EMGS FOURTH QUARTER

10 / 02 / 2011

emgs

HIGHLIGHTS IN THE FOURTH QUARTER 2010

- Total revenues at USD 27.2 million for the quarter
- Negative EBITDA of USD 2.4 million
- Awarded contract by Total E&P UK and DONG Energy on UK Continental Shelf
- Steady stream of contracts in Asia and Australasia
- Joint Industry Project (JIP) launched by Shell and EMGS to design the next generation 3D EM equipment

Subsequent important events:

- Contract worth USD 8.5 million awarded offshore Mozambique
- Red Sea contract of USD 12.5 million awarded in Saudi Arabia

KEY FINANCIAL FIGURES

USD million (except per share data)	Q4 2010	Q4 2009	2010	2009	Q3 2010
Revenues	**27.2**	7.0	75.4	59.0	22.8
Operating profit/(loss)	**(6.1)**	(24.6)	(24.9)	(63.4)	0.2
Income/(loss) before income taxes	**(30.2)**	(31.9)	(56.3)	(81.4)	(7.7)
Earnings per share	**(0.18)**	(0.29)	(0.40)	(0.76)	(0.05)
Average number of shares outstanding (in thousands)	**153 751**	106 572	137 699	106 572	153 629
EBITDA	**(2.4)**	(18.7)	(2.4)	(39.7)	6.5
Multi-client investment	**-**	-	11.3	-	3.4
Adjusted EBITDA*	**(2.4)**	(18.7)	(13.6)	(39.7)	3.0

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at 31 December 2010, was 153 824 261.

*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 27.2 million in the fourth quarter of 2010, up from USD 7.0 million in the fourth quarter of 2009. Contract sales totalled USD 26.7 million, whilst multi-client sales from the Barents Sea data library came in at USD 0.5 million. In the corresponding period last year, EMGS recorded multi-client sales of USD 3.4 million.

Revenues for the full year 2010 came in at USD 75.4 million compared with USD 59.0 million in 2009.

Charter hire, fuel and crew expenses totalled USD 14.9 million in the fourth quarter 2010, up from USD 13.4 million in the corresponding quarter in 2009 and USD 5.2 million in the previous quarter. The expenses in the third quarter were low mainly due to 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. Expenses in the fourth quarter of 2010 were mainly affected by withholding taxes that have been expensed as operating costs, as well as expenses related to the now decommissioned vessels Atlantic Guardian and Siem Mollie.

For the full year 2010, charter hire, fuel and crew expenses came in at USD 32.9 million, down from USD 55.2 million in 2009. This is mainly due to a reduction in the vessel fleet.

Employee expenses increased from USD 8.5 million in the fourth quarter of 2009 to USD 9.9 million in the fourth quarter 2010 owing to increased expenses related to the employee share option program, which, in turn, were caused by a significant increase in the company's share price.

Employee expenses for the full year 2010 are fairly stable at USD 30.2 million and USD 30.5 million in 2009 and 2010 respectively.

Other operational costs increased from USD 3.8 million in the fourth quarter last year to USD 4.8 million this quarter.

For the full year 2010, other operational costs came in at USD 14.5 million, up from USD 13.3 million in 2009. The increase is mainly due to increased operational activity.

Depreciation and amortisation
Depreciation and ordinary amortisation totalled USD 3.7 million in the fourth quarter 2010, down from USD 6.0 million in the same quarter in 2009.

Depreciation and amortisation decreased from USD 23.7 million in the full year 2009 to USD 18.4 million in 2010. The reductions are due to the reduced capital expenditure throughout 2009 to date, along with some assets becoming fully depreciated.

Share of profit of joint venture
The share of profit in joint venture in the fourth quarter of 2010 was nil. The corresponding figure for the fourth quarter 2009 was negative USD 2.2 million.

For the full year 2010, share of profit of joint venture was nil, down from USD 10.7 million in 2009.

Net financial items
Net financial items in the fourth quarter of 2010 was negative USD 24.1 million, while a negative USD 5.1 million was reported in the corresponding period in 2009. For the full year 2010, a negative USD 31.4 million was reported, while the corresponding figure for 2009 was negative USD 7.2 million. The main reason for the changes is that the convertible loan agreement with Fugro results in changes in fair value of the conversion rights. In the fourth quarter this had a negative effect of USD 21.9 million owing to a substantial increase in the share price, while the effect for the full year 2010 was negative USD 23.8 million.

