EMGS SECOND QUARTER 2016.

Highlights in the Second Quarter.

Operational highlights

- Settlement of patent disputes with PGS
- Changes to the organisation to reduce costs and increase efficiency
- Canada late sale of USD 3.9 million
- Late sales and uplifts in Norway of USD 9.9 million
- Start mobilising for the Joint Industry Project
- Termination of the EM Leader charter

Financial highlights

- Revenues of USD 15.1 million
- EBITDA of USD 2.8 million
- Cost base reductions ongoing to deal with a challenging market

Key financial figures

USD million (except per share data)	Q2 2016	Q2 2015	YTD 2016	YTD 2015	FY 2015	Q1 2016
Contract sales	**0.4**	4.8	13.4	26.9	45.0	13.0
Multi-client sales	**14.7**	7.3	14.7	17.4	36.1	-
Total revenues	**15.1**	12.1	28.1	44.3	81.1	13.0
Operating profit/ (loss)	**(11.2)**	(25.2)	(19.5)	(24.5)	(69.3)	(8.3)
Income/ (loss) before income taxes	**(11.2)**	(25.9)	(26.6)	(27.1)	(73.0)	(15.5)
Net income/ (loss)	**(11.2)**	(26.0)	(26.7)	(27.2)	(76.7)	(15.5)
Earnings/ (loss) per share	**(0.01)**	(0.13)	(0.02)	(0.14)	(0.10)	(0.01)
Average number of shares outstanding (in thousands)	**1,311,766**	199,766	1,311,766	199,766	755,766	1,311,766
EBITDA	**2.8**	(6.0)	(0.6)	1.3	(16.7)	(3.4)
Multi-client investment	**4.0**	14.0	5.7	26.0	34.4	1.7
Adjusted EBITDA	**(1.2)**	(20.0)	(6.3)	(24.7)	(51.1)	(5.1)

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 15.1 million in the second quarter of 2016, up from USD 12.1 million reported for the corresponding quarter of 2015. Contract sales totalled USD 0.4 million, while multi-client sales amounted to USD 14.7 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS. For the second quarter of 2015, contract sales totalled USD 4.8 million and multi-client sales amounted to USD 7.3 million.

The Company recorded 6.0 vessel months in the second quarter of 2016 compared with 10.5 months in the second quarter of 2015. The Company's vessels were allocated 76% to multi-client projects in the second quarter of 2016, while no vessel capacity was allocated to contract work. For the second quarter of 2015, the Company had a total utilisation of 68%, with 5% allocated to contract work and 63% to multi-client projects.

Revenues for the first half of 2016 amounted to USD 28.1 million, compared with USD 44.3 million for the first half of 2015. The decrease in revenues is explained by a drop in contract work this year compared with the corresponding period last year.

Charter hire, fuel and crew expenses totalled USD 3.7 million in the second quarter this year, compared with USD 3.7 million in the second quarter last year. The Company capitalised USD 4.0 million in multi-client expenses in the quarter, while USD 14.0 million were capitalised in the second quarter of 2015. The charterhire, fuel and crew expenses have decreased from USD 17.7 million in the second quarter of 2015 to USD 7.7 million in same period this year when adding back the capitalised multi-client expenses. The main reason for the decreased expenses is the reduced activity, resulting in lower vessel lease, fuel, vessel crew and other related costs.

For the first half of 2016, charter hire, fuel and crew expenses totalled USD 9.3 million, down from USD 11.3 million in 2015. USD 5.7 million was capitalised as multi-client expenses in the first half of 2016 as opposed to USD 26.0 million during the same period last year.

Employee expenses amounted to USD 5.9 million in the second quarter 2016, down from USD 9.3 million in the same quarter in 2015. The decrease is mainly explained by a reduction in the number of employees.

Employee expenses for the first half were USD 13.4 million in 2016, compared with USD 22.4 million in 2015.

Other operating expenses totalled USD 2.6 million in the second quarter. In the second quarter last year, the other operating expenses ended at USD 5.1 million.

