EMGS ANNUAL REPORT 2015.

Spot the difference.

emgs

Multi-client library Canada

~2,500 sq. km

~USD 9.0 million invested

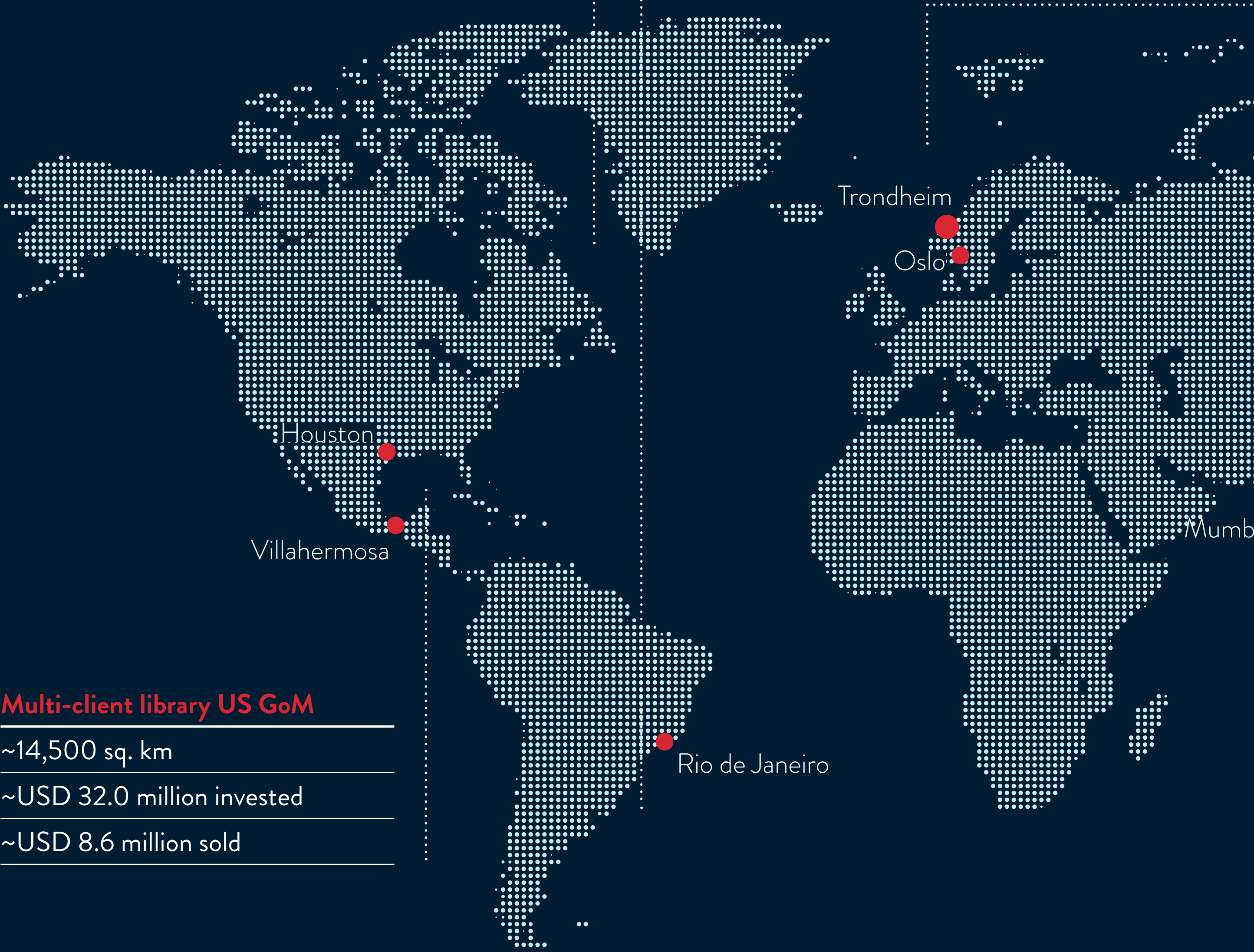
~USD 1.4 million sold

Multi-client library Brazil

~15,000 sq. km

~USD 14.6 million invested

~USD 9.3 million sold



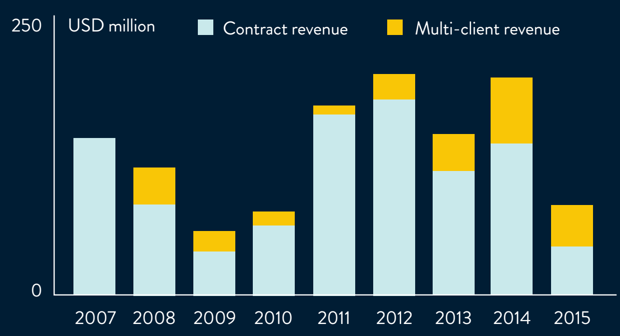
Multi-client library US GoM

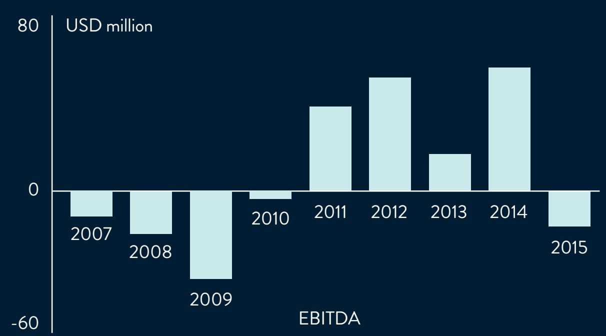
~14,500 sq. km

~USD 32.0 million invested

~USD 8.6 million sold

EMGS key figures





Multi-client library Norway

~69,000 sq. km

~USD 64.0 million invested

~USD 201.4 million sold

Multi-client library Indonesia

~2,300 sq. km

~USD 4.6 million invested

EMGS technology.

The electromagnetic (EM) technology used by EMGS in its survey projects can be divided into two distinct methods: controlled-source electromagnetic (CSEM) surveying and magnetotelluric (MT) surveying.

CSEM

When performing a CSEM survey, a powerful horizontal electric dipole source is towed 30 metres above the seafloor. The dipole source transmits a low-frequency electromagnetic signal into the subsurface. The EM energy transmitted from the dipole into the subsurface is rapidly attenuated in conductive sediments, while it is attenuated at a slower pace and propagated faster in more resistive sediments, such as hydrocarbon-filled reservoirs.

Grids of seabed receivers measure the energy that has propagated through the sea and the subsurface. The information from these receivers is processed, modelled and inverted to produce 3D resistivity volumes from the specific area.

CSEM surveying is a valuable supplement to seismic techniques that generally provide structural information. The combination of the two techniques (EM and seismic) together with other complementary subsurface information forms a valuable set of exploration tools, as charge, seal and volumetrics are better defined and understood.

MT surveying

Similar to CSEM surveying, the MT technique generates insight into the subsurface by recognising the different resistivity of the bodies in the sub-surface.

Marine MT surveys map subsurface resistivity variations by measuring naturally occurring electric and magnetic fields on the seabed. The sensitivity of the receivers used in a CSEM survey enables EMGS to acquire high-quality MT data inherently as part of the CSEM survey when the controlled source is inactive. The naturally occurring electric and magnetic fields are generated by the interactions of solar wind with the Earth's magnetic field, which, when strong, are known as geomagnetic storms. The source fields are very low frequency, which offers excellent depth penetration.

The low-frequency, deep-sensing nature of MT surveying makes the technique valuable for mapping and interpreting regional geology. The MT technology is highly efficient in penetrating the thicker resistive layers that might otherwise be challenging for CSEM and other seismic techniques.

MT surveys have been found most useful in salt and basalt settings where the flanks and/or the base are not well controlled. MT measurements can, therefore, form a useful complement to other geophysical data, particularly in settings where high-impedance volcanic rocks or salt make the interpretation of other geophysical data challenging.

Application of EM technology

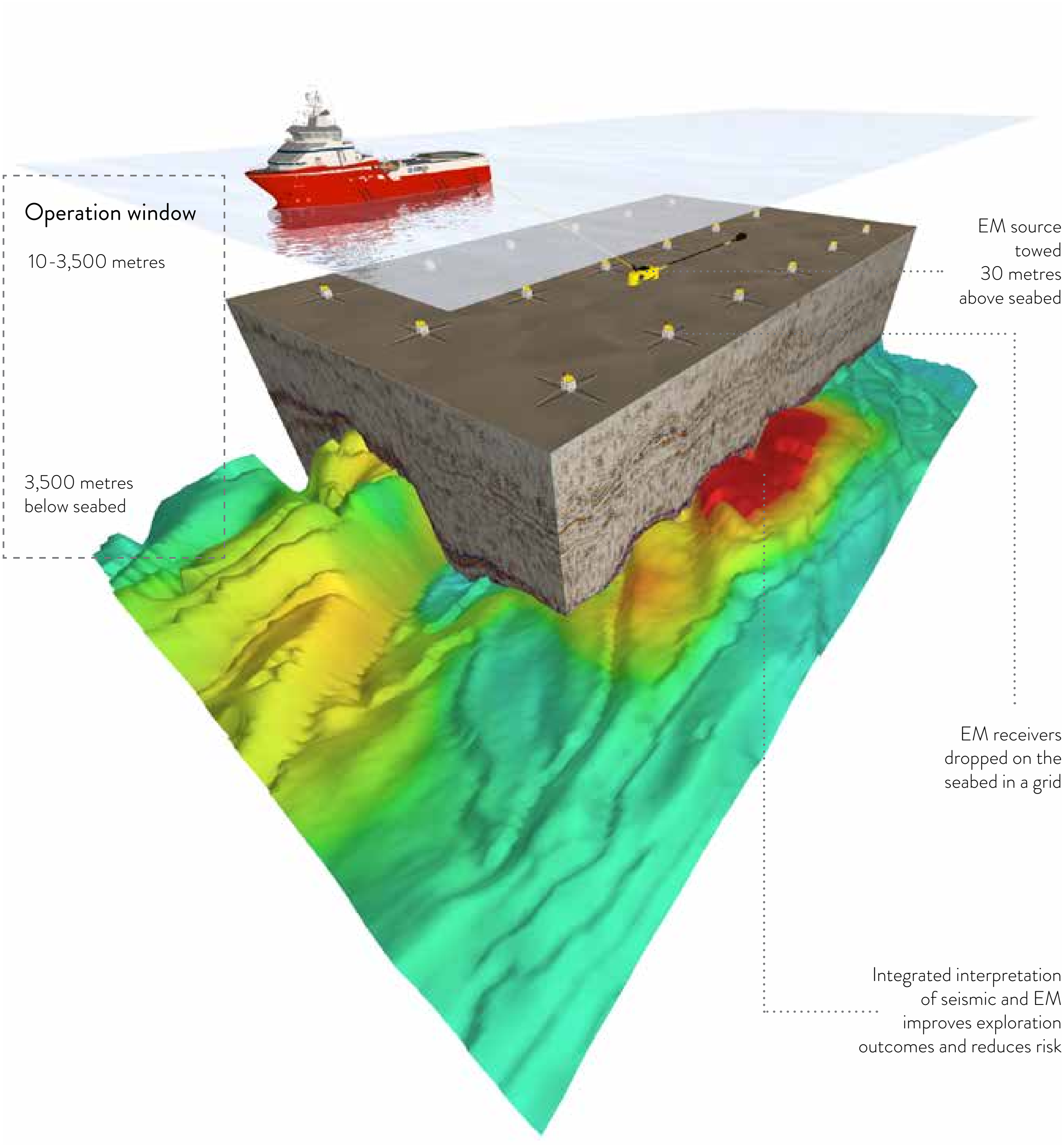
The services offered by EMGS are used in all stages of the offshore exploration and development process. Applications of EMGS' technology include prospect finding, ranking identified prospects and validating prospects in mature fields.

