EMGS THIRD QUARTER 2016.

Highlights in the Third Quarter.

Operational highlights

- Joint Industry Project test survey completed
- Late sales and uplifts in Norway of USD 4.0 million

Financial highlights

- Revenues of USD 4.5 million
- Negative EBITDA of USD 6.2 million

Recent events

- Reduction in global employee expenses of around 20%
- New terms for the Atlantic Guardian charter, savings of 27%
- Provisional award in Asia, valued at USD 8 million

Key financial figures

USD million (except per share data)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015	Q2 2016
Contract sales	**0.5**	9.1	13.9	36.0	45.0	0.4
Multi-client sales	**4.0**	7.2	18.7	24.6	36.1	14.7
Total revenues	**4.5**	16.3	32.6	60.6	81.1	15.1
Operating profit/ (loss)	**(10.6)**	(21.5)	(30.1)	(45.9)	(69.3)	(11.2)
Income/ (loss) before income taxes	**(11.4)**	(23.8)	(38.0)	(50.9)	(73.0)	(11.2)
Net income/ (loss)	**(11.1)**	(25.4)	(37.8)	(52.6)	(76.7)	11.2
Earnings/ (loss) per share	**(0.34)**	(0.13)	(0.04)	(0.26)	(0.10)	0.01
Average number of shares outstanding (in thousands)	**32,794**	199,766	882,330	199,766	755,766	1,311,766
EBITDA	**(6.2)**	(10.0)	(6.8)	(8.7)	(16.7)	2.8
Multi-client and JIP investments	**3.6**	8.4	9.3	34.4	34.4	4.0
Adjusted EBITDA	**(9.8)**	(18.4)	(16.1)	(43.1)	(51.1)	(1.2)

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 4.5 million in the third quarter of 2016, down from USD 16.3 million reported for the corresponding quarter of 2015. Contract sales totaled USD 0.4 million, while multi-client sales amounted to USD 4.1 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS. For the third quarter of 2015, contract sales totaled USD 9.1 million and multi-client sales amounted to USD 7.2 million.

The Company recorded 6.0 vessel months in the third quarter of 2016 compared with 9.0 months in the third quarter of 2015. Vessel utilisation was 52% for the third quarter of 2016. The Company's vessels were allocated 31% to multi-client projects and 21% to funded research and development projects, while no vessel capacity was allocated to contract work. For the third quarter of 2015, the Company had a total utilisation of 64%, with 16% allocated to contract work and 48% to multi-client projects.

Revenues for the first nine months of 2016 totaled USD 32.5 million, compared with USD 60.6 million in the corresponding period during 2015.

Charter hire, fuel and crew expenses totaled USD 2.7 million in the third quarter this year, compared with USD 9.3 million in the third quarter last year. The Company capitalised USD 3.6 million in multi-client and JIP test expenses in the quarter, while USD 8.4 million was capitalised in the third quarter of 2015. The charter hire, fuel and crew expenses have decreased from USD 17.7 million in the third quarter of 2015 to USD 6.3 million in same period this year when adding back the capitalised expenses. The main reason for decreased expenses is reduced activity, resulting in lower vessel lease, fuel, vessel crew and other related costs. EMGS recorded a provision for the EM Leader vessel lease of USD 3.2 million in the third quarter last year.

So far this year, the Company has recorded charter hire, fuel and crew expenses of USD 11.9 million, down from USD 20.6 million in 2015. USD 9.3 million was capitalised as multi-client and JIP test expenses in the first nine months of 2016 as opposed to USD 34.4 million in capitalised expenses during the same period last year.

Employee expenses amounted to USD 5.7 million in the third quarter 2016, down from USD 11.2 million in the same quarter in 2015. The decrease is mainly explained by a reduction in the number of employees. In addition, the employee expenses included a provision related to restructuring charges of USD 1.4 million last year.

Employee expenses for the first nine months were USD 19.1 million in 2016, compared with USD 33.6 million in 2015.

Other operating expenses totaled USD 2.3 million in the third quarter this year. In the third quarter last year, the other operating expenses were USD 5.7 million.

For the first nine months of 2016, other operating expenses amounted to USD 8.3 million, down from USD 15.1 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 totaled USD 1.7 million in the third quarter of 2016, down from USD 3.5 million in the third 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 2.6 million in the third 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 and onwards. 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.

In the third quarter of 2015, the Company recorded a multi-client impairment of USD 3.9 million and an impairment on equipment of USD 1.6 million. No impairment was done in the third quarter this year.