For the first half of 2016, other operating expenses amounted to USD 6.0 million, down from USD 9.4 million in the same period last year. The decrease is mainly explained by a reduction in activity.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.9 million in the second quarter of 2016, down from USD 3.3 million in the second quarter of 2015. The reduction is due to various assets becoming fully depreciated.

Multi-client amortisation amounted to USD 2.8 million this quarter, compared with USD 1.5 million in the second quarter of 2015. As communicated in the financial report for the fourth quarter 2015, EMGS changed its principles for multi-client amortisation from 1 January 2016. The Company now uses straight-line amortisation for its completed multi-client projects, assigned over the useful life time of 4 years. The amortisation is then distributed evenly, independently of sales during the quarter.
Depreciation and ordinary amortisation decreased from USD 6.5 million in the first half of 2015 to USD 4.0 million in 2016.
Multi-client amortisation totalled USD 5.6 million for the first half of 2016, up from USD 1.9 million in 2015.
Based on updated sales forecasts, the Company estimates the recoverable amounts for multi-client projects in the US

Gulf of Mexico, and the Indonesian multi-client project to be lower than the carrying amount. As a result, a multi-client impairment of USD 9.2 million was done in the second quarter 2016. In the corresponding period of 2015, the company did an impairment of goodwill related to the acquisition of OHM in 2011 of USD 14.4 million.

Net financial items

Net financial items ended at USD 0.0 million in the second quarter 2016, compared with a negative USD 0.7 million in the corresponding quarter last year.

For the first half of 2016, net financial items were negative USD 7.1 million, down from a negative USD 2.6 million in the first half year of 2015. The net financial items in 2016 include among others the net loss on financial assets of USD 5.3 million, consisting of a loss of USD 7.2 million related to the sales of the Company's shares in North Energy ASA and a gain of USD 1.9 million related to the forward agreement. The loss on the North Energy ASA shares is the accumulated loss related to the purchase of shares in 2014. The loss was reclassified from comprehensive income to net financial items in the income statement in the first quarter of 2016.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 11.2 million in the second quarter 2016, compared with a loss before income taxes of USD 25.9 million in the corresponding quarter in 2015.

Loss before income taxes for the first half of 2016 amounted to USD 26.6 million, compared to a loss before income taxes of USD 27.1 million in the same period last year.

Income tax expenses

Income tax expenses of USD 0.1 million were recorded in the second quarter of 2016, compared with an income tax expense of also USD 0.1 million in the second quarter of 2015.

Income tax expenses for the first half of 2015 were USD 0.1 million, compared with USD 0.1 million for the same period in 2015.

Net income for the period

Losses for the second quarter of 2016 amounted to USD 11.2 million, up from a loss of USD 26.0 million in the same period last year.

Losses for the first half of 2016 were USD 26.7 million, up from a loss of USD 27.2 million in the same period last year.

Cash flow and balance sheet

In the second quarter 2016, net cash flow from operating activities was USD 7.4 million, compared with a net cash flow of USD 18.4 million in the second quarter of 2015. The positive cash flow this quarter is caused by the positive EBITDA. In addition, the cash flow is positively affected by an increase in other short term liabilities of USD 4.0 million, while negatively affected by an increase in trade receivables of USD 3.9 million. In the comparable quarter last year, the cash flow was positively affected by a USD 22.2 million decrease in the trade receivables.

In the first half of 2016, net cash flow from operating activities was negative USD 2.3 million, compared with a positive USD 46.6 million in the same period last year. The positive cash flow last year was mainly caused by a decrease in trade receivables of USD 49.2 million.

EMGS applied USD 4.8 million in investing activities in the second quarter this year, compared with USD 17.1 million in the second quarter of last year. The Company invested USD 0.8 million in equipment and USD 4.0 million in the multi-client library. Cash flow from investing activities in the first six months of this year amounted to a negative USD 5.7 million, compared with a negative USD 31.7 million for the same period in 2015. The Company has invested USD 1.4 million in equipment and USD 5.7 million in the multi-client library so far this year, and has a positive cash flow of USD 1.4 million from the sales of shares in North Energy ASA.