Prospect Finding

At the early stages of the exploration and production process, oil and gas companies as well as other customers of EMGS (e.g. government agencies) use EM services to evaluate whether an offshore acreage is viable for commercial production of hydrocarbons. In some instances government agencies will conduct EM surveys before licensing decisions are made to better understand the acreage value. Likewise, EM data can be used as a decision-making tool for operators evaluating licensed acreage for prospects where exploration wells may be drilled. EM may also be performed for early-stage reconnaissance scanning to detect prospects.

Prospect Ranking

Once a prospect is identified, advanced EM surveys can help operators increase the probability of correctly

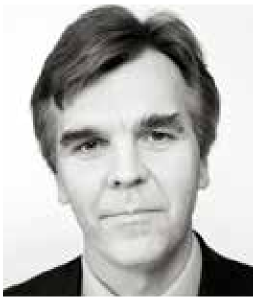


evaluating the fluid content of a prospective reservoir defined from seismic information and/or EM scanning. Advanced EM surveys are used to help operators enhance their knowledge of the formation, providing additional data that enables operators to confirm or discount prospects before making further investments, thereby reducing the risk of drilling dry wells while increasing the productivity of exploration projects.

Prospect / Field Appraisal

In the context of known fields and prospects, EM surveys can be used to ascertain a field's commercial viability and aid in development planning by improving reservoir delineation. EM can also assist in the positioning of subsequent development wells and can be used to reduce the number of appraisal wells that would typically be required for a field.

Board of Directors.

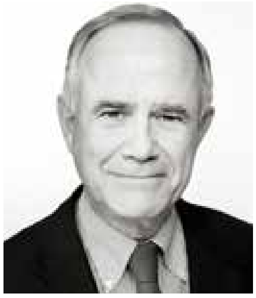


Eystein Eriksrud
Chairman of the Board

Stig Eide Sivertsen
Board member

Guro Høyaas Løken
Board member

Petteri Soininen
Board member



Johan Kr. Mikkelsen
Board member

Mimi Berdal
Board member

Anne Øian
Board member

Ole Martin Pedersen
Board member

Christel Brønstad
Board member

Adam Robinson
Board member

Eystein Eriksrud, Chairman of the Board

Eystein Eriksrud is the Deputy CEO of Siem Industries Group. He is chairman of Siem Offshore Inc., Flensburger Schiffbau-gesellschaft mbH and a director of Subsea 7 S.A., Siem Kapital AS, Siem Capital UK Ltd. and Siem Europe Sarl.

Prior to joining Siem Industries in October 2011, Eystein Eriksrud was partner of the Norwegian law firm Wiersholm Mellbye & Bech, working as a business lawyer from 2005 with an internationally oriented practice in mergers and acquisitions, company law and securities law, particularly in the shipping, offshore and oil service sectors. He was Group Company Secretary of the Kvaerner Group from 2000-2002 and served as Group General Counsel of the Siem Industries Group from 2002-2005. He has served on the boards of Privatbanken ASA and Tinfos AS as well as a number of other boards. He is a Norwegian citizen.

Stig Eide Sivertsen, Board member

Stig Eide Sivertsen has extensive management experience gained from a number of senior positions. He served as chief financial officer of Petroleum Geo-Services (PGS) from 1993 to 1996, following a four-year period in the same role for Schibsted AS. He founded Nettavisen in 1996 before joining Telenor ASA where he was a member of the global executive management team for more than ten years, among other as chief executive officer of Telenor Broadcast Holding AS. He has served on a number of boards, including several listed companies. Mr. Sivertsen holds a BA (honors) Economy and a Master of Business from Durham University.

Guro Høyaas Løken, Board member

Guro Høyaas Løken has an MSc in Naval Architecture and Marine Technology from the Norwegian Institute of Technology (NTH) in Trondheim, Norway. She is currently the VP of Engineering and Technology with the company EMAS AMC As. Guro has a broad managerial experience and substantial international experience. She worked for Aker Marine Contractors, Aker Engineering and Technip for more than 14 years, including as a Global Vessel and Asset manager. She has strong technical skills from the offshore industry with tasks ranging from deep-water platform & mooring design to installation planning and execution.

Petteri Soininen, Board member

Petteri Soininen is currently Partner at RWC Partners and Co-Head of the RWC European Focus Fund. He has been responsible for the RWC European Focus Fund since February 2009 and oversees and manages all engagement activities with companies in the fund's portfolio. Previously, Petteri Soininen worked as strategy consultant with The Boston Consulting Group (BCG) in both Europe and the US. He has over 16 years of experience in collaborating with top management to design and implement change programmes including major transformations to deliver sustainable shareholder value.

Petteri holds a MSc (with distinction) in Industrial Engineering from the Helsinki University of Technology. Petteri is a Finnish citizen.

Johan Kr. Mikkelsen, Board member

Johan Kr. Mikkelsen is currently the Chief Technology Officer of Perestroika AS. Johan has 40 years' experience from Norsk Hydro and Statoil. He entered the oil and gas industry at the Mongstad refinery in 1974 as process engineer and a couple of years later as Production Manager at the refinery. In 1983 he moved on as Production Director for Oseberg field and in 1992 as SVP for Norsk Hydro drilling. In 2000 he continued as SVP for Oseberg asset and in 2003 as SVP for the Troll asset. In 2005 he became Country manager for Norsk Hydro Canada before he moved on as Peregrino Project Director and later Production Director for the Peregrino field in Brazil. In 2012 he returned to Norway as VP for the Statoil Subsea Improvement Project until early 2014 when he retired from Statoil.

Johan Kr Mikkelsen holds a Master degree from NTH from 1973 in Industrial Chemistry and a Master degree in Chemical Engeneering from University of Wisconsin, USA in 1979.

Mimi Berdal, Board member

Mimi K. Berdal currently runs an independent legal and corporate counseling business. She holds a Cand. Jur. (law) degree from the University of Oslo and is admitted to the Norwegian Bar Association.

Mimi Berdal is also member of the Board of Directors of the listed companies Interoil E&P ASA, in addition to Gassco AS.

Anne Øian, Board member

Anne Øian has extensive management experience, mainly from the banking industry, where she has worked with clients from the shipping and offshore industries, as well as experience from directorships in large international companies. She has held various positions in DNB from 1975 to 2015, including that of Global Head of Shipping. Anne Øian has served the Board of Statoil, GIEK and the Norwegian School of Management (BI), as well as a number of other boards.

Anne Øian holds a Masters degree from the Norwegian School of Management.

Ole Martin Pedersen, Board member

Ole Martin Pedersen received an MSc in engineering cybernetics from the Norwegian University of Science and Technology in 2004. He joined EMGS in 2006 as a software developer and from 2010 to 2012 Ole Martin worked as a geoscientist and G&G processing team leader in EMGS Asia Pacific, Kuala Lumpur. Ole Martin is currently working as a senior software developer / project manager in the EMGS Imaging & Integration Technology Center in Trondheim.

Christel Brønstad, Board member

Christel Brønstad graduated with a BSc in multimedia systems from London Guildhall University, UK, in 2002 and has worked at EMGS since 2003. She has had roles in various EMGS departments, including administration, sales and marketing, acquisition, and is currently working as QA and Training Supervisor in the QHSSE department.

Adam Robinson, Board member

Adam received an MSc in Physics from NTNU in Norway after completing his BSc at Lancaster University in England. He worked six years offshore for EMGS as a Field Geophysicist, Instrument Engineer and Offshore Manager. For the last three years he has been the Operations Manager for the EMEA region. Adam has been an EMGS employee since 2005.

ICIQ

INTEGRITY
COMMITMENT
INNOVATION
QUALITY

Integrity in all our relationships
We earn trust through demonstrating integrity. We dare to challenge and we are honest. Our honesty benefits all our relationships.

Commitment to value creation
We are strong believers in the value our technology creates for both customers and shareholders. We go the extra mile.

Innovation in products and services
We set the stage for the future of the industry. We are passionate about developing what our customers need.

Quality in every step
We care about our people, our customers and our deliveries. We don't compromise on safety or on quality.

emgs

Board of Directors' Report.

2015 was a challenging year for the oil service industry. The oil companies reduced their spending substantially, resulting in a decline in revenues for the suppliers in the industry.

EMGS used its flexible business model to adjust its cost level to these challenging market conditions. A comprehensive cost reduction programme was implemented during 2015 to bring the cost base in line with the activity level, including a reduction of the Company's vessel capacity and headcount. Also, the Company strengthened its financial position through an equity issue and a partial buy-back of its bond loan at a discounted rate, combined with an extension of the maturity of the loan.

EMGS still experiences a healthy interest in the Company's technology, and the industry's adoption of the EM technology is progressing, although challenged by the reduced budgets in the industry.

The Board expects the market outlook to continue to be challenging and characterised by high uncertainty in 2016.

About EMGS

Company and strategy

Electromagnetic Geoservices ASA ("EMGS" or the "Company"), with its subsidiaries (together the "Group"), is the global leader in electromagnetic ("EM") surveying technology in the offshore oil and gas exploration industry.

EMGS vision is:

To make EM an integral part of the E & P workflow.

Our vision is to make EM as fully adopted as seismic.

By providing EM data integrated with other subsurface measurement, including seismic, we enable our customers to increase success in their exploration and development programmes.