Depreciation and ordinary amortisation decreased from USD 10.0 million in the first nine months of 2015 to USD 5.7 million in 2016. Multi-client amortisation totaled USD 8.4 million for the first nine months of 2016, up from USD 4.5 million in 2015.

Net financial items

Net financial items ended at a negative USD 0.8 million in the third quarter 2016, compared with a negative USD 2.4 million in the corresponding quarter last year.

For the first nine months of 2016, net financial items were negative USD 7.9 million, down from a negative USD 5.0 million in the first nine months of 2015. The net financial items in 2016 include among others the net loss on financial assets of USD 4.0 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 3.2 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 11.4 million in the third quarter 2016, compared with a loss before income taxes of USD 23.8 million in the corresponding quarter in 2015.

Loss before income taxes for the first nine months of 2016 amounted to USD 38.0 million, compared to a loss before income taxes of USD 50.9 million in the same period last year.

Income tax expenses

Income tax expenses of a negative USD 0.4 million were recorded in the third quarter of 2016, compared with an income tax expense of USD 1.5 million in the third quarter of 2015.

Year to date, the Company has recorded a negative USD 0.3 million in income tax expenses, compared with USD 1.7 million for the same period in 2015.

Net income for the period

Losses for the third quarter of 2016 amounted to USD 11.1 million, up from a loss of USD 25.4 million in the same period last year.

Losses for the first nine months of 2016 were USD 37.7 million, up from a loss of USD 52.6 million in the same period last year.

Cash flow and balance sheet

In the third quarter 2016, net cash flow from operating activities was negative USD 0.5 million, compared with a negative net cash flow of USD 7.1 million in the third quarter of 2015. The negative cash flow this quarter is caused by the negative EBITDA. In addition, the cash flow is positively affected by a decrease in trade receivables of USD 11.3 million, while negatively affected by a decrease in other working capital of USD 5.1 million. In the comparable quarter last year, the net cash flow was mainly negatively affected by the negative EBITDA.

In the first nine months of 2016, net cash flow from operating activities was negative USD 2.7 million, compared with a positive USD 39.5 million in the same period last year. The positive cash flow last year was mainly caused by a decrease in trade receivables of USD 50.2 million.

EMGS applied USD 4.9 million in investing activities in the third quarter this year, compared with USD 10.1 million in the third quarter of last year. The Company invested USD 1.4 million in equipment, USD 1.8 million in the multi-client library, and USD 1.7 million in a test survey for the JIP equipment.

Cash flow from investing activities in the first nine months of this year amounted to a negative USD 10.6 million, compared with a negative USD 41.8 million for the same period in 2015. The Company has invested USD 2.7 million in equipment, USD 1.7 million in a test survey for the JIP equipment, and USD 7.6 million in the multi-client library so far this year, and has recorded 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 32.2 million at 30 September 2016, down from USD 33.1 million at 30 June 2016 and USD 42.3 million at 31 December 2015.

Cash flow from financial activities was negative USD 0.1 million in the third quarter of 2016, compared with a negative cash flow of USD 1.1 million in the same quarter last year.

Cash flow from financial activities for the first nine months of 2016 amounted to negative USD 2.6 million, compared with a negative USD 2.7 million in the same period of 2015.

The Company had a net decrease in cash, excluding the restricted cash, of USD 5.5 million during the third quarter of 2016. At 30 September 2016, cash and cash equivalents totaled USD 19.8 million, including 4.1 million in restricted cash.

Financing

Total borrowings were USD 34.2 million at 30 September this year, up from USD 32.4 million at 30 June 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 33.1 million at 30 September 2016 and USD 31.7 million at 30 June. The increase in value is a result of depreciation 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 September 2016, the free cash and cash equivalents totaled USD 15.7 million, while the capital employed ratio equaled 72%.

Operational Review.

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Contract	**0%**	0%	29%	21%	16%
Multi-client	**31%**	76%	26%	0%	48%
Funded R&D project	**21%**	0%	0%	0%	0%
Total utilisation	**52%**	76%	55%	21%	64%

Vessel utilisation and fleet allocation

Vessel utilisation for the third quarter of 2016 amounted to 52% compared with 64% for the corresponding quarter in 2015. For the first nine months this year, the vessel utilisation was 61% compared with 70% for the same period last year.

In the third quarter of 2016, the Company's vessels were allocated 31% to multi-client projects and 21% to a funded research and development project. No vessel capacity was spent on contract work. In the comparable quarter of 2015, the vessels were allocated 16% to contract work and 48% to multi-client projects.

EMGS recorded 6.0 vessel months in the quarter. In the third quarter 2015, the Company recorded 9.0 vessel months.