The carrying value of the multi-client library was USD 33.1 million at 30 June 2016, down from USD 41.2 million at 31 March 2016 and USD 42.3 million at 31 December 2015.

Cash flow from financial activities was negative USD 1.4 million in the second quarter of 2016, compared with a negative cash flow of USD 1.0 million in the same quarter last year.

Cash flow from financial activities for the first half of 2016 amounted to negative USD 2.5 million, compared with a negative USD 1.5 million in the same period of 2015.

The Company had a net increase in cash, excluding the restricted cash, of USD 1.2 million during the second quarter of 2016. At 30 June 2016, cash and cash equivalents totalled USD 25.4 million, including 4.2 million in restricted cash.

Financing

Total borrowings were USD 32.4 million at 30 June this year, down from USD 32.7 million at 31 March 2016 and down from USD 46.1 million at 30 June last year. This includes the Company's NOK 270 million bond loan, which has a carrying value of USD 31.7 million at 30 June 2016 and USD 32.0 million at 31 March. The decrease in value is a result of appreciation of the USD against NOK.

The bond loan contains the following two financial covenants; free cash and cash equivalents of at least USD 10 million and capital employed ratio of minimum 1/3. In addition, the bond agreement has restrictions regarding the Company's ability, among other things, to sell the multi-client library, declare or make any dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 30 June 2016, the free cash and cash equivalents totalled USD 21.2 million, while the capital employed ratio equaled 84%.

The Company's forward rate agreement (FRA) is classified as a financial liability on the balance sheet. In the second quarter, the overhedged amount of NOK 80 million was settled and resulted in a loss of USD 0.7 million. The remaining NOK 270 million of the FRA was renewed at the end of the second quarter of 2016 and matches the bond loan in amount and maturity.

Operational Review.

	Q2 2016	Q1 2016	Q4 2015	Q3 2016	Q2 2015
Contract	**0%**	29%	21%	16%	5%
Multi-client	**76%**	26%	0%	48%	63%
Total utilisation	**76%**	55%	21%	64%	68%

Vessel utilisation and fleet allocation

Vessel utilisation for the second quarter of 2016 amounted to 76% compared with 68% for the corresponding quarter in 2015. For the first six months this year, the vessel utilisation was 64% compared with 72% for the same period last year.

In the second quarter of 2016, the Company's vessels were allocated 76% to multi-client projects. No vessel capacity was spent on contract work. In the comparable quarter of 2015, the vessels were allocated 5% to contract work and 63% to multi-client projects.

EMGS had two vessels in operation in the second quarter 2016, thus the Company recorded 6.0 vessel months. In the second quarter 2015, the Company had four vessels in operation and recorded 10.5 vessel months.

Vessel activity in the second quarter

BOA Thalassa

The BOA Thalassa commenced on a multi-client project west of India on 12 March. The project was completed on 16 April and the vessel has been laid up at a reduced rate since 1 May with the crews temporarily laid off. The vessel's utilisation for the second quarter was 51%.

	Utilisation Q2	Status Q2	Firm charter period	Optional charter period
BOA Thalassa	**51%**	In operation	01 April 2017	
Atlantic Guardian	**85%**	In operation	18 December 2017	3 x 12 months

Atlantic Guardian

The Atlantic Guardian commenced on a multi-client project in the Hammerfest Basin on 10 March. The project was completed on 26 April. Following the project in the Hammerfest Basin, the Atlantic Guardian acquired multi-client data in the Norwegian Sea from 29 April to 27 May. The vessel commenced on a multi-client project in the North Sea 29 May, which was completed on 24 June. Following this, the vessel started its transit back to the Fosen shipyard for the rigging of the Joint Industry Project (JIP). The vessel's utilisation for the second quarter was 85%.