EMGS' core values are: Integrity, Commitment, Innovation and Quality. The values are included as a topic in the Company's annual employee appraisal process and highlighted in organisational surveys used to measure the organisational effectiveness.

EMGS is constantly working to deliver the best quality product to its customers. The technology is further developed to improve quality and efficiency, as well as to broaden the scope of the products to increase the Company's addressable market. EMGS also put a high priority on interacting with its customers, to assist in ensuring the full value of the service is provided.

The integration of EM methods into exploration workflows provides oil and gas companies with an improved de-risking and appraisal tool than using traditional exploration techniques alone. The use of EM data is complementary to the use of seismic data, as it provides oil companies with more information about the subsurface. Integrating the use of EM data into the exploration workflow reduces exploration risk through a better understanding of a reservoir's charge and seal.

EMGS remains a global leader in the planning, acquisition, processing, modelling, interpretation and integration of EM data. The Company has extensive experience, well-established routines and leading-edge processing, modelling and inversion software.

EMGS has conducted surveys across the world's mature and frontier basins in water depths ranging from 30 to 3500 metres for more than 150 customers. EM surveys have been conducted under a wide variety of operating conditions and in virtually every major basin around the world.

EMGS' strategy is that the Company shall have a flexible and scalable business model. This will be assured by remaining its asset-light operational model, including chartering all of its vessels from vessel owning companies. The Company shall undertake a mix of contract work and multi-client projects. Customers include the National Oil companies (NOCs) and selected International Oil companies (IOCs).

The flexibility and scalability in the business model comes mainly from the following three arrangements:
the chartering of vessels, flexible rates in the charter agreements and the ability to do a combination of contract work and multi-client projects.

EMGS has used its flexible business modell to downscale its operations to bring the Company's cost base in line with current market activity. The Company will however seek to scale up the organisation to be well positioned when the demand for EM services increases.

In line with this strategy, EMGS had, as of 31 December 2015, four vessels on charter; The BOA Thalassa and BOA Galatea owned by the BOA Group (BOA SBL AS), the Atlantic Guardian, owned by North Sea Shipping, and the EM Leader, owned by Seatrans. The BOA Thalassa and the BOA Galatea had firm charters until April 2017 and December 2015 respectively. The BOA Galatea was partly delayed on its crossing of the Atlantic Ocean in December and ended up being redelivered to the owner of the vessel mid-January 2016. The Atlantic Guardian has a firm charter agreement until December 2017, with three 1 year options, while the EM Leader has a firm charter agreement until December 2016, with two 1 year options. The EM Leader has been laid up since 15 May 2015 at a reduced rate.

EMGS has various charter agreements for its vessels, which provides the Company with flexibility to adjust its activity and associated costs to the shifting market conditions.

EMGS coordinates its activities from its headquarters in Trondheim (Norway) and has business centres in Oslo (Norway), Houston (USA) and Kuala Lumpur (Malaysia). The Group also has offices in Rio de Janeiro (Brazil), Mumbai (India) and Villahermosa (Mexico).

EMGS was listed on the Oslo Stock Exchange in March 2007. At the end of 2015, the Company had a total of 1,311,765,555 shares outstanding.

EM technology

The EM technology used by EMGS in its EM survey projects can be divided into two distinct methods: controlled-source EM (CSEM) surveying and magnetotelluric (MT) surveying. For more information on the different methods, please see a separate section in the annual report.

Important events in 2015

Technology and operational development

The JIP

As previously announced, EMGS is working on a Joint Industry Project ("the JIP"), supported by Shell and Statoil, for developing the Next Generation EM equipment.

The new system will see improvements in the source output, improvements in the navigation system which will result in reduced uncertainties in source dipole positioning, while the receivers will have better sensors to improve the signal-to-noise ratio. Combined, this will enable EMGS' EM technology to image deeper targets.

The project continued throughout 2015, and the carrying value of the JIP as of 31 December 2015 was USD 29 million, recorded partly as assets under construction and partly as property, plant and equipment. EMGS has received prepayments from Shell and Statoil. These are recorded as provisions and amounted to USD 15 million per 31 December 2015.

A full system integration test is planned to be completed during the summer of 2016. The field test will be able to validate the unit's output power and the performance of it in conjunction with navigation systems and receivers, as well as demonstrate the improved penetration of the EM fields into the subsurface.

Other equipment developments

EMGS works on incremental improvements to the standard suite of EM equipment, including receivers, the source and the navigation system, supporting a more efficient operation and improved data quality.

Completed improvements include the implementation of new sheave wheel guides, solid source antennas and the

Ranger 2 positioning system on all the Company's vessels. This yielded higher transmission speed, lower technical down-time and an over-all better survey efficiency in 2015 than the in 2014.

Also, during 2015, an upgrade of the umbilical winch brake system was completed on all vessels, resulting in improved safety of operation.

Software development

During 2015, EMGS completed the development of the next generation modelling and imaging tools. Testing of the new tools has confirmed a step change in imaging quality and confidence, as well as increased computational efficiency. The development of the tools was further supported by continuous improvements to processing algorithms in terms of accuracy and noise reduction, further strengthening EMGS' position as the provider of the highest quality EM data in the market. The Company plans to commercialise the tools in 2016.

2015 also marked the beginning of the commercialisation of EMGS' software developed to make it easier for customers to embed EM data into their geophysical and exploration workflows. The software, which so far is used as a prospect evaluation software, has been well received by a large number of key customers.

Other operational improvements

Early October 2015, EMGS 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 agreement increases the Company's flexibility to adjust vessel costs and capacity, in line with the strategy. EMGS has chartered the vessel until 1 April 2017 and the agreement includes different rates for when the vessel is in operation, idle or laid up.

The vessel Atlantic Guardian spent around 6 weeks at the yard in the fourth quarter of 2014, where the vessel underwent important upgrades, including the installation of frequency controlled electro motors on all azimuth propulsion thrusters, which resulted in reduced fuel consumption of 40% during operations in 2015.

Multi-client investments

Since 2008, EMGS has invested in its multi-client data library. The Company's multi-client business has become a more important part of the overall business, both in terms of revenues and in terms of marketing value as the Company can more freely share EM successes with its customers. The multi-client business model is well suited for partnerships with seismic players and authorities, and reduces the unit cost of EM data for the industry. In 2015, the revenues from multi-client sales amounted to 45% of the total revenues, up from 31% in 2014 and from 23% in 2013.

Partnership agreement with TGS

In May 2013, EMGS and TGS entered into a cooperation agreement to develop joint multi-client projects in specific areas. The partnership between the two companies was expanded several times in 2014. In December 2014, the two companies announced a joint multi-client campaign in the Barents Sea over approximately 10 new blocks in the Nordkapp and Tiddly areas. The campaign was completed in April 2015. As of 31 December 2015, TGS had a 30% ownership in EM data over 17 blocks and a 50% ownership in EM data over 28 blocks, all in the Barents Sea. The joint project has been important for the demonstration of the value from integrating 3D EM data with seismic data to reduce risk and increase discoveries in the Barents Sea.

EMGS key multi-client libraries

At the end of 2015, the Group's most important multi-client libraries are in the following countries/basins: Norway, the US Gulf of Mexico, Canada and Brazil. In addition, the Company invested in acquiring multi-client data in Indonesia in 2015. The total carrying value of the library was USD 42.3 million at the end of 2015, of which the major part is related to the library in the US Gulf of Mexico.

Norway

The Group's' largest 3D EM multi-client library is in Norway. Here, the Group has approximately 69,000 square kilometres of 3D EM data, of which more than 56,000 is in the Barents Sea. The Barents Sea has proven to be a very important showcase as EMGS has been able to successfully demonstrate its value in the de-risking process of projects. In 2015, the Company completed two multi-client projects in Norway; One joint project with TGS in the Barents Sea, in the Nordkapp and Tiddly basins, and one project which covers data from the Hammerfest basin (Barents Sea), the Froan Basin (North Sea) and Nyk (Norwegian Sea).

In total, as of 31 December 2015, EMGS has invested USD 64.0 million in multi-client projects in Norway since 2008 and sold data for USD 201.4 million. For 2015, multi-client revenues amounted to USD 31.8 million.

US Gulf of Mexico

EMGS completed its first commercial multi-client project in the US Gulf of Mexico in 2014. The region is strategically important to the Company. A high number of oil companies are active in the region and EMGS has been building on its extensive acquisition and integration efforts for Pemex in the northern offshore Mexican waters. During 2015, EMGS made investments in three projects in the US Gulf of Mexico: The Radiant, the Stratus and the Lightning Bolt project. In addition, the Company made some further investments in the Daybreak project (starting in 2014).

In total, EMGS has approximately 14,500 square kilometres of 3D EM data in this basin. Total investments in multi-client data in the region since 2012 (including the Sunshine project) amount to USD 32.0 million, while total sales were at USD 8.6 million, of which USD 1.5 million were booked in 2015.

Canada
EMGS completed a multi-client project in Canada in 2014, including approximately 2,500 square kilometres of 3D EM data. The survey targeted the Flemish Pass Basin, where major oil discoveries have been made. No further investments were made in Canada during 2015. Investments in 2014 amounted to USD 9.0 million, while revenues of USD 1.4 million has been booked, following the agreement with Nalcor Energy announced in 2014. The agreement with Nalcor will allow EMGS to invest in the region as the area sees increased interest from oil companies.

Brazil
EMGS did not have any multi-client projects in Brazil during 2015. The Brazil library is the Company's second largest library, covering approximately 15,000 square kilometres. EMGS also has a cooperation agreement with the seismic company Spectrum ASA covering the Foz de Amazonas basin in Brazil. EMGS has invested a total of USD 14.6 million in its data libraries in Brazil since 2013. The libraries have generated USD 9.3 million in revenues, of which USD 3.9 million was booked in 2015.

Indonesia
During 2015, EMGS acquired multi-client data in Indonesia. The Company has experienced interest from potential buyers of the data, but the project has so far not generated sales. The total investment in Indonesia in 2015 was USD 4.6 million, covering 2,300 square kilometres.

New permits for multi-client surveys in Mexico and India

Mexico
In July 2015, EMGS announced that the Company had received permits from Mexico's Comisión Nacional de Hidrocarburos (CNH) authorizing the acquisition of up to 88,000 square km 3D EM multi-client data in the Salina de Itsmo Basin in Mexico.

Going forward, EMGS will prioritise acquiring EM data for the future bid rounds in Mexico as outlined in the plan announced by the Secretaría de Energía (SENER). EMGS is currently actively seeking funding of its future projects in Mexico.

EMGS has nearly five years of operational experience in Mexico, including in the Perdido Trend near and across the border with the United States. EMGS' delivery of EM data to, and cooperation with PEMEX have pioneered the integration of seismic and EM data.