Result before income tax
EMGS recorded a loss of USD 30.2 million before income tax in the fourth quarter 2010, compared with a loss of USD 31.9 million in the corresponding quarter in 2009.

Loss before income tax for the full year 2010 was USD 56.3 million, compared with a loss of USD 81.4 million in 2009.

Income tax expense
Income tax profit of USD 1.8 million was recorded in the fourth quarter of 2010, compared with income tax profit of USD 1.1 million in the fourth quarter of 2009. These taxes relate to profits earned in foreign jurisdictions.

Income tax expenses were recorded as profit both in 2010 and 2009. The income tax profit increased from USD 0.1 million for the full year 2009 to USD 1.1 million in 2010.

Net result for the period
Net loss in the fourth quarter of 2010 ended at USD 28.4 million, compared with a loss of USD 30.8 million in the same period last year.

Loss for the year 2010 was USD 55.2 million, down from USD 81.3 million in 2009.

Balance sheet and cash flow
Cash and cash equivalents totalled USD 39.6 million at 31 December 2010, compared with USD 29.6 million at 31 December 2009. USD 18.2 million of the cash at 31 December 2010 were restricted, mainly due to client performance guarantees.

Trade receivables were USD 20.6 million at 31 December 2010, up from USD 9.9 million at 31 December 2009.

Cash flow from operating activities was negative by USD 20.4 million for the year ended 31 December 2010, compared with a negative net cash flow from operating activities of USD 35.4 million in 2009.

Cash applied in investing activities in 2010 amounted to USD 13.9 million, the majority of which was related to the multi-client library. This compares with USD 7.3 million in 2009.

Cash flow from financial activities was positive USD 44.3 million in 2010 owing to; proceeds from the subsequent offering following a private placement in December 2009; a private placement which was completed in June 2010, and a new bond that was entered into in July 2010. The comparable amount in 2009 was positive USD 44.2 million due to two new bonds that were established.

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%	74%

Vessel overview

VESSEL	STATUS Q4	UTILISATION Q4	CHARTER EXPIRATION
BOA Thalassa	In operation	67%	December 2013
BOA Galatea	In operation	81%	July 2014
Siem Mollie	In operation until 15 October	Not applicable	21 October 2010
Atlantic Guardian	Subleased until 30 October	Not applicable	25 January 2011

BOA Thalassa spent the entire fourth quarter performing ultra deep water acquisition of 3D EM data for PEMEX in the Mexican sector of the Gulf of Mexico. This work generated fourth quarter revenues of approximately USD 14 million. Production has been somewhat lower than expected. Productivity is expected to improve when the vessel moves from challenging, ultra deep waters to shallower water depth areas before the end of the second quarter. EMGS is on track with regard to contractual deliverables for the year.

In October, BOA Galatea acquired 3D EM data for a repeat customer in Malaysia. In November, the vessel conducted surveys for Shell offshore Brunei and the Philippines before heading to Australia to acquire data for Woodside on the North West Shelf. The latter project was completed towards the end of December.

Siem Mollie spent the first half of October acquiring 3D EM data for Total E&P UK Ltd and DONG Energy in the West of Shetland area on the UK Continental Shelf. The vessel was subsequently de-rigged and delivered back to the owner as the charter expired on 21 October.

EVENTS IN THE QUARTER

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. The revenues were 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. Data was acquired using EMGS's mobile acquisition set deployed from the vessel Siem Mollie. The charter on this vessel was therefore extended 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. The survey was completed in October.

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. The 3D EM survey was performed in the first half of November.

On 12 November, EMGS was awarded a USD 2 million survey by Shell Philippines Exploration BV, which operates the block SC60 joint venture. The work was performed by BOA Galatea and completed ahead of the previously announced contract for Woodside in Australia. The latter survey started in the beginning of December and was completed by the end of the month.

On 3 December, the BOA Galatea's backlog was extended through January following the award of a USD 4 million contract for Shell in New Zealand.

