

September 10, 2004

OMNI ENERGY SERVICES CORP. (OMNI: NASDAQ)

Update: Reiterate BUY Rating, Lower \$6.00/Share Price Target

Share Statistics	
Symbol	OMNI
Closing Price	\$3.16
High/Low 52 Weeks	\$9.00/\$2.14
Market Capitalization	\$34.8 mn
Shares Outstanding (Diluted)	11.0 mn

Reaffirm Rating, but Reduce Price Target

We maintain our BUY rating on Omni Energy Services Corp. ("OMNI" or "The Company"), yet reduce the price target to \$6.00/Share based on OMNI's trailing performance being disrupted by weather and acquisition integrations; the lower target also takes account for the potential for ongoing abnormal weather episodes on the Company's future performance. Hence, on a TTM P/E, imputed with more tapered forward looking top-line growth and margin expectation, we have realigned OMNI's FY05 price target downward to \$6.00 per share.

SECTOR: Energy | INDUSTRY: Oil Well Services & Equipment

Valuation Ratios	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	51.88*	36.90	16.53	22.19

Source: Yahoo, Reuters

OMNI received a Nasdaq Staff determination on August 25, 2004 indicating that the Company had not complied with Nasdaq Marketplace Rule 4310(c)(14) by failing to file its Form 10-Q for the period ended June 30, 2004 on a timely basis, and that its securities were, therefore, subject to delisting from the Nasdaq National Stock Market. The notification is standard procedure when a Nasdaq listed company fails to complete a required filing in a timely manner. The Company filed the Form 10-Q on August 26, 2004 and, as a result, the Nasdaq listing requirements have been satisfied. Nasdaq has notified OMNI that with the filing of its Form 10-Q, the Company is in compliance with the Rule and, accordingly, the matter is closed.

Recent 2004 Financial Performance

OMNI's revenues increased 31% to \$13.6 million compared to \$10.4 million in the comparable second quarter period last year. During 2Q04, the Company experienced certain non-cash accounting charges totaling \$1.5 million resulted in a net loss of (\$1.2) million (\$0.11) per diluted share. Before interest charges of \$0.6 million, depreciation and amortization charges of \$1.2 million, non-cash accounting charges of \$1.5 million and other net expenses of \$0.1 million, OMNI's "non-GAAP operating results" were \$2.2 million for the three-month period ended June 30, 2004. For the same quarter ended June 30, 2003, before interest charges of \$0.2 million, depreciation and amortization charges of \$1.3 million, and other net expenses of \$0.1 million, OMNI's non-GAAP operating results were \$3.1 million.

The Company reported its seismic drilling revenues were approximately \$2.0 million less than expected during the quarter ended June 30, 2004 due to abnormal weather conditions. During the months of May and June 2004, Louisiana and the Gulf Coast experienced rainfall amounts of more than 50 inches. These unusually wet conditions interrupted the Company's normal seismic drilling operations and resulted in a high number of "weather days" for the period. The lower than expected results from OMNI's seismic drilling division were partially offset by exceptionally strong profit margins from the Company's aviation division. The Company's 5-year contract with W&T Offshore commenced during the June 30, 2004 three-month period. Aviation gross profits margins for the quarter ended June 30, 2004 were \$2.3 million or 46%. For this same three month period, aviation revenues totaled \$5.0 million, a 400% increase over the same quarter of 2003.

Additionally, the Company's second quarter net loss included approximately \$1.5 million of certain non-cash accounting charges recorded in connection with the completion of certain deferred compensation agreements (\$0.9 million) and with the issuance of approximately \$15.0 million in convertible debentures (\$0.6 million). OMNI used the proceeds of approximately \$15.0 million of the 6.5% Subordinated Convertible Debentures issued during the first and second quarters of 2004 to redeem the Company's 8% Series A

and its 8% Series B Preferred Stock. At the time of redemption, the Series A and Series B Preferred Stock was convertible into approximately 5 million shares of the Company's common stock.

(US \$000)	Three Months Ended	
	June 30,	
	<u>2004</u>	<u>2003</u>
Operating revenue	\$ 13,592	\$ 10,409
Operating expenses	10,076	7,537
Gross profit	3,516	2,872
G&A expenses	3,443	1,232
Diluted Per Share	\$ (0.11)	\$ 0.18
Diluted Shares Out.	11,044	8,742

Kipley J. Lytel, CFA, is a senior partner with money management firm Montecito Capital Management. For over three years Mr. Lytel served as the lead securities analyst for M.L. Stern & Company. Previously, he performed portfolio management and analyst coverage during his employment with two hedge funds, Pacific Strategic Fund Group and DD Capital Management. His background has been marked by his experience as a Generalist, with analyst coverage spanning numerous industries, including: telecommunications & wireless, health care, retail, consumer products, technology, gaming and energy (E&P). He received his Masters of Business Administration (MBA) with Honors from the Peter F. Drucker School of Management at Claremont Graduate University, where he also received his undergraduate Bachelors of Arts (BA) degree in Economics. Mr. Lytel is a Chartered Financial Analyst (CFA) and an active member of the Association of Investment Management and Research (AIMR) and the Los Angeles Society of Financial Analysts (LASFA).

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