India
In September 2015, EMGS announced that the Company had signed a multi-client acquisition agreement with the Directorate General of Hydrocarbons (DGH) in India. The agreement grants EMGS a two year permit to acquire 3D EM multi-client data within a 325,000 square km area off West coast India, crossing eight different tectonic provinces from Kutch-Saurashtra in North to Ratnagiri in South.

The agreement also gives the DGH access to EMGS' 3D EM multi-client data acquired going forward within the permitted area.

In conjunction with oil companies in India, EMGS has identified 8 potential survey areas to evaluate different geologic scenarios within the permit area. The survey locations have been carefully chosen based on reviews of well and seismic data that the Company has had access to, as well as evaluations of feasibility and sensitivity for MT and CSEM.

Sales and customers

Delivering quality is crucial to secure customer satisfaction and build confidence in EM data. Over the last couple of years, EMGS has invested in strengthening its sales organisation, with a focus on hiring people with exploration experience. The EMGS sales organisation consists of commercial sales, technical advisors and exploration advisors.

Although EMGS has implemented substantial cost reductions during 2015, the Company will maintain its local presence in key markets to make sure the sales force is located close to targeted NOCs.

In 2015, EMGS entered into agreements with 7 new customers. The Group's overall revenues were reduced from USD 198.0 million in 2014 to USD 81.1 million in 2015, reflecting the challenging market for the oil service industry.

Other important events

Financial restructuring

On 5 November, the Board of Directors of EMGS called for an extraordinary general meeting in the Company to propose to the shareholders to increase the share capital through the issuance of new shares with preferential and tradable subscription rights. Further, the Board announced a proposal to the bondholders of the Company to amend certain terms of the bondholder agreement.

The proposed changes to the bondholder agreement were approved in a bondholder meeting on 19 November, and the extraordinary general meeting held on 26 November approved the proposed Rights Issue.

The Rights Issue was completed on 15 December and resulted in a gross proceeds of NOK 278 million through the issuance of 1,112,000,000 new shares. The proceeds were planned to be used for two separate purposes; (i) NOK 214 million to strengthen the Company's financial position and for general corporate purposes and (ii) NOK 64 million to fund the buy-back of a portion of the Company's outstanding bond loan at a discount.

The amendments to the bond loan agreement included, amongst others, a three year maturity extension, from June 2016 to June 2019, and a buy-back of NOK 80 million of the nominal value of the bond loan at a price of 80% of each bond for a total consideration of NOK 64 million. Following the buy-back, the outstanding value of the bond loan was NOK 270 million as at 31 December 2015.

Cost reduction measures

During 2015, EMGS implemented comprehensive cost reduction measures to align costs to the current market climate and consequently lower activity level.

The Company has reduced its vessel capacity from four to two vessels with EM Leader being idle, re-negotiated charter agreements and other lease agreements, reduced its global headcount and reduced its R&D capacity and projects.

Most of the measures have been implemented and will yield effects gradually. The Company expects the measures to have full effect from the second quarter of 2016.

Organisational changes

On 7 January 2015, the Board of Directors of EMGS appointed Bjarte Bruheim as new Chief Executive Officer (CEO) of the Company. In late August, Bruheim decided to step down as CEO and the Board of Directors appointed Stig Eide Sivertsen as interim CEO of the Company until a the search for a permanent CEO had been completed. Prior to taking on the role as CEO, Sivertsen had served the Board of EMGS since 2010. On 11 November 2015, the Company announced the appointment of Christiaan A. Vermeijden as a new permanent CEO. Vermeijden is 42 years old and comes from the position as Global Offshore Geotechnical Director of Fugro N.V., where he was part of the executive management team. Vermeijden has worked for Fugro since 2000 in several management positions around the world, and brings with him extensive international experience and knowledge of the oil and gas service industry.

Vermeijden took office as CEO of EMGS from 1 February 2016, after which Sivertsen resumed his non-executive directorship at the Board of EMGS.

On 17 December, EMGS announced that the Company had appointed Hege A. Veiseth as acting Chief Financial Officer (CFO) of the Company effective from 1 January 2016, following the resignation of Svein Knudsen.

Veiseth has worked for EMGS since 2007 and prior to taking on the CFO role, she was the Group Finance Manager of the Company. Before she joined EMGS, Veiseth worked as an auditor for EY for 7 years, including as EMGS' auditor. Veiseth has a MSc in Economics and Business Administration from the Norwegian School of Economics (NHH) and a MSc in Accounting and Auditing from the Norwegian Business School (BI).

Changes to the Board of Directors

EMGS held its annual general meeting on 9 June 2015. After Tone Østensen had notified the Board that she did not put her name up for re-election, Anne Øian was proposed as new director of the Board which was subsequently approved by the general meeting.

On 24 August, the Board appointed Stig Eide Sivertsen as interim CEO of the Company. As the CEO cannot be a member of the Board, Sivertsen resigned from the Board with immediate effect. Sivertsen resumed his directorship on 1 February 2016, when EMGS' new CEO, Christiaan Vermeijden took office.

Patent litigation with PGS

In December 2013, EMGS announced that the Company had issued claims against Petroleum Geo-Services (PGS) in the High Court of Justice, Patent Court, in London, UK. The basis for the claims was the evaluation by EMGS that PGS has used the Towed Streamer EM in the United

Kingdom and Ireland in violation of an EMGS patent. Later, EMGS also filed a similar claim in Norway.

The first instance hearing in the High Court of Justice, Patent Court, in the UK is scheduled for March 2016.

PGS ASA has taken out an infringement claim against EMGS ASA and EMGS Americas Inc. for infringement of a PGS patent in the US. The court hearing in this matter is scheduled to take place in the second half of 2017.

In February 2015, EMGS received the decision of the Oslo City Court that the EMGS' patent was found to be invalid. EMGS has appealed the decision, and the appeal hearing is expected to take place in September 2016. EMGS has guaranteed for the payment of legal fees in the amount of approximately USD 2 million to PGS. The Company accrued for this amount in 2014.

The decision of the Oslo City Court on validity of the patent was contrary to previous international decisions all made by specialised patent judges. EMGS successfully defended the patent against claims of invalidity from Schlumberger Holding Ltd in the Netherlands, in February 2008 and in the UK Court of Appeal in July 2010 and through several oppositions in the European Patent Office appeal division in December 2011.

Norwegian licensing rounds

The Norwegian licensing system consists of two equally important types of licensing rounds; numbered licensing rounds for the least explored parts of the shelf (frontier areas), and awards in predefined areas (APA) for mature parts. The numbered licensing rounds are normally announced every other year, while the APA systems follow a fixed annual cycle. Based on the Company's track record, the licensing rounds in Norway represent important revenue opportunities for EMGS.

In January 2015, the Norwegian Petroleum Directorate announced the 23rd licensing round. 57 blocks/parts of blocks were announced in the round, of which three are in the Norwegian Sea and 54 in the Barents Sea. Of the 54 blocks in the Barents Sea, EMGS has 3D EM multi-client data covering 36 of the blocks, of which 14 are in the Hoop area and 22 are in the southeast.

The application deadline was 2 December 2015 and the government aims to award new production licenses in the first half of 2016. EMGS expects both up-lift revenues and late sales related to the awards.

The areas available for bids in the APA 2015 were announced in April 2015 and the application deadline for the round was early September 2015. When the awards were announced in January 2016, it was revealed that one production license group had included 1,000 square km EM acquisition in its work commitment, and 9 other production licenses had included EM feasibility studies as part of their commitment. This is the first time EM technology was made part of a production license work programme commitment in a Norwegian licensing round, which is an important step towards full adoption of the EM technology.

Events after the balance sheet date

Sale of North Energy shares

On 19 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.

Factors affecting the results of operations

The Group's operational results depend on several factors, where the most important ones are considered to be: demand for EM services, fleet status and vessel utilisation and the charter terms of the Company's vessel fleet.

Demand for EM services

The overall demand for EMGS' services is dependent, in part, on offshore exploration budgets. The drop in oil price in 2014 and 2015 resulted in reduced E&P spending by oil companies in 2015. Most of the large oil & gas companies have announced further cuts in their E&P spending in 2016 and industry analysts estimate an average of 20% reduction in exploration related spending from 2015 to 2016.

EMGS considers the adoption rate of the EM technology to be a crucial factor for the demand for EM services. The adoption rate is defined as how fast the oil companies accept the EM technology into their exploration workflow.

EMGS experiences a healthy interest in the technology and more and more oil companies use EM data to improve their understanding of the subsurface. EMGS signed contracts with 7 new customers in 2015 and 15 new customers in 2014.

The Company has two main sources of revenue: contract sales and multi-client sales. In addition, the Company receives some revenue related to consultancy, processing services and software sales. These revenues are presented as contract sales. For more information on the different revenue sources, please see the notes to the financial statements.

Fleet status and utilisation

As per the end of 2015, the Company had four charter agreements for its vessels.

The two purpose-built 3D EM vessels, the BOA Thalassa and the BOA Galatea, had firm charters until April 2017 and December 2015 respectively. The BOA Galatea was partly delayed on its crossing of the Atlantic Ocean in December and ended up being redelivered to the owner of the vessel mid-January 2016.

The Atlantic Guardian, has a firm charter agreement until December 2017, with three 1 year options, while the EM Leader has a firm charter agreement until December 2016, with two 1 year options. The EM Leader has been laid up since 15 May 2015 at a reduced rate.

The vessels operated over the course of 2015 in Indonesia, Malaysia, Mexico, Norway, Uruguay and USA.
In total, EMGS recorded a total of 40.5 vessel months in 2015, an average of 10.1 per quarter, compared with 44 vessel months in 2014, an average of 11.0 per quarter. The Company had a vessel utilisation of 59% in 2015, compared with an utilisation of 69% in 2014. The vessel utilisation for the year was allocated with 17% to contract work and 42% to multi-client projects.

EMGS' ability to optimise the performance of its vessels through maximising commercial utilisation and minimising unpaid activities are key factors for the Group's longer-term operating performance. Technical downtime, steaming time between surveys and unpaid standby time all negatively affect the Group's operating results. Technical downtime was kept at a minimum over the course of 2015.

Seasonality

Adverse weather conditions can result in lost time when vessels are forced to relocate and reduce their activity. In addition, the Group's operational results fluctuate from quarter to quarter because of oil and gas companies' spending patterns.

Currency transaction exposure occurs to some extent during the ordinary course of business and when the relevant exchange rates alter between the date of a transaction and the date of the final payment for the transaction. The Group records such gains or losses in the financial income and expenses line item of its consolidated income statement.