On 20 December, EMGS reported that it had entered into a Joint Industry Project (JIP) with Shell to plan and design the next generation of 3D EM equipment. The two companies will, over a six-month period, conduct a feasibility study that includes laboratory tests, design solutions, specifications and a project plan for the development of the next generation of source, receivers and positioning system.

RECENT EVENTS

On 27 January, EMGS announced that it had been awarded a contract worth USD 8.5 million by a repeat customer to acquire 3D EM data offshore Mozambique. BOA Galatea mobilized in early February, following completion of her current work in New Zealand. The Mozambique survey will continue into the early part of the second quarter.

On 1 February, EMGS reported that it had signed a contract worth approximately USD 12.5 million with an oil company in the Kingdom of Saudi Arabia. BOA Galatea will acquire both 3D electromagnetic (EM) and magnetotelluric (MT) data in the Red Sea over a three-month period. Mobilization is expected in the early part of the second quarter, following completion of the contract offshore Mozambique.

OUTLOOK

EMGS's backlog presently stands at a record-high USD 155 million. The BOA Galatea is fully booked through to the end of July following the award of 3D EM surveys offshore Mozambique and in the Red Sea, and the BOA Thalassa is committed to the PEMEX contract until the end of 2012.

A number of spending surveys indicate increased exploration and production spending in 2011 and 2012. This, coupled with a growing opportunity pipeline, leads EMGS to take an optimistic view with regards to mobilising its mobile acquisition set in the first half of 2011.

EMGS is fully committed to building a financially sustainable business and expects to deliver Positive Net Income for 2011 and a strengthened balance sheet through the year.

Oslo, 9 February 2011
Board of Directors

CONSOLIDATED INCOME STATEMENT

Amounts in USD 1 000	Q4 2010 Unaudited	Q4 2009 Unaudited	2010 Unaudited	2009 Audited
Operating revenues				
Contract sales	**26 711**	3 520	64 073	39 593
Multi-client sales	**521**	3 464	11 335	19 385
Total operating revenues	**27 232**	**6 984**	**75 408**	**58 978**
Operating expenses				
Charter hire, fuel and crew expenses	**14 919**	13 375	32 856	55 211
Employee expenses	**9 886**	8 457	30 451	30 194
Depreciation and ordinary amortisation	**3 703**	5 974	18 431	23 707
Multi-client amortisation	**-**	-	4 083	-
Other operating expenses	**4 821**	3 816	14 456	13 308
Total operating expenses	**33 329**	**31 621**	**100 277**	**122 420**
Operating profit (loss)	**-6 098**	**-24 638**	**-24 869**	**-63 442**
Share of profit of joint venture	**-**	-2 166	-	-10 746
Financial income and expenses				
Interest income	**12**	71	201	375
Interest expenses	**-2 082**	-1 699	-7 587	-4 517
Change in fair value of conversion rights	**-21 905**	-2 976	-23 754	1 212
Net foreign currency income/(loss)	**-144**	-471	-267	-4 286
Net financial items	**-24 119**	**-5 074**	**-31 407**	**-7 217**
Income/(loss) before income tax	**-30 217**	**-31 878**	**-56 276**	**-81 404**
Income tax expenses	**-1 826**	-1 083	-1 068	-109
Income/(loss) for the period	**-28 391**	**-30 795**	**-55 208**	**-81 295**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Income/(loss) for the period	**-28 391**	**-30 795**	**-55 208**	**-81 295**
Exchange differences on translation of foreign operations	**-237**	-14	46	8
Total comprehensive income/(loss) for the period	**-28 628**	**-30 809**	**-55 162**	**-81 287**