EM Leader

The EM Leader has been laid up since 15 May 2015. During the second quarter this year, EMGS and the owner of the EM Leader, Euro Trans Skips AS, agreed to terminate the vessel's charter agreement as of 1 June 2016, to the commercial benefit for both parties.

Backlog

As of 30 June 2016, EMGS' backlog was at approximately USD 5 million, compared with a backlog of USD 15.8 million at the end of the second quarter in 2015. The backlog as of 30 June 2016 is mainly related to the Pemex contract. Pemex and EMGS have currently not agreed on when EMGS will start working under the contract again.

Events during the first half of 2016

Sale of shares in North Energy ASA

In January 2016, EMGS sold its 11,851,463 shares in North Energy ASA at a price of NOK 1.02 per share. Following the transaction, EMGS holds no shares in North Energy ASA. The shares were sold at a price of USD 1.4 million. The accumulated loss from the purchase of the shares in 2014 was USD 7.2 million. The amount was reclassified from comprehensive income to net financial items in the first quarter of 2016.

Settlement agreement with PGS

On 13 April, EMGS announced that the Company had entered into a Settlement Agreement with Petroleum Geo-Services ASA (PGS) to settle the companies' patent disputes in three jurisdictions.

The Settlement Agreement grants PGS a license to the EMGS patent for operating its Towed Streamer EM system. EMGS is similarly granted a license to the PGS patent. Both licenses are royalty free and valid world-wide for the validity period of the relevant patents. The Settlement Agreement also opens up for joint EM and seismic surveys in the future.

EMGS and PGS support the validity of the EMGS Patent and the PGS Patent. Both companies agreed to cover their own legal costs.

Changes to the organisation

On 14 April, EMGS announced that the Company will implement changes to the organisation to reduce the Company's cost base and increase efficiency in line with the expected level of activity.

The Company implemented several structural changes to the organisation, including centralising and / or merging departments, in addition to other measures to reduce cost. The changes resulted in a reduction of the global headcount by about 15%.

The Company booked restructuring charges of approximately USD 0.7 million in the second quarter of 2016. The additional cost measures will come in full effect from the third quarter 2016 and are expected to further reduce the annualized cost base by USD 10 to 15 million depending on the level of activity. Following the recent cost measures, the Company currently expects its cost base for 2016 to be below USD 75 million.

Sales from the multi-client library in Canada

Late May, EMGS announced that the Company had entered into a data licensing agreement with a major international oil company for the provision of 3D electromagnetic data from the multi-client library over the Flemish Pass Basin, offshore Newfoundland, Canada worth USD 3.9 million. The revenues were recognised in the second quarter 2016.

Uplift revenues from the 23rd licensing round

Late May, the Ministry of Petroleum and Energy announced the offer of ten new production licenses in the 23rd licensing round on the Norwegian continental shelf to a total of thirteen companies.

Based on these awards, EMGS recognised uplift revenues in the second quarter, net after adjustment for a share of revenues, of USD 9.9 million from data-licensing agreements related to the Company's multi-client library in the Barents Sea.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2016, the EMGS share was traded between NOK 0.16 and NOK 0.27 per share. The last closing price before 30 June 2016 was NOK 0.17.

As of 30 June 2016, the Company had a total of 1,311,765,560 shares outstanding.

General meeting

EMGS held its annual general meeting on 9 June 2016. All items on the agenda were resolved at the meeting.

At the general meeting, it was resolved to consolidate the Company's shares so that 40 shares, each having a par value of NOK 0.25 are consolidated into one share having a par value of NOK 10.00.

The Board was reduced in size from ten to seven members. Eystein Eriksrud (Chairman), Petteri Soininen, Johan Mikkelsen, Mimi Berdal and Anne Øian were re-elected. Adam Robinson and Christel Brønstad continue as employee representatives. Also, Kristian Siem (Chairman) and Frederik W. Mohn were re-elected as members of the Nomination Committee.

Related party transactions

Note 33 in EMGS's annual report for 2015 concerns transactions with related parties. There have not been any new transactions with related parties during the first half of 2016, nor any material changes in the transactions mentioned in the note to the annual report.

