

**EMGS  
FOURTH  
QUARTER  
2016.**

# Highlights in the Fourth Quarter.

## Operational highlights

- Execution of contract in Malaysia worth USD 8.0 million
- Late sales and uplifts of USD 3.4 million
- 89% utilization for two vessels

## Financial highlights

- Revenues of USD 12.0 million
- Negative EBITDA of USD 2.1 million
- Impairments of long-term assets of USD 8.1 million

## Recent events

- New terms for the BOA Thalassa charter, savings of 20% and increased flexibility
- Cooperation with TGS expanded in the Barents Sea

## Key financial figures

USD million (except per share data)	Q4 2016	Q4 2015	2016	2015	Q3 16
Contract sales	8.0	9.0	21.8	45.0	0.5
Multi-client sales	4.0	11.5	22.7	36.1	4.0
<b>Total revenues</b>	<b>12.0</b>	20.5	44.5	81.1	4.5
Operating profit/ (loss)	(15.0)	(23.4)	(45.1)	(69.3)	(10.6)
Income/ (loss) before income taxes	(14.9)	(22.1)	(52.9)	(73.0)	(11.4)
Net income/ (loss)	(15.1)	(24.1)	(52.8)	(76.7)	(11.1)
Earnings/ (loss) per share	(0.46)	(0.03)	(0.08)	(0.10)	(0.34)
Average number of shares outstanding (in thousands)	32,794	755,766	668,785	755,766	32,794
EBITDA	(2.1)	(8.0)	(8.9)	(16.7)	(6.2)
Multi-client and JIP investments	2.2	-	11.0	34.4	3.6
Adjusted EBITDA	(4.3)	(8.0)	(19.9)	(51.1)	(9.8)

EBITDA = Operating profit / (loss) + Depreciation and ordinary amortisation + Multi-client amortisation + Impairment of long-term assets

# Financial Review.

## Revenues and operating expenses

EMGS recorded revenues of USD 12.0 million in the fourth quarter of 2016, down from USD 20.5 million reported for the corresponding quarter of 2015. Contract sales totalled USD 8.0 million, while multi-client sales amounted to USD 4.0 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS. For the fourth quarter of 2015, contract sales totalled USD 9.0 million and multi-client sales amounted to USD 11.5 million.

The Company recorded 6.0 vessel months in the fourth quarter of 2016 compared with 9.0 months in the fourth quarter of 2015. Vessel utilisation was 89% for the fourth quarter of 2016. The Company's vessels were allocated 35% to contract work and 54% to multi-client projects. For the fourth quarter of 2015, the Company recorded a total utilisation of 21%, with 21% allocated to contract work and no vessel time was spent on multi-client projects.

Revenues for the full year 2016 totalled USD 44.5 million, compared with USD 81.1 million for the full year of 2015.

Charter hire, fuel and crew expenses totalled USD 6.2 million in the fourth quarter this year, compared with USD 11.8 million in the fourth quarter of 2015. The Company capitalised USD 2.2 million in multi-client expenses in the quarter, while no multi-client investments were done in the fourth quarter of 2015. EMGS recorded an onerous contract provision for the BOA Thalassa vessel lease of USD 1.4 million in the fourth quarter this year. The vessel is not expected to generate revenues for the remaining charter period ending 1 April 2017. The charter agreement is thus defined as an onerous contract. The charter hire, fuel and crew expenses have decreased from USD 11.8 million in the fourth quarter of 2015 to USD 7.0 million in same period this year when adding back the capitalised expenses and subtracting the vessel lease provision. The main reason for decreased expenses is the cost savings program implemented in 2016.

For the full year 2016, EMGS recorded charter hire, fuel and crew expenses of USD 18.2 million, down from USD 32.4 million for the full year 2015. The Company capitalised USD 11.5 million in multi-client expenses in 2016, while the multi-client capitalisation amounted to USD 34.4 million in 2015. The charter hire, fuel and crew expenses have decreased from USD 66.8 million in 2015 to USD 29.7 million in 2016 when adding back the capitalised expenses.