Vessel activity in the third quarter

	Utilisation Q3	Status Q3	Firm charter period	Optional charter period
BOA Thalassa	**0%**	Laid up	01 April 2017	
Atlantic Guardian	**52%**	In operation	30 September 2021	5 x 12 months

BOA Thalassa

The BOA Thalassa has been laid up at a reduced rate since 1 May 2016.

Atlantic Guardian

The Atlantic Guardian mobilised for the Joint Industry Project (JIP) on 27 June and completed the Fjord test of the JIP equipment on 9 July. Following the Fjord test, EMGS performed funded test surveys for the JIP partners till month end. The Atlantic Guardian acquired multi-client data in the Hammerfest Basin from 2 August to 18 August, and the vessel commenced a multi-client project in the Barents Sea 17 September, which was completed early October. The vessel's utilisation for the third quarter was 52%.

Backlog

As of 30 September 2016, EMGS' backlog was at approximately USD 5 million, compared with a backlog of USD 9 million at the end of the third quarter in 2015. The backlog as of 30 September 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.

After the end of the quarter, the Company has announced a provisional agreement worth approximately USD 8 million.

Events during the third quarter of 2016

Prefunding for multi-client acquisition in Norway

Late August, EMGS announced that the Company had signed a data licensing agreement with a repeat customer for 3D EM data to be acquired over the Hoop area in the Barents Sea. The pre-funding amounts to USD 1 million. The acquisition is expected to take place in the fourth quarter of 2016 and will become part of EMGS' multi-client library.

Sales from the multi-client library in the Barents Sea

On 14 September, EMGS announced that the Company had entered into a data licensing agreement for the provision of 3D electromagnetic data from the multi-client library in the Barents Sea worth USD 2.1 million. The revenues were recognised in the third quarter 2016.

On 6 October, the Company announced uplift revenues of USD 2 million from the Barents Sea multi-client library that were recognised in the third quarter 2016.

Recent events

Reduction in global employee expenses

EMGS has initiated a reduction in the Company's cost base in line with a reduced level of activity. The Company will seek a global reduction in employee expenses by 20% by using both temporary and permanent layoffs amongst other measures. The cost reduction measure will yield effects gradually as temporary headcount reductions onshore and offshore are scheduled to follow a different timeline. The Company will seek to bring temporary laid off employees back as and when the outlook improves.

New terms for the Atlantic Guardian charter agreement

The Company and North Sea Shipping agreed on new terms for the charter agreement for the Atlantic Guardian. The Company signed an extended charter agreement for the vessel Atlantic Guardian with North Sea Shipping AS (owner of the vessel) at new and improved commercial terms. The new terms are valid as of 1 October 2016. The Company and the owners have agreed to a reduction of the charter hire rates by approximately 27% and agreed to a new 5-year term for the charter.

Provisional award in Asia

The Company announced that a customer and the Company reached a provisional agreement worth approximately USD 8 million. EMGS plans to send a stock exchange notice when the agreement is formalised. This is expected to take place early November.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. On 1 July, the Company's shares were consolidated so that 40 shares, each having a par value of NOK 0.25, were consolidated into one share having a par value of NOK 10.00. During the third quarter 2016, the EMGS share was traded between NOK 3.42 and NOK 6.80 per share. The last closing price before 30 September 2016 was NOK 3.95.

As of 30 September 2016, the Company had a total of 32,794,139 shares outstanding.

Risks and uncertainty factors

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 E&P spending, and a corresponding sharp deterioration of the market for geophysical services, including EMGS' services.

During 2015 and 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 approximately USD 65 million for 2016. The recently announced measures will reduce the cost base further.

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 low backlog and the current market situation, there is material uncertainty related to the expected level of revenues going forward. Despite the provisional award in Asia the market continues to be weak during the fourth quarter of 2016. This puts pressure on the Company's cash position and consequently the bond covenant which requires free cash of USD 10 million.

The Company is dependent upon securing sufficient backlog. Should sufficient additional 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 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 the oil price. We expect 2017 to be challenging too, but with the combination of a slight increase in commercial and tendering activity and a reduced cost base, we are better positioned than we were one year ago.

The Company expects that the 24th licensing round will trigger some sales in 2017 and possibly 2016. Otherwise, marketing efforts are ongoing to secure backlog in Asia and the Americas.

Based on the current operational forecast, EMGS expects to operate two vessels in 2016 and into 2017. 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 limited to maintenance of existing equipment and to the joint-industry-project (JIP).

