was appointed as New Executive Vice President for Sales, Marketing and Business Development. Mr. Reynolds has 20 years experience from the oil and gas industry, including two years as CEO for the seismic company SeaBird Exploration Ltd., and nine years for Petroleum Geo-Services ASA (PGS). Also, in 2007 Mr. Reynolds co-founded Spring Energy ASA, a Norwegian oil company.

The first joint EMGS – Fugro project was announced on 14 January. The 3D EM multi-client project in the Norwegian Sea will be completed during the first quarter 2010.

On 13 January, the Company announced that the Subsequent Offering of 4 million shares at NOK 4.50 was completed. The Subsequent Offering, following the private placement in December, resulted in gross proceeds of NOK 18 million.

On 10 February, EMGS announced that it had signed a contract worth in excess of USD 7 million with Rocksource to provide data acquisition services for a number of areas on the Norwegian continental shelf, ahead of Norway's 21st and APA 2010 exploration licensing rounds. The surveys will start immediately after completion of the joint Fugro – EMGS multi-client project in the Norwegian Sea.

Outlook

EMGS believes that the corporate restructuring and cost reductions implemented in 2009, in addition to the recently completed private placement, has created a business that is more financially robust, more efficient and more commercially oriented. The company's operating vessel fleet has been reduced, however, its survey capacity is virtually intact thanks to EMGS's two high-capacity, purpose-built 3D EM vessels.

Following a worldwide decline in Exploration and Production (E&P) spending in 2009, a number of spending surveys indicate an increase in E&P budgets for 2010. This, coupled with signs of higher tendering activity, suggest increased activity in the marine EM market this year.

Recent contract awards, the initiation of the first joint EMGS – Fugro commercial project and the upcoming multi-client campaign ahead of the 21st licensing round in Norway, leads EMGS to believe that its vessel utilisation levels will improve considerably in the next quarters.

In conclusion, the above factors cause EMGS to maintain that operating profits are within reach for the financial year 2010.

Oslo, 10 February 2009
Board of Directors

Consolidated income statement

Amounts in USD 1 000	Q4 2009 Unaudited	Q4 2008 Unaudited	2009 Unaudited	2008 Audited
Operating revenues				
Contract sales	6 984	15 642	58 978	116 177
Total revenues	**6 984**	**15 642**	**58 978**	**116 177**
Operating expenses				
Charter hire, fuel and crew expenses	13 375	14 739	55 211	70 518
Employee expenses	8 457	9 358	30 193	40 451
Depreciation and ordinary amortisation	5 974	5 627	23 708	22 029
Multi-client amortisation	-	1 086	-	16 889
Other operating expenses	3 816	5 733	13 308	26 572
Total operating expenses	**31 621**	**36 543**	**122 419**	**176 459**
Operating profit/(loss)	**(24 638)**	**(20 901)**	**(63 442)**	**(60 282)**
Financial income and expenses				
Interest income	71	416	374	1 314
Interest expenses	(1 699)	(641)	(4 518)	(4 056)
Change in fair value of conversion rights	(2 976)	-	1 212	-
Net foreign currency income/(loss)	(471)	(1 875)	(4 286)	1 578
Net financial items	**(5 074)**	**(2 099)**	**(7 217)**	**(1 164)**
Share of profit of joint venture	**(2 166)**	**(523)**	**(10 745)**	**(1 227)**
Income/(loss) before income taxes	**(31 878)**	**(23 523)**	**(81 404)**	**(62 674)**
Income tax expenses	(1 083)	(399)	(109)	3 096
Income/(loss) for the period	**(30 795)**	**(23 124)**	**(81 295)**	**(65 770)**
Basic loss per share (result for the period/shares) in USD	(0.29)	(0.25)	(0.76)	(0.83)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in USD 1 000	Q4 2009 Unaudited	Q4 2008 Unaudited	2009 Unaudited	2008 Audited
Income/(loss) for the period	**(30 795)**	**(23 124)**	**(81 295)**	**(65 770)**
Exchange differences on translation of foreign operations	(14)	681	8	(6)
Total comprehensive income/(loss) for the period	**(30 809)**	**(22 443)**	**(81 287)**	**(65 776)**

Consolidated balance sheet

Amounts in USD 1 000	Year ended 31 December 2009 Unaudited	Year ended 31 December 2008 Audited
ASSETS		
Non-current assets		
Intangible assets	2 865	3 784
Property, plant and equipment	32 117	42 665
Investment in joint venture	3 015	12 800
Total non-current assets	**37 994**	**59 249**
Current assets		
Inventories	8 147	9 539
Trade receivables	9 930	13 923
Other receivables	6 924	2 943
Prepaid assets	10 533	12 631
Cash and cash equivalents	29 578	28 112
Total current assets	**65 112**	**67 148**
Total assets	**103 106**	**126 397**
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital, share premium and other paid equity	149 739	244 961
Other reserves	(218)	(226)
Retained earnings	(124 780)	(162 319)
Total equity	**24 741**	**82 416**
LIABILITIES		
Non-current liabilities		
Employee benefit obligations	5 462	4 392
Borrowings	4 263	2 780
Total non-current liabilities	**9 725**	**7 172**
Current liabilities		
Trade payables	14 570	19 514
Current tax liability	2 047	2 836
Other short term liabilities	17 524	9 360
Borrowings	34 499	5 099
Total current liabilities	**68 640**	**36 809**
Total liabilities	**78 365**	**43 981**
Total equity and liabilities	**103 106**	**126 397**