Employee expenses amounted to USD 6.0 million in the fourth 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 from 239 at the end of 2015 to 143 at the end of 2016, in addition to a restructuring provision of USD 1.3 million and a one-off expense of USD 1.4 million recorded in 2015.

For the full year 2016, employee expenses amounted to USD 25.1 million, compared with USD 44.8 million for 2015. The reduction is mainly explained by the reduction in number of employees.

Other operating expenses totalled USD 1.9 million in the fourth quarter this year. In the fourth quarter last year, other operating expenses amounted to USD 5.5 million.

In 2016, other operating expenses amounted to USD 10.1 million, down from USD 20.6 million in 2015. The decrease is mainly explained by a reduction in activity and cost saving measures implemented during 2016.

## Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 2.0 million in the fourth quarter of 2016, down from USD 2.7 million in the fourth quarter of 2015. The reduction is due to various assets becoming fully depreciated.

Depreciation and ordinary amortisation amounted to USD 7.7 million in 2016, compared with USD 12.7 million in 2015.

Multi-client amortisation amounted to USD 2.8 million this quarter, compared with USD 4.2 million in the fourth quarter of 2015. As communicated in the financial report for the fourth quarter of 2015, EMGS changed its principles for multi-client amortisation from 1 January 2016 and onwards. The Company 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 full year 2016, EMGS recorded USD 11.2 million in multi-client amortisation, up from USD 8.6 million in 2015.

Based on updated sales forecasts, the Company estimates the recoverable amount for two projects in the US Gulf of Mexico to be lower than the carrying value. The consequence is that the Company recorded a multi-client impairment of USD 7.3 million in the fourth quarter of 2016. In the corresponding period last year, a multi-client impairment of USD 8.6 million was recorded. The Company recognised an impairment of assets under construction of USD 0.8 million in the fourth quarter of 2016.

For the full year 2016, multi-client impairment amounted to USD 16.5 million and impairment of assets under construction amounted to USD 0.8 million. In 2015, EMGS recorded impairment of long-term assets of a total of USD 31.3 million, including an impairment of goodwill of USD 14.4 million, impairment of multi-client library of USD 15.3 million and impairment of equipment of USD 1.6 million.

### Net financial items

Net financial items ended at USD 0.1 million in the fourth quarter 2016, compared with USD 1.3 million in the corresponding quarter last year. In the fourth quarter of 2015, the Company recorded a gain on the repayment of the bond loan of USD 2.2 million.

For the full year 2016, net financial items ended with a negative USD 7.8 million, down from a negative USD 3.7 million last year. The net financial items in 2016 include among others a net loss on financial assets of USD 6.3 million, whereof a loss of USD 7.2 million relates to the sales of the Company's shares in North Energy ASA and a gain of USD 0.9 million relates to a forward agreement. The loss on the North Energy ASA shares is 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 14.9 million in the fourth quarter 2016, compared with a loss before income taxes of USD 22.1 million in the corresponding quarter in 2015.

Loss before income taxes for the full year 2016 amounted to USD 52.9 million, compared to a loss before income taxes of USD 73.0 million in 2015.

### Income tax expenses

Income tax expenses of USD 0.2 million were recorded in the fourth quarter of 2016, compared with an income tax expense of USD 2.0 million in the fourth quarter of 2015.

For the full year 2016, the Company has recorded USD 0.1 million in income tax reversal, compared with an income tax expense of USD 3.7 million in 2015.

### Net income for the period

Loss for the fourth quarter of 2016 amounted to USD 15.1 million, up from a loss of USD 24.1 million in the same period last year.

For 2016, the loss amounted to USD 52.1 million, compared with a loss of USD 76.7 million in 2015.

## Cash flow and balance sheet

In the fourth quarter 2016, net cash flow from operating activities was USD 1.9 million, compared with a negative net cash flow of USD 11.2 million in the fourth quarter of 2015. The positive cash flow this quarter is mainly caused by an increase in other working capital of USD 2.4 million. In the comparable quarter last year, the net cash flow was mainly negatively affected by a negative EBITDA.