Oslo, 3 November 2016
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q3 2016 Unaudited	Q3 2015 Unaudited	Year to date 2016 Unaudited	Year to date 2015 Unaudited	2015 Audited
Operating revenues					
Contract sales	**393**	9,110	13,818	36,008	45,008
Multi-client pre-funding	**-**	2,454	-	3,546	3,546
Multi-client late sales	**4,061**	4,741	18,740	21,089	32,586
Total revenues	**4,454**	**16,305**	**32,558**	**60,643**	**81,140**
Operating expenses					
Charter hire, fuel and crew expenses	**2,653**	9,329	11,948	20,595	32,402
Employee expenses	**5,693**	11,209	19,112	33,599	44,826
Depreciation and ordinary amortisation	**1,678**	3,459	5,721	9,973	12,679
Multi-client amortisation	**2,769**	2,571	8,417	4,475	8,631
Impairment of long-term assets	**-**	5,473	9,228	22,775	31,344
Other operating expenses	**2,283**	5,719	8,255	15,146	20,607
Total operating expenses	**15,076**	**37,760**	**62,681**	**106,563**	**150,489**
Operating profit/ (loss)	**(10,622)**	**(21,455)**	**(30,123)**	**(45,920)**	**(69,349)**
Interest income	**66**	108	162	325	352
Interest expense	**(768)**	(1,021)	(2,558)	(3,041)	(4,055)
Net gains/(losses) of financial assets and liabilities	**1,295**	(3,115)	(3,995)	(4,901)	(4,106)
Net foreign currency income/(loss)	**(1,406)**	1,655	(1,524)	2,628	4,155
Net financial items	**(813)**	**(2,374)**	**(7,915)**	**(4,989)**	**(3,654)**
Income/ (loss) before income taxes	**(11,435)**	**(23,829)**	**(38,038)**	**(50,909)**	**(73,003)**
Income tax expense	**(371)**	1,540	(316)	1,685	3,712
Income/ (loss) for the period	**(11,064)**	**(25,369)**	**(37,722)**	**(52,594)**	**(76,715)**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q3 2016 Unaudited	Q3 2015 Unaudited	Year to date 2016 Unaudited	Year to date 2015 Unaudited	2015 Audited
Income/ (loss) for the period	**(11,064)**	**(25,369)**	**(37,722)**	**(52,594)**	**(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	-	36	115	28	28
Net (loss)/gain on available-for-sale (AFS) financial assets	-	(84)	7,202	(2,868)	(3,218)
Oher comprehensive income	-	**(48)**	**7,317**	**(2,840)**	**(3,190)**
Total comprehensive income/ (loss) for the period	**(11,064)**	**(25,417)**	**(30,406)**	**(55,434)**	**(79,905)**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 September 2016 Unaudited	30 September 2015 Unaudited	31 December 2015 Audited
ASSETS			
Non-current assets			
Deferred tax asset	**-**	1,846	-
Multi-client library	**32,215**	53,129	42,267
Other intangible assets	**2,810**	4,169	3,703
Property, plant and equipment	**13,560**	17,867	16,773
Assets under construction	**30,319**	27,540	26,566
Financial assets	**-**	1,898	1,387
Total non-current assets	**78,904**	**106,449**	**90,696**
Current assets			
Spare parts, fuel, anchors and batteries	**8,621**	12,716	11,754
Trade receivables	**8,264**	15,343	18,580
Other receivables	**7,631**	17,661	5,665
Cash and cash equivalents	**15,718**	20,223	31,749
Restricted cash	**4,131**	2,718	6,680
Total current assets	**44,365**	**68,661**	**74,428**
Total assets	**123,269**	**175,110**	**165,124**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	**319,233**	287,635	319,038
Other reserves	**901**	(6,066)	(6,416)
Retained earnings	**(272,377)**	(210,535)	(234,652)
Total equity	**47,757**	**71,034**	**77,970**
LIABILITIES			
Non-current liabilities			
Provisions	**19,045**	16,875	17,371
Financial liabilities	**2,368**	-	-
Borrowings	**34,001**	635	30,848
Total non-current liabilities	**55,414**	**17,510**	**48,219**
Current liabilities			
Trade payables	**6,649**	16,068	10,439
Current tax liabilies	**5,324**	4,733	5,257
Other short term liabilities	**7,930**	18,763	16,243
Financial liabilities	**-**	-	6,326
Borrowings	**195**	47,002	670
Total current liabilities	**20,098**	**86,566**	**38,935**
Total liabilities	**75,512**	**104,076**	**87,154**