Consolidated statement of cash flow

Amounts in USD 1 000	Year ended 31 December 2009 Unaudited	Year ended 31 December 2008 Audited
Net cash flow from operating activities:		
Income/(loss) before income tax	(81 404)	(62 674)
Adjustments for:		
Withholding tax expenses	410	-
Total taxes paid	(1 090)	(4 499)
Depreciation and ordinary amortisation	23 707	22 028
Multi-client amortisation	-	16 889
Profit on sale of fixed asset	(36)	(84)
Share of net (profit)/loss of joint venture	1 682	143
Impairment of disposal of property, plant and equipment	-	-
Non-cash portion of pension expense	1 070	1 883
Cost of share-based payment	1 185	2 011
Cost of private placement	(1 192)	1 134
Cost of rights issue	(36)	-
Change in trade receivables	3 993	18 915
Change in inventories	1 392	2 969
Change in trade payables	(4 944)	(9 029)
Change in other working capital	6 289	(7 043)
Change in fair value of conversion rights	(616)	-
Write down of investment in JV	8 103	-
Amortisation of interest	4 861	-
Currency translation effect	3	-
Net cash flow from operating activities	**(36 623)**	**(17 356)**
Investing activities:		
Investment in joint ventures	-	412
Purchases of property, plant and equipment	(4 940)	(6 396)
Purchases of intangible assets	(2 507)	(2 037)
Proceeds from sales of assets	119	1 198
Investment in multi-client library	-	(16 889)
Cash used in investing activities	**(7 328)**	**(23 712)**
Financial activities:		
Financial lease payments-principal	(2 578)	(6 319)
Proceeds from convertible loans	27 364	-
Proceeds from issuance of ordinary shares	23 492	42 820
Proceeds of bank borrowings	-	(8 005)
Payment of interest on bonds	(1 027)	-
Payment of bank borrowings	(1 834)	-
Cash provided by financial activities	**45 417**	**28 496**
Net increase in cash	**1 466**	**(12 573)**
Cash balance beginning of period	28 112	40 685
Cash balance end of period	29 578	28 112
Increase in cash	**1 466**	**(12 573)**

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 2007 (Audited)	**198 996**	**(220)**	**(96 694)**	**102 082**
Currency translation differences	-	(6)	-	(6)
Loss for the period	-	-	(65 769)	(65 769)
Total comprehensive income	-	**(6)**	**(65 769)**	**(65 775)**
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)
Balance at 31 December 2008 (Audited)	**244 961**	**(226)**	**(162 320)**	**82 415**
Currency translation differences	-	5	-	5
Loss for the period	-	-	(24 748)	(24 748)
Total comprehensive income	-	**5**	**(24 748)**	**(24 743)**
Cost of share-based payment	263	-	-	263
Cost of rights issue	(36)	-	-	(36)
Balance at 31 March 2009 (Unaudited)	**245 188**	**(221)**	**(187 067)**	**57 900**
Currency translation differences	-	14	-	14
Loss for the period	-	-	(7 054)	(7 054)
Total comprehensive income	-	**14**	**(7 054)**	**(7 040)**
Cost of share-based payment	230	-	-	230
Equity component of convertible loan	163	-	-	163
Cost of rights issue	-	-	-	-
Balance at 30 June 2009 (Unaudited)	**245 581**	**(207)**	**(194 121)**	**51 253**
Currency translation differences	-	3	-	3
Loss for the period	-	-	(18 698)	(18 698)
Total comprehensive income	-	**3**	**(18 698)**	**(18 695)**
Cost of share-based payment	413	-	-	413
Equity component of convertible loan	-	-	-	-
Cost of rights issue	-	-	-	-
Transfer of share premium to retained earnings	(118 834)	-	118 834	-
Balance at 30 September 2009 (Unaudited)	**127 160**	**(204)**	**(93 985)**	**32 971**
Currency translation differences	-	(14)		(14)
Loss for the period	-	-	(30 795)	(30 795)
Total comprehensive income	-	**(14)**	**(30 795)**	**(30 809)**
Cost of share-based payment	279	-	-	279
Cost of private placement	(1 192)			(1 192)
Proceeds from shares issued - private placement and options exercised	23 492	-	-	23 492
Equity component of convertible loan	-	-	-	-
Cost of rights issue	-	-	-	-
Transfer of share premium to retained earnings	-	-	-	-
Balance at 31 December 2009 (Unaudited)	**149 739**	**(218)**	**(124 780)**	**24 741**

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	**Q4 2009 Unaudited**	Q4 2008 Unaudited	2009 Unaudited	2008 Audited
Americas	**3.1**	0.7	21.0	19.6
Asia	**0.3**	9.3	5.1	28.2
Europe	**3.5**	5.6	29.6	44.0
Africa	**0.1**	0.1	3.3	24.2
Australia	**-**	-	-	0.2
Total	**7.0**	**15.7**	**59.0**	**116.2**

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. An accrual of USD 5.6 million was made to the third quarter 2009 figures, while an accrual of USD 4.6 was made in the fourth quarter. The company will evaluate the situation going forward and if necessary make new accruals.

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 2008. 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.

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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.

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