Net cash flow from operating activities was negative USD 0.9 million for the full year 2016, compared with a positive net cash flow from operating activities of USD 28.3 million for the full year 2015. The positive cash flow last year was mainly caused by a decrease in trade receivables of USD 47.0 million.

EMGS applied USD 2.9 million in investing activities in the fourth quarter this year, compared with USD 0.2 million in the fourth quarter of last year. The Company invested USD 0.7 million in equipment and USD 2.2 million in the multi-client library in the fourth quarter 2016.

Cash flow from investing activities for the full year 2016 amounted to a negative USD 13.5 million, compared with a negative USD 42.0 million for 2015. In 2016, the Company has invested USD 3.4 million in equipment, USD 1.7 million in a test survey for JIP equipment, USD 9.8 million in multi-client library 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 24.3 million at 31 December 2016, down from USD 32.2 million at 30 September 2016 and USD 42.3 million at 31 December 2015.

Cash flow from financial activities was negative USD 0.7 million in the fourth quarter of 2016, compared with a positive cash flow of USD 22.9 million in the same quarter last year. The positive cash flow last year included proceeds from the issuance of new shares of USD 31.5 million and the partial repayment of the bond loan of USD 8.0 million.

For the full year 2016, cash flow from financial activities amounted to negative USD 3.3 million, compared with a positive USD 20.3 million in 2015.

The Company had a net decrease in cash, excluding restricted cash, of USD 1.7 million during the fourth quarter of 2016. At 31 December 2016, cash and cash equivalents totalled USD 18.9 million, including 4.8 million in restricted cash.

## Financing

Total borrowings were USD 31.9 million at 31 December this year, down from USD 32.4 million at 30 September 2016 and up from USD 31.5 million at 31 December last year. This includes the Company's NOK 270 million bond loan, which has a carrying value of USD 30.9 million at 31 December 2016 and USD 33.1 million at 30 September. 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 31 December 2016, the free cash and cash equivalents totalled USD 14.0 million, while the capital employed ratio equalled 65%.

# Operational Review.

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Contract</b>	<b>35%</b>	0%	0%	29%	21%
<b>Multi-client</b>	<b>54%</b>	31%	76%	26%	0%
<b>Funded R&amp;D project</b>	<b>0%</b>	21%	0%	0%	0%
<b>Total utilisation</b>	<b>89%</b>	52%	76%	55%	21%

## Vessel utilisation and fleet allocation

Vessel utilisation for the fourth quarter of 2016 amounted to 89% compared with 21% for the corresponding quarter in 2015. For the full year 2016, the vessel utilisation was 70% compared with 59% for 2015.

In the fourth quarter of 2016, the Company's vessels were allocated 35% to contract work and 54% to multi-client projects. In the comparable quarter of 2015, the vessels were allocated 21% to contract work and no time was spent on multi-client projects.

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

## Vessel activity in the fourth quarter

	Utilisation Q4	Status Q4	Firm charter period	Optional charter period
<b>BOA Thalassa</b>	<b>87%</b>	In operation	01 October 2019	3 x 6 months
<b>Atlantic Guardian</b>	<b>90%</b>	In operation	30 September 2021	5 x 12 months

### BOA Thalassa

The BOA Thalassa was laid up at a reduced rate until 1 November. The vessel commenced on a contract in Malaysia on 8 November. The contract work was completed on 1 January.

### Atlantic Guardian

The Atlantic Guardian has acquired data on two multi-client surveys in the Barents Sea from the beginning of the fourth quarter to the beginning of November. Following that, the vessel commenced a prefunded multi-client survey. Weather permitting, the survey is expected to be completed mid-February 2017.

## Backlog

As of 31 December 2016, EMGS' backlog was at approximately USD 1 million, compared with a backlog of USD 21 million at the end of 2015. The backlog as of 31 December 2016 is mainly related to a Pemex contract. Pemex and EMGS have currently not agreed on when EMGS will start working under the contract again.