Risks and uncertainty factors in the second half of 2016

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. The low oil price has resulted in a substantial decline in the E&P spending, and a corresponding sharp deterioration of the market for geophysical services, including EMGS' services.

During 2015 and the first half year of 2016, EMGS Board and management have implemented comprehensive cost reduction measures, including changes to the organisation to reduce the Company's cost base. This has reduced the operational cost base from USD 170 million in 2014 to a target below USD 75 million for 2016. In addition, a financial restructuring has been completed to improve the Company's financial position.

EMGS management follows the Company's liquidity risk closely, including weekly updates of the Company's sales forecast and vessel schedule, and a corresponding update of the cost and free cash forecast.

Based on the Company's reduced backlog and the current market situation, there is material uncertainty related to the expected level of revenues going forward. The market continues to be weak during the third quarter of 2016 and there has not been a strong recovery in tender activity. This puts pressure on the Company's cash position and consequently the bond covenant required free cash position of USD 10 million.

The Company is dependent upon securing sufficient backlog. Should sufficient backlog not be forthcoming within the next three to six months, the Company may have to consider raising new financing through new capital or debt, sale of assets, a restructuring of existing debt, further downsizing or a combination.

In the event that the Company does not secure sufficient backlog and solve the resulting liquidity issues that may arise in the coming three to six months, the going concern basis may no longer be valid.

The ever changing exogenous factors in the industry will impact the business and risk factors going forward and they represent added uncertainties. In addition, there are risks associated with EM marine operations which might affect the profitability of projects. Examples include: changes in governmental regulations affecting EMGS' markets, technical downtime, adverse weather conditions, licensing and permitting, as well as delays in closing revenue-generating contracts. Reference is made to the Annual Report of 2015 for a further description of other relevant risk factors.

Outlook

The market outlook for oil services is challenging and characterised by high uncertainty. Oil companies have continued to announce further cost reductions in their spending for 2016 compared to 2015 as a response to the sharp decline in oil price.

The Company expects that the awards for the 23rd licensing round in Norway will trigger multi-client late sales in the second half of 2016, in addition to the uplift multi-client sales in the second quarter.

Based on the current operational forecast, EMGS expects to operate two vessels in 2016. The Company expects to keep one vessel in Asia throughout 2016, while the other vessel is expected to operate in Europe. EMGS will continue to invest in its multi-client library in selected areas. Capital investments are mainly limited to the joint-industry-project (JIP).

Statement of responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2016, which has been prepared in accordance with IAS 34 – Interim Financial Reporting, gives a true and fair view of Electromagnetic Geoservices ASA's consolidated assets, liabilities, financial position and results of operations.