Financial statements

Going concern

The Group has prepared its financial statements under the going concern assumption, and the Board confirms in accordance with Section 3-3a of the Norwegian Accounting Act that the going concern assumption is applicable. The Group's reported results, its business strategy, its current budgets and financing, as well as its long-term strategic forecasts provide the basis for the going concern assumption.

As of 31 December 2015, the carrying value of equity was USD 78.0 million, down from USD 126.2 million at the end of 2014. EMGS completed a financial restructuring in December 2015, including a Rights Issue that provided the Group with USD 31.7 million in new equity. This resulted in a cash balance at the end of 2015 of USD 38.4 million.

Results of operations

The year ending 31 December 2015 is compared below with the year ending 31 December 2014.

The Group prepares its accounts in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU.

<u>Revenues and operating expenses</u>

In 2015, the Group recorded revenues of USD 81.1 million, down from USD 198.0 million in 2014. Contract sales ended at USD 45.0 million, while multi-client sales totalled USD 36.1 million, whereas USD 3.5 million was recorded as pre-funding revenues and USD 32.6 million was recorded as late sales revenues. In 2014, USD 137.2 million was recorded as contract sales, while multi-client sales came in at USD 60.8 million. This means that the sales from the multi-client projects accounts for 45% of the revenues in 2015, compared with 31% in 2014.

The decrease in revenues from 2014 to 2015 can mainly be explained by fewer and smaller contract sales, as well as lower sales from the multi-client libraries.

Charter hire, fuel and crew expenses ended at USD 32.4 million, a decrease of 47% from the USD 61.3 million reported in 2014. The decrease mainly reflects the lower operational activity, reduced fuel expenses due to both lower fuel price and lower consumption by the Atlantic Guardian. The Group's capitalisation of multi-client costs was USD 34.4 million in 2015, compared with 30.6 million in 2014.

Employee expenses amounted to USD 44.8 million in 2015, down from the USD 55.2 million reported in 2014 (see more details in Note 8). The expenses for 2015 include a cost of USD 4.0 million related to the Group's restructuring plan. The number of employees decreased from 311 at the end of 2014 to 239 at the end of 2015.

For the full year 2015, other operating expenses amounted to at USD 20.6 million, compared with USD 22.5 million for the full year 2014. A more detailed overview of the Group's other operating expenses can be found in Note 9 to the annual accounts.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 12.7 million in 2015, down from USD 16.3 million in 2014. The decrease is due to assets becoming fully depreciated.

Multi-client amortisation amounted to USD 8.6 million in 2015, which is 31% lower than the USD 12.6 million recorded in 2014. The reason for the lower amortisation is the reduced multi-client sales in 2015 compared with 2014.

In 2015, the Group recorded impairments of long-term assets of a total of USD 31.3 million, compared with a total of USD 2.0 million in 2014. The amount includes impairment of goodwill of USD 14.4 million, impairment of equipment of USD 1.6 million and impairment of the multi-client library of USD 15.3 million.

Financial items and result for the year before and after taxes

Interest expenses ended at USD 4.1 million in 2015, down from USD 5.9 million in 2014. EMGS recorded a gain on net foreign currency of USD 4.2 million in 2015 compared with USD 8.1 million in 2014.

Net financial items ended at negative USD 3.7 million, down from a positive USD 3.1 million in 2014.

For 2015, EMGS recorded a loss before income taxes of USD 73.0 million, compared with a profit before income taxes of USD 31.2 million in 2014.

Income tax expenses of USD 3.7 million were recorded in 2015, down from USD 5.3 million in 2014. These taxes relate to results in foreign jurisdictions.
EMGS reported a net loss of USD 76.7 million for 2015, down from a profit of USD 25.9 million for 2014.

Cash flow and balance sheet

Cash flow from operating, investing and financing activities

For 2015, net cash flow from operating activities was USD 28.3 million, compared with USD 31.7 million in 2014. The positive cash flow from operations can mainly be explained by a positive change in trade receivables of USD 47.0 million in 2015 resulting from the record-high sales in December 2014 which caused an extraordinary high level of receivables at the beginning of 2015.

EMGS applied USD 42.0 million in investing activities in 2015. The investments consist of USD 7.7 million in property, plant and equipment and USD 34.4 million in multi-client investments. In 2014, cash applied in investing activities amounted to USD 59.5 million. This included USD 19.8 million related to property, plant and equipment (of which a large share was related to the Company's JIP project), USD 30.6 million in multi-client investments and USD 9.0 million in investments in financial assets.

Cash flow from financial activities ended at USD 20.3 million in 2015 as a result of the equity issue completed in December. The equity issue resulted in proceeds of USD 31.5 million, of which USD 8.9 million were used to buy back parts of the Company's outstanding bond loan. In 2014, cash flow from financial activities ended at a negative USD 2.3 million.

In sum, cash decreased by USD 6.5 million in 2015. At 31 December 2015, cash and cash equivalents totalled USD 38.4 million, including USD 6.7 million in restricted cash.

Financial position

EMGS total assets amounted to USD 165.1 million at 31 December 2015, down from USD 235.3 million at 31 December 2014, mainly explained by the above-mentioned impairments and decrease in trade receivables.

The carrying value of the Group's multi-client library was USD 42.3 million at the end of 2015, an increase of USD 8.5 million since the end of 2014.

Total borrowings were USD 31.5 million at the end of 2015, down from 48.5 million at the end of 2014, mainly reflecting the partial payback of the bond loan, as well as currency effects from the loan.

Liquidity requirements and financing facilities

EMGS' cash flow forecast is considered sufficient for the Group to meet its liquidity requirements for 2016.

The Group's need for liquidity fluctuates from quarter to quarter depending on revenues, capital expenditures, vessels in operation and cash balance.

Cash and cash equivalents, excluding restricted cash, totalled USD 31.7 million at 31 December 2015, compared with USD 25.2 million at 31 December 2014.

As per 31 December 2015, EMGS has one listed bond loan worth NOK 270 million (USD 30.3 million). In addition, the Group has financial lease obligations of USD 0.9 million and a loan of USD 0.4 million related to the North Energy shares.

In addition, liabilities related to the above-mentioned forward rate agreement amounts to USD 6.3 million at the end of 2015.

The Group has total borrowings of USD 31.5 million and a cash position of USD 38.4 million.

Research and development

To maintain its market leading position within the EM market, EMGS has invested significant time and resources in research and development ("R&D"). The industry in which it operates is highly technical and the requirements for the acquisition and processing of EM data evolve continuously. EMGS has agreements with various universities, research institutions and oil and gas companies regarding various aspects of R&D for software applications used in the processing, inversion and modelling of EM data.

As of 31 December 2015, EMGS' R&D staff included 31 scientists, engineers and programmers. As a result of the lower activity in the oil and gas sector, EMGS has reduced its investments in R&D. The research and software groups have been reduced in size and on-going research/feasibility work has been reduced. The Company's key projects that are close to completion are continued with minimal impact while less developed projects are put on hold and re-prioritised in 2016. Other projects, and low priority projects in particular, are postponed until the market conditions improve. The reduced activity related to R&D is likely to have limited revenue impact in the short term, as the Company is in a strong technological position.

In 2015, EMGS incurred R&D related costs of USD 2.1 million, down from USD 4.3 million in 2014.

In addition, the Group capitalises certain R&D expenses in accordance with IFRS. In 2015, the Group capitalised USD 2.5 million of its employee costs as development, up from USD 1.9 million in 2014.

Allocation of Net Income

The Board of Directors proposes that the net income of EMGS, the parent company, shall be attributed to

Other equity	KNOK – 349,880
Net income allocated	KNOK – 349,880

Distributable equity as of 31 December 2015 was KNOK 0.

Financial risk

The Group's principal financial liabilities are trade and other payables, loans and borrowings and forward rate agreement. The Group has various financial assets such as trade receivables, cash and short-term deposit which arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management and Board review and agree policies for managing each of these risks which are summarised below. For further details see Note 3 to the financial statements.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk for the Group: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and AFS investments. Please see sensitivity analysis in Note 3.

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has limited exposure to interest rate risk, as this is primarily only related to the Group's long-term loan of NOK 270 million with floating interest rate (3 month NIBOR + 6%).

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and therefore has exposure to foreign exchange risk arising from transactions executed in other currencies than the functional currency of each company. EMGS ASA has USD as functional currency, so the foreign currency risk is primarily with respect to NOK in EMGS ASA.

For 2015, approximately 94% of the Group's sales revenues were denominated in USD, whilst approximately 68% of the costs were denominated in USD.

EMGS also had a NOK 270 million bond loan as of 31 December 2015. The Group manages the exposure level of foreign currency risk by hedging its exposure to exchange rate fluctuations related to the bond loan.

Foreign exchange risk arises from future commercial transactions, recognised as assets and liabilities. The Group's exposure to foreign currency changes on equity and for all other currencies is not material.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient liquidity to be able to meet its financial obligations. EMGS' sources of liquidity include cash balances, cash flow from operations, borrowings, it's existing and new bank facilities and further debt and equity issues. It is the Company's objective to balance these sources of liquidity. As EMGS expects a slow market for its services in 2016, the Company has brought the costs in line with expected revenues in order to preserve the cash balance.

In the fourth quarter of 2015, the Company completed a financial restructuring. The restructuring included completion of a Rights Issue which supplied the Company with USD 31.7 million in equity, of which USD 7.5 was used to buy back bonds at 80% of par. The buy-back reduced the nominal value of the bond loan from NOK 350 million to NOK 270 million. At the same time, EMGS got a three year extension of the bond loan.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and cash and cash equivalents). See Note 21 for aging analysis of trade receivables.

EMGS considers that it has no significant concentration of credit risk. Its clients are major international, national and independent oil and gas companies, mostly with impeccable credit standings and histories. Occasionally, a smaller oil and gas company may be on the client list and, in these cases, extraordinary caution is conducted in the credit evaluation. In 2015, EMGS did not experience any significant defaults in payments from customers.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. 2 customers amounted to a significant part of the 2015 revenues. However, these customers were large international oil companies, and considered creditworthy.

Corporate governance

EMGS is committed to healthy corporate governance practices The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

EMGS' corporate governance principles are based on maintaining open and reliable lines of communication, having a Board that is autonomous and independent of the executive management, having a clear division of responsibility between the Board and the executive management, and treating all shareholders equally.

The Company produces a comprehensive annual statement on corporate governance as part of its annual report. For further details, please see the section entitled Corporate Governance in this annual report. The information is also available on the Company's homepage.