## Events during the fourth quarter of 2016

### Reduction in global employee expenses

In October, EMGS announced that it had initiated a reduction in the Company's cost base in line with a reduced level of activity. The Company has used both temporary and permanent layoffs among other measures to seek a global reduction in employee expenses by 20%. The effect of the cost reduction measures implemented will yield effect gradually, as the timing of the reductions offshore and onshore are different.

### New terms for the Atlantic Guardian charter agreement

In October, The Company and North Sea Shipping signed an extended charter agreement for the vessel Atlantic Guardian at new and improved commercial terms. The new terms are valid as of 1 October 2016. The Company and the owners agreed to a reduction of the charter hire rate by approximately 27% and agreed to a new 5-year term for the charter.

### Contract extension for oil company in Malaysia

In November, the Company announced a contract extension worth approximately USD 8 million relating to 3D CSEM acquisition offshore Sabah, East Malaysia. BOA Thalassa has performed the survey which was completed 1 January 2017.

### Sales from the multi-client library in the Barents Sea

On 13 October, 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 1 million. The revenues were recognised in the fourth quarter 2016.

On 16 December, the Company announced new data licensing agreements providing a revenue of USD 2 million whereof USD 1.8 million were recognised in the fourth quarter 2016.

## Recent events

### New terms for the BOA Thalassa charter agreement

EMGS has signed an extended charter agreement for the vessel BOA Thalassa with BOA SBL AS (owner of the vessel) at new and improved commercial terms. The new terms are valid through 1 October 2019 with an option to extend the agreement through 1 April 2021. EMGS and the owner have agreed to a reduction of the charter hire rate by approximately 20% as well as an increased flexibility during 2017.

### Cooperation with TGS expanded in the Barents Sea

EMGS and TGS have agreed to expand the companies' cooperation agreement in the Barents Sea. TGS will be investing in a 3D CSEM data acquisition project related to the 24th licensing round in Norway. The contribution from TGS will be booked as a reduction of the carrying value of EMGS' multi-client library in the first quarter of 2017.

## Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. On 1 July, the Company's shares were consolidated. 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 fourth quarter 2016, the EMGS share was traded between NOK 3.70 and NOK 8.60 per share. The last closing price before 31 December 2016 was NOK 8.60.

As of 31 December 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 143 million in 2015 to USD 63 million for 2016. EMGS will continue its cost reduction program in 2017 and targets a cost base below USD 50 million for 2017, subject to operational activity.

EMGS management follows the Company's liquidity risk closely, including weekly updates of the Company's sales forecast and vessel schedule, in addition to 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. The market is expected to be slow during the first quarter of 2017. 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 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. The industry has announced another decrease, albeit relative modest, in E&P spending for 2017. However, EMGS has noted an increase in commercial activity, and with a reduced cost base, the Company is better positioned than it was one year ago.

The Company expects that the 24<sup>th</sup> licensing round will trigger some sales in first half of 2017. Otherwise, marketing efforts are ongoing to secure backlog in Asia and the Americas. The Company is also engaged in discussions to commercialize, subject to a number of survey commitments, the Advanced CSEM System as developed under the Joint Industry Project (JIP).

Based on the current operational forecast, EMGS expects to operate two vessels in 2017. The Company expects to keep one vessel in Asia throughout 2017, while the other vessel is expected to operate in Europe and the Americas. EMGS will continue to invest in its multi-client library in selected areas. Capital investment plans are limited to maintenance of existing equipment and to the JIP.