Total equity and liabilities	**123,269**	**175,110**	**165,124**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	**Q3 2016** **Unaudited**	**Q3 2015** Unaudited	**Year to date 2016** Unaudited	**Year to date 2015** Unaudited	**2015** Unaudited
Net cash flow from operating activities					
Income/ (loss) before income taxes	**(11,435)**	(23,829)	(38,038)	(50,909)	(73,003)
Adjustments for:					
Witholding tax expenses	**203**	-	1,154	-	987
Total taxes paid	**(322)**	(287)	(771)	(364)	(1,008)
Depreciation and ordinary amortisation	**1,678**	3,459	5,721	9,973	12,679
Multi-client amortisation and impairment	**2,769**	6,443	17,645	11,227	23,952
Impairment of other long term assets		1,601		16,023	16,023
Cost of share-based payment	**59**	141	195	237	104
Change in trade receivables	**11,281**	946	10,316	50,188	46,951
Change in inventories	**(66)**	1,026	3,133	2,190	3,152
Change in trade payables	**(93)**	(413)	(3,790)	2,705	(2,924)
Change in other working capital	**(5,142)**	2,942	(117)	(4,561)	(229)
Financial gain on bond repayment		-		-	(2,088)
Amortisation of interest	**610**	909	1,808	2,806	3,709
Net cash flow from operating activities	**(458)**	**(7,062)**	**(2,744)**	**39,515**	**28,305**
Investing activities					
Purchase of property, plant and equipment	**(1,361)**	(1,711)	(2,711)	(7,470)	(7,658)
Investment in multi-client library and JIP test	**(3,566)**	(8,395)	(9,306)	(34,379)	(34,379)
Sale of financial assets	**-**	-	1,375	-	-
Cash used in investing activities	**(4,927)**	**(10,106)**	**(10,642)**	**(41,849)**	**(42,037)**
Financial activities					
Financial lease payments - principal	**466**	(79)	249	(229)	(299)
Proceeds from issuance of ordinary shares	**-**	-	-	-	31,536
Proceeds from new loan	**-**	-	-	945	945
Repayment/settlement of loan and FRA		(262)	(1,143)	(906)	(8,898)
Payment of interest on bonds	**(584)**	(806)	(1,751)	(2,466)	(3,015)
Cash provided by financial activities	**(118)**	**(1,147)**	**(2,645)**	**(2,656)**	**20,269**
		-			
Net increase in cash	**(5,502)**	**(18,314)**	**(16,031)**	**(4,990)**	**6,536**
Cash balance beginning of period	**21,220**	38,537	31,749	25,213	25,213
Cash balance end of period	**15,718**	20,223	15,718	20,223	31,749
Increase in cash	**(5,502)**	**(18,314)**	**(16,031)**	**(4,990)**	**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	-	-	-	-	(11,064)	(11,064)
Other comprehensive income	-	(8)	(225)	-		(233)
Total comprehensive income	**-**	**(8)**	**(225)**	**-**	**(11,064)**	**(11,297)**
Cost of share-based payment	166	-		-	-	166
Balance at 30 June 2015 (Unaudited)	**287,494**	**(1,758)**	**(6,768)**	**2,508**	**(170,219)**	**111,257**
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**
Income/(loss) for the period	-	-	-	-	(11,064)	(11,064)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(11,064)**	**(11,064)**
Cost of share-based payment	59	-	-	-	-	59
Balance at 30 September 2016 (Unaudited)	**319,233**	**(1,607)**	**-**	**2,508**	**(272,377)**	**47,757**

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 being 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	**Q3 2016 Unaudited**	**Q3 2015** Unaudited	**Year to date 2016** Unaudited	**Year to date 2015** Unaudited	**2015** Audited
Americas	-	5.3	4.7	31.2	36.1
Asia/Pacific	-	7.4	13.0	7.4	11.0
EAME	4.5	3.6	14.9	22.0	34.0
Total	**4.5**	**16.3**	**32.6**	**60.6**	**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.

Amounts in USD 1 000	Q3 2016 Unaudited	Q3 2015 Unaudited	Year to date 2016 Unaudited	Year to date 2015 Unaudited	2015 Audited
Opening carrying value	**33,131**	51,178	42,267	33,758	33,758
Additions	**1,853**	8,395	7,593	34,379	36,812
Amortisation charge	**(2,769)**	(2,571)	(8,417)	(4,475)	(8,631)
Impairment	**-**	(3,872)	(9,228)	(6,752)	(15,321)
Cash contribution from partners	**-**	-	-	(3,781)	(4,351)
Closing carrying value	**32,215**	**53,129**	**32,215**	**53,129**	**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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