CSR, working environment, discrimination and external environment

EMGS has adopted a policy for sustainability and corporate social responsibility ("CSR"). The principles in the policy cover the areas labour rights, anti-corruption, the environment and human rights.

All work in the Group related to sustainability and CSR (together "the CSR work") is based on the CSR Policy.

As the Company is a Norwegian public limited company listed on the Oslo Stock exchange, it complies with Section 3-3c of the Norwegian Accounting Act in respect of corporate social responsibility.

The Company produces an annual statement on its CSR work, also including information about the working environment in the Group, equal opportunities and discrimination statement, the external environment and human rights. For further details, please see the section entitled Sustainability and corporate social responsibility in this annual report. The information is also available on the Company's homepage.

Company outlook

The market outlook for oil services is challenging and characterised by high uncertainty. Oil companies have continued to announce further reductions in their spending for 2016 compared to 2015 as a response to the sharp decline in oil price. The interest in the EM technology from the oil companies is healthy, although challenged by the reduced budgets in the industry.

Based on the current operational forecast, EMGS expects to operate two vessels in 2016 with an option to include a third vessel if certain prospects materialise. The Company expects to keep one vessel in Asia throughout 2016, 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.

Most of the cost reduction measures announced in 2015 have been implemented, and the Company will continue to adjust its cost base to customers' demand. The Company expects the measures to have full effect from the second quarter of 2016. Capital investments are mainly limited to the joint industry project (JIP).

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Responsibility Statement.

Today the Board of Directors and the Chief Executive Officer reviewed and approved the Directors' Report and the consolidated and separated annual financial statements for Electromagnetic Geoservices ASA ("EMGS" or the "Company"), for the year ended 31 December 2015.

EMGS' consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for the Company have been prepared in accordance with Norwegian Accounting Act and Norwegian accounting standards. The Directors' report is in accordance with the requirements in the Norwegian Accounting standard no 16.

To the best of our knowledge:

- the consolidated and separate annual financial statements for 2015 have been prepared in accordance with applicable financial reporting standards
- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit/(loss) as a whole as of 31 December 2015 for the Group and the Company
- the Directors' report for the Group and the Company includes a fair review of
  - the development and performance of the business and the position of the Group and the Company
  - the principal risks and uncertainties the Group and the Company face

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Corporate Governance.

EMGS is committed to healthy corporate governance practices that will strengthen confidence in the Company and thereby contribute to optimal value creation over time. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

EMGS' principles for corporate governance are based on the following elements:

- EMGS will provide open, reliable and relevant information to its stakeholders about the Company's activities and its corporate governance
- EMGS' Board will be autonomous and independent of the Company's executive management
- A majority of the members of EMGS' Board are independent of major shareholders
- EMGS pays particular attention to ensuring that there are no conflicts of interest between the interests of its shareholders, the members of its Board and its executive management
- EMGS will ensure a clear division of responsibility between the Board and the executive management
- EMGS will treat all shareholders equally.

1. Implementation and reporting on corporate governance

Implementation and reporting

The Board of Directors (the "Board") of Electromagnetic Geoservices ASA ("EMGS" or "the Company") has the ultimate responsibility for ensuring that the Company practices good corporate governance. The Company, through its Board and executive management, carries out a thorough review and evaluation of its principles for corporate governance on an annual basis.

EMGS is a Norwegian public limited liability company and is listed on the Oslo Stock Exchange (Oslo Børs). The Norwegian Accounting Act includes provisions on corporate governance at Section 3-3b which impose a duty on the Company to issue an annual report on its principles and practice for corporate governance. These provisions also stipulate minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code"). Adherence to the Code is based on the "comply or explain" principle, which means that a Company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Code imposes more comprehensive requirements than the Accounting Act.

The Oslo Stock Exchange requires listed companies to provide a report on the company's corporate governance in its Board of directors' report in the annual report or in a document that is referred to in the Board of directors' report. The report must cover every section of the Code of Practice. The rules on the Continuing Obligations of listed companies are available at www.oslobors.no.

EMGS adheres to the current Code, issued on 30 October 2014. The Company provides a report in its annual report including its principles for corporate governance, as well as how the Company has adhered to the Code in that year.

EMGS' objective is to comply with all sections of the Code, but the Company may deviate from principles in the Code if required for special purposes. Deviations will be explained in the relevant sections.

The following sets out how the Code is accommodated through the financial year 2015.

Values and guidelines for business ethics and corporate social responsibility

Confidence in EMGS as a company and in its business activities is essential for the Company's continuing competitiveness.

EMGS is committed to openness about its systems and procedures for the management of the Company.

The Board has high priority on implementing high standards of corporate governance and this is therefore reflected in the Company's corporate documents.

EMGS has a set of clearly defined core values: Integrity, Commitment, Innovation and Quality. The values are operationalised in EMGS' daily work.

The Board has established a set of policies, among others on ethics, corporate social responsibility (see separate report in Annual Report), health, safety and environment, drug, smoking and alcohol, as well as on quality. The Code of Conduct reflects these policies. The policies and standards are evaluated at least once a year and updated accordingly. The Company has adopted a programme for corporate social responsibility including an anti-corruption compliance programme incorporating mandatory training of all employees.

EMGS' website provides more information about the Company's business activities , policies and standards.

2. Business

EMGS is the market leader in electromagnetic (EM) imaging. Pursuant to Section 3 of the Company's Articles of Association, the Company's purpose is as follows:

"The Company's activity is to engage, by itself or through proprietary interests in other companies, in the prospecting for hydrocarbon deposits in connection with the exploration, development and production of hydrocarbons."

The Company has clear objectives and strategies for its business within the scope of the definition of the business purpose in its Articles of Association.

The Board of Directors' report in the Company's annual report includes a description of the Company's objectives and principal strategies according to the business activities clause from the Articles of Association. The Articles are available at the Company's homepage, www.emgs.com.

3. Equity and dividends

Equity

As of 31 December 2015, the Company's equity is deemed to be satisfactory by the Board based on a going concern evaluation. The Company's equity position is subject to continuing evaluation to ensure that it corresponds to the applicable regulations and the Articles of Association.

As of 31 December 2015, the EMGS Group had an equity of USD 78 million, representing an equity ratio of 47%.

Dividends

The Company's objective is to generate a long term return for its shareholders through dividends and increases in the share price that is at least in line with the return available on similar investment opportunities of comparable risk. Currently, the Company is investing in opportunitites for growth and does therefore not intend to pay dividends. The Board will establish a clear dividend policy when relevant.

Authorisations to increase share capital and to acquire own shares

At the Annual General Meeting (AGM) held in 2015, the Board was authorised to increase the share capital by up to NOK 4,994,138 through one or more share issues equal to an issuance of up to 19,976,552 new shares each with a par value of NOK 0.25. Further details are set out in the resolution by the AGM that states, among others, that the authorisation will be utilised in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector, and/or to finance general corporate purposes. The authorisation is valid until 30 June 2016.

The Board was also given authorisation to increase the share capital by up to NOK 2,000,000 equal to an issuance of up to 8,000,000 new shares each with a par value of NOK 0.25. Further details are set out in the resolution by the AGM that states that the authorisation will be utilised for fulfilling the Company's obligations towards holders of options, should such options be exercised. All options are based on the Employee Option Programme. The authorisation is valid until 30 June 2016.

EMGS held an extraordinary general meeting on 26 November 2015. The extraordinary general meeting resolved to increase the share capital by NOK 278,000,000 through the issue of 1,112,000,000 new shares, each with a par value and issue price of NOK 0.25. The issues was done through a Rights Issue, which was fully underwritten by four of the Company's shareholders. The Rights Issue was completed in December 2015 when the Company received the new equity. 78% of the subscription rights were used, while the remaining 22% were subscribed for by the underwriters, thus increasing these shareholders' relative ownership.

Also, at the general meeting, the Board was authorised to acquire shares in the Company. The shares are to be acquired at market terms in a regulated market where the shares are traded. The shares are to be disposed of as part of consideration payable for transactions where shares is an alternative consideration including but not limited to acquisitions made by the Company, mergers, demergers or acquisitions involving the Company. The maximum number of shares which can be acquired is 9,988,277. The minimum amount which may be paid for each share acquired pursuant to this power of attorney is NOK 0.25, and the maximum amount is NOK 15.

As of 31 December 2015, the Board had not used any of the authorisations given.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment

Equal treatment of shareholders is a main principle for corporate governance in EMGS. The Company has only one class of shares, and any purchases or sales of own shares are carried out over the stock exchange.

The Articles of Association do not impose any restrictions on voting rights. All shares have equal rights.

Pursuant to the Norwegian Public Limited Liability Companies Act, existing shareholders have pre-emption rights in connection with share capital increases; however, this right can be waived. Any decision to waive the pre-emption right must be justified by the Board. Where the Board resolves to carry out an increase in the share capital and waive the pre-emption rights of the existing shareholders on the basis of a mandate granted to the Board, an explanation will normally be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital.

The Board of EMGS will waive the pre-emption of existing shareholders in connection with share capital increases following the Company's obligations towards holders of options if and when such options are exercised.

The equity issue in December 2015 was completed through the issuance of subscription rights to all existing shareholders. 78% of the subscription rights were used, while the remaining 22% were subscribed for by four underwriters.

Transactions with close associates

In the event of any material transaction between the Company and its shareholders, a shareholder's parent Company, members of the Board, members of the executive personnel or close associates of any such parties, the Board will, as a general rule, arrange for a valuation by an independent third party.

EMGS has implemented procedures for the Board, the board committees and the executive personnel to ensure that any conflicts of interest connected to agreements entered into by the Company are reported to the Board.

The Company has an agreement with Ocean Seismic de Mexico S.A. de C.V (Ocean Seismic), in which Mr. Bjarte Bruheim holds 16% of the shares. Mr. Bruheim has been the Chairman of the Board in EMGS and was the CEO of the Company from 7 January to 23 August 2015. Transactions between EMGS and Ocean Seismic are further described in note 33 to the annual accounts.

5. Freely negotiable shares

The shares in EMGS are freely negotiable and the Articles of Association do not contain any restrictions on negotiability.

EMGS is listed on the Oslo Stock Exchange, and the Company works actively to attract the interest of new shareholders. Liquidity in the Company's shares is essential if the Company is to be viewed as an attractive investment and thus achieve a low cost of capital.

6. General meetings

General Meetings

General meetings are the Company's ultimate corporate body. EMGS encourages all shareholders to participate in general meetings. The Board endeavours to organise the general meetings to ensure that as many shareholders as possible may exercise their rights by participating, and that such meetings are an effective forum for the views of shareholders and the Board.