CONSOLIDATED BALANCE SHEET

Amounts in USD 1 000	Year ended 31 December 2010 Unaudited	Year ended 31 December 2009 Audited
ASSETS		
Non-current assets		
Intangible assets	**7 827**	2 862
Property, plant and equipment	**23 104**	32 117
Assets under construction	**9 085**	10 533
Investments in joint venture	**3 015**	3 015
Restricted cash	**7 326**	-
Total non-current assets	**50 357**	**48 527**
Current assets		
Inventories	**9 293**	8 147
Trade receivables	**20 640**	9 930
Other receivables	**4 459**	6 924
Cash and cash equivalents	**21 340**	29 578
Restricted cash	**10 884**	-
Total current assets	**66 615**	**54 579**
Total assets	**116 972**	**103 106**
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital, share premium and other paid equity	**182 381**	149 739
Other reserves	**-172**	-218
Retained earnings	**-179 988**	-124 780
Total equity	**2 222**	**24 741**
LIABILITIES		
Non-current liabilities		
Employee benefit obligations	**5 085**	5 462
Borrowings	**2 652**	4 263
Total non-current liabilities	**7 737**	**9 725**
Current liabilities		
Trade payables	**12 752**	14 570
Current tax liabilities	**948**	2 047
Provisions	**774**	6 718
Other short term liabilities	**12 981**	10 806
Borrowings	**79 560**	34 499
Total current liabilities	**107 015**	**68 640**
Total liabilities	**114 751**	**78 365**
Total equity and liabilities	**116 972**	**103 106**

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in USD 1 000	Year ended 31 December 2010 Unaudited	Year ended 31 December 2009 Audited
Net cash flow from operating activities:		
Income/(loss) before income tax	**-56 276**	-81 404
Adjustments for:		
Witholding tax expenses	**-1 160**	410
Total taxes paid	**1 128**	-1 090
Depreciation and ordinary amortisation	**22 515**	23 707
Multi-client amortisation	**-**	-
Profit of sale of fixed asset	**115**	-36
Share of net (profit)/loss of joint venture	**-257**	2 643
Non-cash portion of pension expenses	**-377**	1 070
Cost of share-based payments	**1 793**	1 185
Change in trade receivables	**-10 710**	3 993
Change in inventories	**-1 146**	1 392
Change in trade payables	**-1 818**	-4 944
Change in other working capital	**-4 194**	5 331
Change in fair value of conversion rights	**23 754**	-616
Write down of investment in JV	**-**	8 103
Amortisation of interest	**6 221**	4 861
Net cash flow from operating activities	**-20 412**	**-35 395**
Investing activities:		
Purchases of property, plant and equipment	**-3 347**	-4 940
Purchases of intangible assets	**-834**	-2 507
Proceeds from sales of assets	**286**	119
Investment in multi-client library	**-9 979**	-
Cash used in investing activities	**-13 874**	**-7 328**
Financial activities:		
Financial lease payments-principal	**-3 931**	-2 578
Proceeds from bond offering	**20 000**	-
Proceeds from convertible loans	**-**	27 364
Proceeds from issuance of ordinary shares	**33 430**	22 264
Cost of rights issue	**-2 581**	-
Payment of interest on bonds	**-2 660**	-1 027
Payment of bank borrowings	**-**	-1 834
Cash provided by financial activities	**44 258**	**44 189**
Net increase in cash	**9 972**	**1 466**
Cash balance beginning of period	**29 578**	28 112
Cash balance end of period	**39 550**	29 578
Increase in cash	**9 972**	**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**
Currency translation differences	-	-237	-	**-237**
Loss for the period	-	-	-28 392	**-28 392**
Total comprehensive income	**-**	**-237**	**-28 392**	**-28 629**
Cost of share-based payment	873	-	-	**873**
Cost of private placement	-132	-	-	**-132**
Proceeds from shares issued - private placement and options exercised	119	-	-	**119**
Balance at 31 December 2010 (Unaudited)	**182 382**	**-172**	**-179 988**	**2 222**

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	Q4 2010 Unaudited	Q4 2009 Unaudited	2010 Unaudited	2009 Audited
Americas	**14.4**	3.1	25.6	21.0
Asia	**6.1**	0.3	16.9	5.1
Europe	**4.4**	3.5	25.6	29.6
Africa	**-0.1**	0.1	4.8	3.3
Australia	**2.4**	-	2.5	-
Total	**27.2**	**7.0**	**75.4**	**59.0**

Fair value of conversion rights

In 2009, Fugro N.V provided EMGS ASA a NOK 150 million secured convertible loan, which is due on 2 January 2012, at the current conversion price of NOK 5.40. As the functional currency for EMGS is USD and the conversion price is in NOK, the loan is subject to a "fair value adjustment" according to IFRS accounting rules. This adjustment is made every quarter, and is affected by changes in EMGS's share price, as well as the exchange rate between USD and NOK. For the fourth quarter, the negative effect totals USD 21.9 million owing to a substantial increase in EMGS's share price.

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.

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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.

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