Oslo, 18 August 2016
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q2 2016 Unaudited	Q2 2015 Unaudited	First half year 2016 Unaudited	First half year 2015 Unaudited	2015 Audited
Operating revenues					
Contract sales	**388**	4,789	13,426	26,898	45,008
Multi-client pre-funding	**-**	1,213	-	1,092	3,546
Multi-client late sales	**14,678**	6,068	14,678	16,348	32,586
Total revenues	**15,066**	**12,070**	**28,104**	**44,338**	**81,140**
Operating expenses					
Charter hire, fuel and crew expenses	**3,732**	3,713	9,295	11,266	32,402
Employee expenses	**5,936**	9,252	13,419	22,390	44,826
Depreciation and ordinary amortisation	**1,932**	3,347	4,043	6,515	12,679
Multi-client amortisation	**2,824**	1,467	5,648	1,904	8,631
Impairment of long-term assets	**9,228**	14,422	9,228	17,302	31,344
Other operating expenses	**2,573**	5,074	5,972	9,426	20,607
Total operating expenses	**26,225**	**37,275**	**47,605**	**68,803**	**150,489**
Operating profit/ (loss)	**(11,159)**	**(25,205)**	**(19,501)**	**(24,465)**	**(69,349)**
Interest income	**45**	144	96	217	352
Interest expense	**(752)**	(1,056)	(1,790)	(2,020)	(4,055)
Net gains/(losses) of financial assets	**(377)**	-	(5,291)	-	(4,106)
Net foreign currency income/(loss)	**1,089**	182	(118)	(813)	4,155
Net financial items	**5**	**(730)**	**(7,103)**	**(2,616)**	**(3,654)**
Income/ (loss) before income taxes	**(11,154)**	**(25,935)**	**(26,604)**	**(27,081)**	**(73,003)**
Income tax expense	**55**	76	55	146	3,712
Income/ (loss) for the period	**(11,209)**	**(26,011)**	**(26,659)**	**(27,227)**	**(76,715)**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q2 2016 Unaudited	Q2 2015 Unaudited	First half year 2016 Unaudited	First half year 2015 Unaudited	2015 Audited
Income/ (loss) for the period	**(11,209)**	**(26,011)**	**(26,659)**	**(27,227)**	**(76,715)**
Oher comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**115**	(8)	115	(8)	28
Net (loss)/gain on available-for-sale (AFS) financial assets	**-**	(225)	7,202	(2,784)	(3,218)
Oher comprehensive income	**115**	**(233)**	**7,317**	**(2,792)**	**(3,190)**
Total comprehensive income/ (loss) for the period	**(11,094)**	**(26,244)**	**(19,343)**	**(30,019)**	**(79,905)**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	Half year ended 30 June 2016 Unaudited	Half year ended 30 June 2015 Unaudited	Year ended 31 December 2015 Audited
ASSETS			
Non-current assets			
Deferred tax asset	**-**	3,008	-
Multi-client library	**33,131**	51,178	42,267
Other intangible assets	**3,161**	4,566	3,703
Property, plant and equipment	**14,335**	14,343	16,773
Assets under construction	**27,796**	33,990	26,566
Financial assets	**-**	1,982	1,387
Total non-current assets	**78,423**	**109,067**	**90,696**
Current assets			
Spare parts, fuel, anchors and batteries	**8,555**	13,742	11,754
Trade receivables	**19,545**	16,289	18,580
Other receivables	**7,259**	20,485	5,665
Cash and cash equivalents	**21,220**	38,537	31,749
Restricted cash	**4,199**	928	6,680
Total current assets	**60,778**	**89,981**	**74,428**
Total assets	**139,201**	**199,048**	**165,124**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	**319,174**	287,494	319,038
Other reserves	**901**	(6,018)	(6,416)
Retained earnings	**(261,313)**	(185,166)	(234,652)
Total equity	**58,762**	**96,310**	**77,970**
LIABILITIES			
Non-current liabilities			
Provisions	**15,598**	16,085	17,371
Financial liabilities	**3,662**	-	-
Borrowings	**32,180**	707	30,848
Total non-current liabilities	**51,440**	**16,792**	**48,219**
Current liabilities			
Trade payables	**6,743**	16,481	10,439
Current tax liabilies	**5,814**	4,642	5,257
Other short term liabilities	**16,247**	17,612	16,243
Financial liabilities	**-**	1,786	6,326
Borrowings	**195**	45,425	670
Total current liabilities	**28,999**	**85,946**	**38,935**
Total liabilities	**80,439**	**102,738**	**87,154**
Total equity and liabilities	**139,201**	**199,048**	**165,124**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q2 2016 Unaudited	Q2 2015 Unaudited	First half year 2016 Unaudited	First half year 2015 Unaudited	2015 Unaudited
Net cash flow from operating activities					
Income/ (loss) before income taxes	**(11,154)**	(25,935)	(26,604)	(27,081)	(73,003)
Adjustments for:					
Witholding tax expenses	**74**	-	951	-	987
Total taxes paid	**44**	(169)	(449)	(77)	(1,008)
Depreciation and ordinary amortisation	**1,932**	3,347	4,043	6,515	12,679
Multi-client amortisation and impairment	**12,052**	1,467	14,876	4,784	23,952
Impairment of other long term assets	**-**	14,422	-	14,422	16,023
Cost of share-based payment	**62**	166	136	97	104
Change in trade receivables	**(3,912)**	22,175	(965)	49,242	46,951
Change in inventories	**1,948**	(160)	3,199	1,164	3,152
Change in trade payables	**467**	7,064	(3,697)	3,118	(2,924)
Change in other working capital	**5,269**	(4,894)	5,025	(7,504)	(229)
Financial gain on bond repayment	**-**	-	-	-	(2,088)
Amortisation of interest	**605**	963	1,198	1,898	3,709
Net cash flow from operating activities	**7,387**	**18,446**	**(2,287)**	**46,578**	**28,305**
Investing activities					
Purchase of property, plant and equipment	**(764)**	(3,165)	(1,350)	(5,760)	(7,658)
Investment in multi-client library	**(3,996)**	(13,954)	(5,740)	(25,985)	(34,379)
Sale of financial assets	**-**	-	1,375	-	-
Cash used in investing activities	**(4,760)**	**(17,119)**	**(5,715)**	**(31,745)**	**(42,037)**
Financial activities					
Financial lease payments - principal	**(78)**	(107)	(218)	(150)	(299)
Proceeds from issuance of ordinary shares	**-**	-	-	-	31,536
Proceeds from new loan	**-**	-	-	945	945
Repayment/settlement of loan and FRA	**(734)**	(15)	(1,143)	(644)	(8,898)
Payment of interest on bonds	**(574)**	(856)	(1,166)	(1,660)	(3,015)
Cash provided by financial activities	**(1,386)**	**(978)**	**(2,527)**	**(1,509)**	**20,269**
		-			
Net increase in cash	**1,242**	**350**	**(10,529)**	**13,324**	**6,536**
Cash balance beginning of period	**19,978**	38,187	31,749	25,213	25,213
Cash balance end of period	**21,220**	38,537	21,220	38,537	31,749
Increase in cash	**1,242**	**350**	**(10,529)**	**13,324**	**6,536**