Oslo, 9 February 2017  
Board of Directors and CEO

# Consolidated Income Statement.

Amounts in USD 1 000	Q4 2016 Unaudited	Q4 2015 Audited	2016 Unaudited	2015 Audited
<b>Operating revenues</b>				
Contract sales	7,953	9,001	21,797	45,008
Multi-client pre-funding	579	-	579	3,546
Multi-client late sales	3,438	11,498	22,151	32,586
<b>Total revenues</b>	<b>11,970</b>	<b>20,499</b>	<b>44,527</b>	<b>81,140</b>
<b>Operating expenses</b>				
Charter hire, fuel and crew expenses	6,228	11,807	18,176	32,402
Employee expenses	5,985	11,227	25,097	44,826
Depreciation and ordinary amortisation	1,956	2,705	7,677	12,679
Multi-client amortisation	2,827	4,156	11,244	8,631
Impairment of long-term assets	8,058	8,569	17,286	31,344
Other operating expenses	1,882	5,461	10,137	20,607
<b>Total operating expenses</b>	<b>26,936</b>	<b>43,925</b>	<b>89,617</b>	<b>150,489</b>
<b>Operating profit/ (loss)</b>	<b>(14,966)</b>	<b>(23,426)</b>	<b>(45,090)</b>	<b>(69,349)</b>
Interest income	54	28	217	352
Interest expense	(715)	(1,014)	(3,273)	(4,055)
Net gains/(losses) of financial assets and liabilities	(2,300)	795	(6,297)	(4,106)
Net foreign currency income/(loss)	3,036	1,526	1,512	4,155
<b>Net financial items</b>	<b>75</b>	<b>1,335</b>	<b>(7,841)</b>	<b>(3,654)</b>
<b>Income/ (loss) before income taxes</b>	<b>(14,892)</b>	<b>(22,091)</b>	<b>(52,931)</b>	<b>(73,003)</b>
Income tax expense	215	2,027	(100)	3,712
<b>Income/ (loss) for the period</b>	<b>(15,107)</b>	<b>(24,118)</b>	<b>(52,831)</b>	<b>(76,715)</b>

## Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q4 2016 Unaudited	Q4 2015 Audited	2016 Unaudited	2015 Audited
<b>Income/ (loss) for the period</b>	<b>(15,107)</b>	<b>(24,118)</b>	<b>(52,831)</b>	<b>(76,715)</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	-	-	115	28
Net (loss)/gain on available-for-sale (AFS) financial assets	-	(350)	7,202	(3,218)
<b>Other comprehensive income</b>	<b>-</b>	<b>(350)</b>	<b>7,317</b>	<b>(3,190)</b>
<b>Total comprehensive income/ (loss) for the period</b>	<b>(15,107)</b>	<b>(24,468)</b>	<b>(45,514)</b>	<b>(79,905)</b>

# Consolidated Statement of Financial Position.

Amounts in USD 1 000	31 December 2016 Unaudited	31 December 2015 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Multi-client library	24,332	42,267
Other intangible assets	2,457	3,703
Property, plant and equipment	13,901	16,773
Assets under construction	28,255	26,566
Financial assets	-	1,387
<b>Total non-current assets</b>	<b>68,945</b>	<b>90,696</b>
<b>Current assets</b>		
Spare parts, fuel, anchors and batteries	7,854	11,754
Trade receivables	8,534	18,580
Other receivables	7,080	5,665
Cash and cash equivalents	14,038	31,749
Restricted cash	4,841	6,680
<b>Total current assets</b>	<b>42,347</b>	<b>74,428</b>
<b>Total assets</b>	<b>111,292</b>	<b>165,124</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders</b>		
Share capital, share premium and other paid-in equity	319,283	319,038
Other reserves	901	(6,416)
Retained earnings	(287,484)	(234,652)
<b>Total equity</b>	<b>32,700</b>	<b>77,970</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions	19,140	17,371
Financial liabilities	4,668	-
Borrowings	31,636	30,848
<b>Total non-current liabilities</b>	<b>55,444</b>	<b>48,219</b>
<b>Current liabilities</b>		
Trade payables	6,672	10,439
Current tax liabilities	5,853	5,257
Other short term liabilities	10,372	16,243
Financial liabilities	-	6,326
Borrowings	251	670
<b>Total current liabilities</b>	<b>23,148</b>	<b>38,935</b>
<b>Total liabilities</b>	<b>78,592</b>	<b>87,154</b>
<b>Total equity and liabilities</b>	<b>111,292</b>	<b>165,124</b>