Preparation for the Annual General Meeting (AGM)

The AGM is normally held in June each year, and in any case no later than 30 June, which is the latest date permitted by company law. The 2015 AGM was held on 9 June 2015. In addition, the Company held an extraordinary general meeting on 26 November 2015 where the main purpose of the meeting was to approve the proposed equity issue. The 2016 AGM is scheduled to be held on 9 June 2016.

The notices calling the general meetings are made available on the Company's website and sent to shareholders no later than three weeks prior to the meeting.

According to the Company's article 8 in the Articles of Association and provided that the shareholders may participate in general meetings electronically, ref. article 9 in the articles, the AGM may, with the majority required to amend the Articles of Association and with effect until the next AGM, decide that the notices calling Extraordinary General Meetings shall be sent no later than two weeks before the date of the meeting. This alternative has not been used in 2015.

Shareholders who wish to take part in a general meeting must give notice to the Company by the date stated in the notice of meeting, which date must be at least two business days before the general meeting.

Each share carries one vote in the Company's general meetings.

Article 10 of the Articles of Association stipulates that the supporting documents dealing with matters to be considered by the AGM can be made available on the Company's website rather than being sent to shareholders. However, shareholders are still entitled to receive the documents by post upon request.

The notice calling the general meeting, a form for appointing a proxy, as well as detailed supporting information are disclosed on the Company's website.

Resolutions and supporting information are sufficiently detailed and comprehensive to enable shareholders to form a view on matters on the agenda to be considered in the meeting. The Company will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for the Company's corporate bodies.

The date of the 2016 AGM is included in the Company's financial calendar. As a routine, the financial calendar for the coming year is published no later than 31 December as a stock exchange announcement, and it is also made available on the Company's website.

Participation in general meetings

Shareholders who do not attend the general meeting may be represented and exercise their voting rights through proxy. A person will be nominated to be available to vote as a proxy on behalf of shareholders. Proxy forms will enable the proxy holder to cast votes for each item on the agenda separately. The final deadline for shareholders to give notice of their intention to attend the meeting or to vote by proxy will be set in the notice for the meeting. According to article 9 of the Articles of Association, the Board may decide that the shareholders can participate in the general meeting by mean of an electronic aid, including that they may exercise their rights as shareholders electronically.

The Chairman of the Board, the CEO, the CFO and the auditor will be present at the AGM. Other board members will, if possible, attend the general meetings.

Agenda and conduct of the AGM

The Board decides the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act.

The Code stipulates that the Board should have arrangements to ensure an independent Chairman for the general meeting. The Company has evaluated the recommendation but decided that it was in the interest of the Company and the shareholders that the general meetings held in 2015 were chaired by the Chairman of the Board.

The AGM minutes are published by the issuance of a stock exchange announcement, and are also made available on the Company's homepage.

7. Nomination committee

EMGS has a nomination committee elected by the AGM. According to article 11 in the Company's Articles of Association, the committee shall consist of 2 to 3 members who shall be elected by the AGM for a period of 2 years, unless the AGM decides a shorter period.

As per 31 December 2015, the nomination committee consisted of 3 members;

- Kristian Siem (Chairperson)
- Frederik W. Mohn
- Lars Mohagen

None of the three members are independent of the Company's major shareholders.

The nomination committee proposes candidates for election to the Board and for the remunderation of the members of the Board. Also, the committee proposes candidates for election to the nomination committee and suggest changes to the mandate or guidelines for the nomination committee.

EMGS' nomination committee is in contact with shareholders, the Board and the Company's executive management when searching for candidates for election to the Board.

The recommendation to the AGM relating to the election should be available in time to be sent with the notice calling the meeting, so that the shareholders have the opportunity to submit their views on the recommendation to the nomination committee ahead of the meeting. Further details are set out in article 11 of the Articles of Association and in the guidelines for the nomination committee, which were approved by the AGM in 2012.

8. Board: composition and independence

The composition of the Board

EMGS does not have a corporate assembly.

According to article 5 in the Company's Articles of Association, the Board shall consist of 5–11 board members. At the end of 2015, EMGS' Board had nine members, including three members elected by and among the employees. Four of the members are women.

The shareholder-elected members represent varied and broad experience from relevant industries and areas of speciality, and the members bring experiences from both Norwegian and international companies. Any proposal for the election of shareholder-elected board members are made with a view to ensure that the Board can attend to the shareholders' common interest and the Company's need for competence, capacity and diversity. Also, the Board should function well as a collegial body. The Chairman of the Board is elected by the general meeting.

As of 31 December 2015, the Board consisted of the following:

- Eystein Eriksrud, Chairman
- Petteri Soininen
- Guro Høyaas Løken (independent)
- Johan Kr. Mikkelsen
- Mimi Berdal (independent)
- Anne Øian (independent)
- Adam Robinson, employee representative
- Christel Brønstad, employee representative
- Ole Martin Pedersen, employee representative

In addition, Stig Eide Sivertsen served as board member from 1 january until 24 august 2015 when he was, temporarily appointed as CEO of the Company. He was re-elected as board member at the extraordinary general meeting held on 26 November 2015 from the date when the new CEO started on 1 February 2016. Sivertsen is considered independent of executive management, business associations and major shareholders.

Board members are elected for a period of two years.

Independence of the Board

The Board does not include any members from the Company's executive management.

Three of the six shareholder-elected board members are independent of the Company's substantial business associations and major shareholders. The three members that are not considered independent are related to the Company's largest shareholders.

9. The work of the Board

The Board's duties and responsibilities

The Board has the ultimate responsibility for the management of the Company and for supervising its day-to-day management and activities in general. This includes developing the Company's strategy and monitoring its implementation. In addition, the Board exercises supervision responsibilities to ensure that the Company manages its business and assets and carries out risk management in a prudent and satisfactory manner. The Board is responsible for the appointment of the CEO. The Board has an annual plan for its work.

Mandate for the Board

In accordance with the provisions of Norwegian company law, the terms of reference for the Board are set out in a formal mandate that includes specific rules and guidelines on the work of the Board and decision making. The Chairman of the Board is responsible for ensuring that the work of the Board is carried out in an effective and proper manner in accordance with legislation.

Mandate for the CEO

The Board issues a mandate for the work of the CEO. There is a clear division of responsibilities between the Board and the CEO. The CEO is responsible for the operational management of the Company.

Financial reporting

The Board receives periodic reports on the Company's commercial and financial status. The Company follows the timetable laid down by the Oslo Stock Exchange for the publication of interim and annual reports.

Board meetings

The Board holds regular meetings and a strategy meeting each year. Extraordinary Board meetings are held as and when required, to consider matters that cannot wait until the next regular meeting. In addition, the Board has appointed three sub-committees composed of board members to work on matters in these areas. The Board has established and stipulated instructions for these committes.

Audit committee

The audit committee is appointed by the Board. Its main responsibilities are to supervise the Company's systems for internal control, to ensure that the auditor is independent and that the interim and annual accounts give a fair picture of the Company's financial results and financial condition in accordance with generally accepted accounting practice. The audit committee has reviewed the procedures for risk management and financial controls in the major areas of the Company's business activities.

The audit committee receives reports on the work of the external auditor and the results of the audit. Also, the audit committee meets regulary with the auditor where no member of the executive management is present.

As per 31 December 2015, the audit committee consisted of the following:

- Anne Øian, Chairman
- Eystein Eriksrud
- Guro Høyaas Løken

Compensation committee

The compensation committee makes proposals to the Board on the employment terms, as well as conditions and total remuneration of the CEO and other executive personnel.

As per 31 December 2015, the compensation committee consisted of the following:

- Eystein Eriksrud, Chairman
- Petteri Soininen
- Johan Kr. Mikkelsen
- Mimi Berdal

Strategy Committee

A strategy committee was established by the Board on 11 February 2015. The committee shall contribute to the Company's strategy development.
The committee consists of the following:

- Petteri Soininen, Chairman
- Eystein Eriksrud
- Johan Kr. Mikkelsen

Annual evaluation

The Board's working methods and interactions are subject to annual revision.

10. Risk management and internal control

The Board ensures that the Company has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems in EMGS are based on its corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("CSR"). The Board reviews the Company's internal control system and the main areas of risk annually.

EMGS' management conducts day-to-day follow-up of financial management and reporting. Management reports to the audit committee who conduct a review of the quarterly and annual reports before publication. The audit committee assess the integrity of EMGS' accounts. It also inquires into, on behalf of the Board, assess issues related to financial review and internal control, and the external audit of EMGS' accounts. The Board ensures that EMGS is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough consideration.

A description of the Company's financial risk management objectives and policies are included in note 3 to the financial accounts.

11. Remuneration for the Board

The AGM decides the remuneration paid to members of the Board annually. The nomination committee prepares proposals for the AGM regarding remuneration for Board members. The remuneration of the Board reflects the Board's responsibility, expertise and time commitment, and the complexity of the Company's activities.

The Code recommends that remuneration of the Board should not be linked to the Company's performance and, further, that the Company should not grant options to members of its Board. The employee representatives on the Board hold options, but these have been granted to them as employees of the Company, not as board members.

None of the shareholder-elected board members are engaged by the Company as other than board members.

Details on the remuneration to the Board can be found in notes to the financial statements of the Company.

The employee representatives do not receive any compensation for their services as board members.

12. Remuneration of the executive personnel

The Board determines salary and other remuneration systems for key management personnel pursuant to the provisions of the Norwegian Public Limited Liability Companies Act. The CEO's employment conditions and remuneration are determined by the Board and are presented to the AGM. The Board annually evaluates salary and other remuneration for the CEO. Details on the remuneration to the Company's executive personnel is included in notes to the financial statements of the Company.

The guidelines of the remuneration system for the executive personnel is determined by the Board and is presented to the general meeting through a declaration on principles for management remuneration, which is required by law. This declaration is also included in the Company's annual report.

Performance-related remuneration of the executive personnel is linked to value creation for shareholders or the Company's performance over time. The performance-related remuneration to the executive personnel is subject to an absolute limit.

The Board believes that the salary levels of executive personnel should be competitive.

13. Information and communications

EMGS maintains regular dialogue with analysts and investors. The Company considers it very important to inform shareholders and investors about the Company's commercial and financial performance.

The Company strives to continuously publish all relevant information to the market in a timely, effective and non-discriminatory manner. All stock exchange announcements are made available both on the Company's website and on the Oslo Stock Exchange news website at www.newsweb.no, and are also distributed to news agencies (via Hugin).

Financial reports

EMGS normally publishes its provisional annual accounts early February. The complete annual report and accounts are made available to shareholders no later than three weeks prior to the AGM and no later than by the end of April, as required by the Securities Trading Act (section 5-5 (1)).