Consolidated Statement of Changes in Equity.

Amounts in USD 1000	Share capital, share premium and other paid-in equity	Foreign currency translation reserve	Available-for-sale reserve	Actuarial gains/(losses)	Retained earnings	Total equity
Balance at 1 January 2015 (Audited)	**287,398**	**(1,750)**	**(3,984)**	**2,508**	**(157,938)**	**126,234**
Income/(loss) for the period	-	-	-	-	(1,217)	(1,217)
Other comprehensive income	-	-	(2,559)	-		(2,559)
Total comprehensive income	**-**	**-**	**(2,559)**	**-**	**(1,217)**	**(3,776)**
Cost of share-based payment	(69)	-		-	-	(69)
Balance at 31 March 2015 (Unaudited)	**287,328**	**(1,750)**	**(6,543)**	**2,508**	**(159,155)**	**122,388**
Income/(loss) for the period	-	-	-	-	(11,209)	(11,209)
Other comprehensive income	-	(8)	(225)	-		(233)
Total comprehensive income	**-**	**(8)**	**(225)**	**-**	**(11,209)**	**(11,442)**
Cost of share-based payment	166	-		-	-	166
Balance at 30 June 2015 (Unaudited)	**287,494**	**(1,758)**	**(6,768)**	**2,508**	**(170,364)**	**111,112**
Income/(loss) for the period	-	-	-	-	(25,369)	(25,369)
Other comprehensive income	-	36	(84)	-	-	(47)
Total comprehensive income	**-**	**36**	**(84)**	**-**	**(25,369)**	**(25,416)**
Cost of share-based payment	141	-	-	-	-	141
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
Balance at 30 September 2015 (Unaudited)	**287,635**	**(1,722)**	**(6,852)**	**2,508**	**(210,535)**	**71,034**
Income/(loss) for the period	-	-	-	-	(24,118)	(24,118)
Other comprehensive income	-	-	(350)	-	-	(350)
Total comprehensive income	**-**	**-**	**(350)**	**-**	**(24,118)**	**(24,468)**
Cost of share-based payment	(133)	-	-	-	-	(133)
Proceeds from shares issued - private placement and options	31,536	-	-	-	-	31,536
Balance at 31 December 2015 (Audited)	**319,038**	**(1,722)**	**(7,202)**	**2,508**	**(234,653)**	**77,969**
Income/(loss) for the period	-	-	-	-	(15,451)	(15,451)
Other comprehensive income	-	-	7,202	-	-	7,202
Total comprehensive income	**-**	**-**	**7,202**	**-**	**(15,451)**	**(8,249)**
Cost of share-based payment	75	-	-	-	-	75
Balance at 31 March 2016 (Unaudited)	**319,112**	**(1,722)**	**-**	**2,508**	**(250,104)**	**69,794**
Income/(loss) for the period	-	-	-	-	(11,209)	(11,209)
Other comprehensive income	-	115	-	-	-	115
Total comprehensive income	**-**	**115**	**-**	**-**	**(11,209)**	**(11,094)**
Cost of share-based payment	62	-	-	-	-	62
Balance at 30 June 2016 (Unaudited)	**319,174**	**(1,607)**	**-**	**2,508**	**(261,313)**	**58,762**