# Consolidated Statement of Cash Flows.

	Q4 2016	Q4 2015	2016	2015
Amounts in USD 1 000	Unaudited	Audited	Unaudited	Audited
<b>Net cash flow from operating activities</b>				
Income/ (loss) before income taxes	(14,892)	(22,091)	(52,931)	(73,003)
<b>Adjustments for:</b>				
Withholding tax expenses	65	987	1,219	987
Total taxes paid	249	(644)	(522)	(1,008)
Depreciation and ordinary amortisation	1,956	2,705	7,677	12,679
Multi-client amortisation and impairment	10,077	12,725	27,722	23,952
Impairment of other long term assets	808	-	808	16,023
Cost of share-based payment	50	(133)	245	104
Change in trade receivables	(270)	(3,237)	10,046	46,951
Change in inventories	767	962	3,900	3,152
Change in trade payables	23	(5,629)	(3,767)	(2,924)
Change in other working capital	2,430	4,327	2,317	(230)
Financial gain on bond repayment	-	(2,088)	-	(2,088)
Amortisation of interest	606	903	2,413	3,709
<b>Net cash flow from operating activities</b>	<b>1,870</b>	<b>(11,213)</b>	<b>(873)</b>	<b>28,305</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(687)	(188)	(3,398)	(7,658)
Investment in multi-client library and JIP test	(2,194)	-	(11,500)	(34,379)
Sale of financial assets	-	-	1,375	-
<b>Cash used in investing activities</b>	<b>(2,881)</b>	<b>(188)</b>	<b>(13,523)</b>	<b>(42,037)</b>
<b>Financial activities</b>				
Financial lease payments - principal	(108)	(70)	141	(299)
Proceeds from issuance of ordinary shares	-	31,536	-	31,536
Proceeds from new loan	-	-	-	945
Repayment/settlement of loan and FRA	-	(7,991)	(1,143)	(8,898)
Payment of interest on bonds	(562)	(549)	(2,313)	(3,015)
<b>Cash provided by financial activities</b>	<b>(670)</b>	<b>22,926</b>	<b>(3,315)</b>	<b>20,269</b>
<b>Net increase in cash</b>	<b>(1,680)</b>	<b>11,526</b>	<b>(17,711)</b>	<b>6,536</b>
Cash balance beginning of period	15,718	20,223	31,749	25,213
Cash balance end of period	14,038	31,749	14,038	31,749
<b>Increase in cash</b>	<b>(1,680)</b>	<b>11,526</b>	<b>(17,711)</b>	<b>6,536</b>

# 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
<b>Balance at 1 January 2015 (Audited)</b>	<b>287,398</b>	<b>(1,750)</b>	<b>(3,984)</b>	<b>2,508</b>	<b>(157,938)</b>	<b>126,234</b>
Income/(loss) for the period	-	-	-	-	(1,217)	(1,217)
Other comprehensive income	-	-	(2,559)	-	-	(2,559)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,559)</b>	<b>-</b>	<b>(1,217)</b>	<b>(3,776)</b>
Cost of share-based payment	(69)	-	-	-	-	(69)
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
<b>Balance at 31 March 2015 (Unaudited)</b>	<b>287,328</b>	<b>(1,750)</b>	<b>(6,543)</b>	<b>2,508</b>	<b>(159,155)</b>	<b>122,388</b>
Income/(loss) for the period	-	-	-	-	(24,118)	(24,118)
Other comprehensive income	-	(8)	(225)	-	-	(233)
<b>Total comprehensive income</b>	<b>-</b>	<b>(8)</b>	<b>(225)</b>	<b>-</b>	<b>(24,118)</b>	<b>(24,351)</b>
Cost of share-based payment	166	-	-	-	-	166
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
<b>Balance at 30 June 2015 (Unaudited)</b>	<b>287,494</b>	<b>(1,758)</b>	<b>(6,768)</b>	<b>2,508</b>	<b>(183,273)</b>	<b>98,203</b>
Income/(loss) for the period	-	-	-	-	(25,369)	(25,369)
Other comprehensive income	-	36	(84)	-	-	(47)
<b>Total comprehensive income</b>	<b>-</b>	<b>36</b>	<b>(84)</b>	<b>-</b>	<b>(25,369)</b>	<b>(25,416)</b>
Cost of share-based payment	141	-	-	-	-	141
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
<b>Balance at 30 September 2015 (Unaudited)</b>	<b>287,635</b>	<b>(1,722)</b>	<b>(6,852)</b>	<b>2,508</b>	<b>(210,535)</b>	<b>71,034</b>
Income/(loss) for the period	-	-	-	-	(24,118)	(24,118)
Other comprehensive income	-	-	(350)	-	-	(350)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(350)</b>	<b>-</b>	<b>(24,118)</b>	<b>(24,468)</b>
Cost of share-based payment	(133)	-	-	-	-	(133)
Proceeds from shares issued - private placement and options	31,536	-	-	-	-	31,536
Proceeds from shares issued - private placement and options	-	-	-	-	-	-
<b>Balance at 31 December 2015 (Audited)</b>	<b>319,038</b>	<b>(1,722)</b>	<b>(7,202)</b>	<b>2,508</b>	<b>(234,653)</b>	<b>77,969</b>
Income/(loss) for the period	-	-	-	-	(15,451)	(15,451)
Other comprehensive income	-	-	7,202	-	-	7,202
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>7,202</b>	<b>-</b>	<b>(15,451)</b>	<b>(8,249)</b>
Cost of share-based payment	75	-	-	-	-	75
<b>Balance at 31 March 2016 (Unaudited)</b>	<b>319,112</b>	<b>(1,722)</b>	<b>-</b>	<b>2,508</b>	<b>(250,104)</b>	<b>69,794</b>
Income/(loss) for the period	-	-	-	-	(11,209)	(11,209)
Other comprehensive income	-	115	-	-	-	115
<b>Total comprehensive income</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>(11,209)</b>	<b>(11,094)</b>
Cost of share-based payment	62	-	-	-	-	62
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>319,174</b>	<b>(1,607)</b>	<b>-</b>	<b>2,508</b>	<b>(261,313)</b>	<b>58,762</b>
Income/(loss) for the period	-	-	-	-	(11,064)	(11,064)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,064)</b>	<b>(11,064)</b>
Cost of share-based payment	59	-	-	-	-	59
<b>Balance at 30 September 2016 (Unaudited)</b>	<b>319,233</b>	<b>(1,607)</b>	<b>-</b>	<b>2,508</b>	<b>(272,377)</b>	<b>47,757</b>
Income/(loss) for the period	-	-	-	-	(15,107)	(15,107)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,107)</b>	<b>(15,107)</b>
Cost of share-based payment	50	-	-	-	-	50
<b>Balance at 31 December 2016 (Unaudited)</b>	<b>319,283</b>	<b>(1,607)</b>	<b>-</b>	<b>2,508</b>	<b>(287,484)</b>	<b>32,700</b>

# 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](http://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 1 000 000	Q4 2016 Unaudited	Q4 2015 Unaudited	2016 Unaudited	2015 Audited
Americas	0.7	5.9	5.5	36.1
Asia/Pacific	7.7	7.4	20.8	11.0
EAME	3.6	7.3	18.2	34.0
<b>Total</b>	<b>12.0</b>	<b>20.6</b>	<b>44.5</b>	<b>81.1</b>

## 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.

Based on updated sales forecasts, the Company estimates the recoverable amount for two projects in the US Gulf of Mexico to be lower than the carrying value. As a result, a multi-client impairment of USD 7.3 million was recorded in the fourth quarter of 2016.

Amounts in USD 1 000 000	<b>Q4 2016</b> <b>Unaudited</b>	<b>Q4 2015</b> Unaudited	<b>2016</b> Unaudited	<b>2015</b> Audited
Opening carrying value	<b>32.2</b>	53.1	42.3	33.8
Additions	<b>2.2</b>	2.4	9.8	36.8
Amortisation charge	<b>(2.8)</b>	(4.2)	(11.2)	(8.6)
Impairment	<b>(7.3)</b>	(8.6)	(16.5)	(15.3)
Cash contribution from partners	-	(0.6)	-	(4.4)
<b>Closing carrying value</b>	<b>24.3</b>	<b>42.3</b>	<b>24.3</b>	<b>42.3</b>

### 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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