Notes to the Financial Statements.

Accounting principles

These interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2015, which is available on www.emgs.com.

As from 1 January 2016, the following amendments to the accounting standards have become effective:

IAS 16 & IAS 38 amendments Clarification of Acceptable Methods of depreciation

The amendments to these standards clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate as it is an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The Group has implemented the following changes to amortisation of the multi-client library from 1 January 2016:

o During the acquisition and processing phase, amortisation continues to be based on total cost versus forecasted total revenues of the project.

o After a project is completed, a straight-line amortisation is applied. The straight-line amortisation is assigned over a remaining useful life, which for most projects is expected to be four years. The straight-line amortisation is be distributed evenly through the financial year independently of sales during the quarters.

The amendments have prospective effects; the comparative financial figures have not been changed.

Except for the amendments described above, the Group has applied the same accounting policies as in the Group's Annual Financial Statements for the year ended 31 December 2015.

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	**Q2 2016 Unaudited**	**Q2 2015** Unaudited	**First half year 2016** Unaudited	**First half year 2015** Unaudited	**2015** Audited
Americas	**4.5**	5.2	4.7	25.9	36.1
Asia/Pacific	**0.5**	-	13	-	11
EAME	**10.1**	6.9	10.5	18.4	34.0
Total	**15.1**	**12.1**	**28.2**	**44.3**	**81.1**

Multi-client library

The multi-client library consists of electromagnetic data acquired through multi-client surveys, i.e. EMGS owns the data. The electromagnetic data can be licensed to customers on a non-exclusive basis. Directly attributable costs associated with multi-client projects such as acquisition costs, processing costs, and other direct project costs are capitalised.

Updated sales forecasts for a number of multi-client projects in the US Gulf of Mexico, and the Indonesian multi-client project indicated possible impairments. The recoverable amounts for these projects were therefore calculated, and the carrying amount of these libraries exceeded the recoverable amounts by USD 9.2 million. An equivalent impairment charge has therefore been booked in the second quarter of 2016.

Amounts in USD 1 000	**Q2 2016 Unaudited**	**Q2 2015** Unaudited	**First half year 2016** Unaudited	**First half year 2015** Unaudited	**2015** Audited
Opening carrying value	**41,187**	40,108	42,267	33,758	33,758
Additions	**3,996**	13,954	5,740	25,985	36,812
Amortisation charge	**(2,824)**	(1,467)	(5,648)	(1,904)	(8,631)
Impairment	**(9,228)**	-	(9,228)	(2,880)	(15,321)
Cash contribution from partners	**-**	(1,417)	-	(3,781)	(4,351)
Closing carrying value	**33,131**	**51,178**	**33,131**	**51,178**	**42,267**

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 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 EMGS’ 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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