Quarterly reports are normally published within six weeks following the end of the quarter, except for the report for the second quarter which is normally published around seven weeks following the end of the quarter.

The Company's financial calendar for the coming year is published no later than 31 December in accordance with the rules of the Oslo Stock Exchange. The financial calendar is available on the Company's website and on the Oslo Stock Exchange website.

EMGS holds open presentations in connection with the publication of its interim results. These presentations review the published results, market conditions and the Company's future prospects. The presentations are given by the CEO and/ or the CFO, and are distributed by webcast so that anyone unable to attend can follow the presentation on the internet in real time or view it later. Quarterly reports, presentation material and webcasts are all available on the Company's website.

Following the publication of the interim results, the CEO or the CFO meet with shareholders and potential investors.

Other market information

The Company has a policy identifying the positions entitled to speak on behalf of the Company on various subjects, in particular, who should communicate with the media, investors and investment bankers.

14. Takeovers

The Board endorses the recommendation of the Code for corporate governance on takeover bids. EMGS' Articles of

Association do not contain any restrictions, limitations or defence mechanisms on acquiring the Company's shares.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers.

In the event of a takeover bid, the Board will, in accordance with its overall responsibility for corporate governance, act for the benefit of all Company shareholders. The Board will not seek to hinder or obstruct takeover bids for EMGS' activities or shares, unless there are good reasons.

If an offer is made for EMGS' shares, the Board will normally both make a recommendation on whether the shareholders should accept the offer and arrange a valuation from an independent expert.

15. Auditor

The external auditor presents an annual plan to the audit committee covering the main features for carrying out the audit. The external auditor participates in all meetings of the audit committee, except for the meeting where the Company's budget is discussed. In addition, the auditor participates in the Board meeting that approves the annual financial statements and other meetings on request. The external auditor presents the result of the audit to the audit committee and the Board in the meeting dealing with the annual financial statements, including presenting any material changes in the Company's accounting principles and significant accounting estimates, and reporting any material matters on which there has been disagreement between the external auditor and EMGS' executive management.

The external auditor annually presents internal control weaknesses and improvement opportunities to the audit committee and, when appropriate, to the Board. The Board holds a meeting with the auditor at least once a year where no member of the executive management is present.

The Board has adopted instructions as to the executive personnel's access to the use of the external auditor for services other than auditing. The external auditor provides an overview of his remuneration divided into fee paid for audit work and any fees paid for other specific assignments, which are presented at the annual general meeting. This is also included in the annual report.

The external auditor has given the Board a written notification confirming that the requirements for independence are satisfied.

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Report on Sustainability and Corporate Social Responsibility.

Introduction

This report from the Board of Directors (the "Board) of Electromagnetic Geoservices ASA ("EMGS" or "the Company") describes EMGS' principles, efforts, measures and results related to sustainability and corporate social responsibility ("CSR") in the year of 2015.

The report is based on the principles in EMGS' policy for sustainability and corporate social responsibility (the "CSR Policy"). These principles cover the areas labour rights, anti-corruption, the environment and human rights. The CSR Policy applies to both national and international operations.

It is the intention of EMGS that the Company's efforts within (i) working environment issues, including safety measures, (ii) anti-corruption procedures and training, and (iii) the attitude encouraged from the employees through policies shall contribute to improved understanding for human rights, working ethics, work environment and environmental impact.

The work related to sustainability and CSR (together "the CSR work") in EMGS is based on the core values of the Company:

- **Integrity** in all our relationships
  We earn trust through demonstrating integrity. We dare to challenge and we are honest. Our honesty benefits all our relationships.
- **Commitment** to value creation
  We are strong believers in the value our technology create for both customers and shareholders. We go the extra mile.
- **Innovation** in products and services
  We set the stage for the future of the industry. We are passionate about developing what our customers need.
- **Quality** in every step
  We care about our people, our customers and our deliveries. We don't compromise on safety or on quality.

This report covers CSR work related to EMGS with its subsidiaries (together the "Group") in 2015.

The report is primarily based on feedback from management in the Group, the EMGS Ethics Committee, and various other internal committees, reporting systems and reports. During 2015, CSR issues were discussed in management meetings and by the Board.

This report includes an introduction to the abovementioned principles, the EMGS commitment, implementation and actions as well as the measures and outcome specific for 2015. The CSR policy is also available on the Company's homepage www.emgs.com.

Statement on CSR work 2015

All work in the Group related to CSR is based on the CSR Policy. Below is an overview of the principles, as well as a description of how the Company reports issues relates to CSR, and measures taken under each of the main CSR principles.

In 2015, EMGS met its objectives for Quality, Health, Security, Safety and Environment (QHSSE) and nearly all QHSSE Key Performance Indicators (KPI). The Company is continuing on a positive QHSSE trend from previous years - scoring higher in 2015 than in 2014 and in line with its peers.

EMGS complies with the highest standards from IOGP, the International Association of Oil and Gas Producers, as well as with specific QHSSE requirements from customers and authorities. During 2015, the Company also achieved an important safety milestone when the vessel BOA Thalassa reached 2,000 days without any Loss Time Injuries.

QHSSE performances are reviewed on a regular basis with the Board and management team.

Labour rights

Principles for labour rights:

- Freedom of association and right to collective bargaining;
- No forced and compulsory labour;
- No child labour; and
- No discrimination

The working environment and the employees
As of 31 December 2015, the EMGS Group had 239 employees, of which 85 work in Trondheim, Norway, 21 at its regional office in Houston, USA, 14 at the regional office in Kuala Lumpur, Malaysia, 29 at the regional office in Oslo, Norway. In addition, 73 employees work offshore and the remaining 17 work in other locations.

The Board believes that the Group's general working environment is good. It is a prioritised goal for EMGS to maintain this status, and the management team had close contact with employee representatives throughout the year.

As many employees are involved in offshore operations, a dedicated HSE training programme has been implemented to ensure the safest possible working environment.

The percentage of absences due to illness in 2015 was 2.0%, a decrease from the 2.4% reported in 2014. During 2015, the Company did not record any lost time injuries.

Equal opportunities and discrimination statement
EMGS 239 employees represent more than 27 different nations with different cultures.

EMGS has defined and implemented guidelines to protect against gender discrimination. At the end of 2015, 21% of the Group's 239 employees were female, compared to 20% in 2014. The Group will continue to prioritise its goal of improving the current imbalance by actively following a recruiting strategy to this effect. EMGS recognises that the average compensation for its female employees is lower than the average workforce figure. This can be explained by a high degree of representation of males at management level and among the technical professionals.

The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The Group is actively and systematically working to encourage the Act's purpose within its business. The activities include recruiting, remuneration, working conditions, promotion, development opportunities and protection against harassment. These are issues of importance for EMGS' working environment, as the Group has employees from more than 27 nations with a multitude of languages, cultures, ethnicities, religions and faiths. The Group uses English as the company language so that all employees can take part in communication.

The Group's aim is to have a workplace with no discrimination due to reduced functional ability. Therefore, EMGS is actively working to design and implement the physical conditions of its workplaces so that as many people as possible can utilize the various functions. For employees or new applicants with reduced functional ability, individual arrangements are made concerning workplace and responsibilities. For work offshore, the Group has limited possibilities for offering work to employees with reduced functional ability.

Committees work
The Working Environment Committee shall participate in planning safety and environmental work and follow up developments closely on issues relating to the safety, health and welfare of the employees. The Working Environment Committee met once each quarter in 2015.

The Forum for Employee Representatives meet with the CEO, the head of HR and the Chief Legal Counsel. The forum is regulated by the Norwegian Working Environment Act. The goal for this forum is to facilitate cooperation between the employee representatives and management related to the working environment and the general terms and conditions of all employees and conflicts. The forum for Employee Representatives including a representative for management met 8 times in 2015, in addition to several informal meetings.

Working environment measures
EMGS management encourage the dialogue between management and employees, and between the different departments within EMGS. Some of the actions to facilitate dialogue are through management visits to vessels, office meetings and offshore seminars. EMGS management also facilitate regular organisational surveys to monitor the working environment.

As part of the follow up of the major restructuring processes conducted in 2015, management conducted an organisational survey at the end of 2015. Findings in this survey are conveyed back to the employees and measures put in place as follow up activities going forward.

In 2015 management made 13 visits to vessels in the Company's fleet. The management team has also visited all business units within the Group. The annual offshore seminar in the Trondheim office include all offshore employees and representatives of management and other departments within EMGS. The objective for these seminars are to facilitate training (technical, HSE and CSR), exchange experience between the crews on different vessels, and improve cooperation between offshore and office personnel.

Office inspections are carried out on a regular basis to capture working environment potential hazards.
The Martitime Labour Convention, MLC 2006 was

implemented in August 2013 and the Norwegian law implementing this convention, the Shipworker Act, was implemented on the same day. As of October 2015, the MLC 2006 had been ratified by 80 countries and implemented on 80% of the world's gross tonnage of ships. EMGS' working environment and terms were already in line with the MLC 2006 and the Shipworker Act requirements before its implementation.

The conclusion of the review is that EMGS has not experienced any reported breach of the four principles related to Labour in 2015.

Anti-Corruption

Principle for anti-corruption:

- Businesses should work against corruption in all its forms, including extortion and bribery

EMGS has zero tolerance for corruption in all its forms, including extortion and bribery. EMGS commits to follow the regulations given by FCPA, UK Bribery Act and the Norwegian penal code in this respect.

The Company has over the years given significant attention to actively prevent corruption and bribery.

EMGS has several policies and standards related to its anti-corruption compliance programme, including but not limited to the Ethics Policy and Code of Conduct as well as an anti-corruption compliance training programme. The training is a combination of web based and more in depth training in meetings. In 2015, a web-based training programme for all employees was made mandatory. This course was completed by 98% of the employees. Management has attended and given several courses in anti-corruption compliance in 2015. All offices of the Group have received anti-corruption compliance training.

The Group has a training programme and a compliance programme with a hot-line for reporting, in addition to the Ethics committee to which employees can report concerns. EMGS encourage and support employees who report dilemmas and incidents in relation to attempted and/or actual corruption, bribery and/or fraud to management ("whistle blowers"). The Company has received several such reports from employees during 2015. All reports have been followed up adequately by management.

Management has given reports on anti-corruption compliance measures 4 times to the Board in 2015. EMGS has experienced offers to engage in corrupt behaviour also in 2015. Such offers have been handled by employees in line with the Company's policies and been reported to the Chief Legal Counsel. The risk of corrupt behaviour in one specific destination has, in 2015, led to the decision to avoid this destination and choose a different port of call. The internal control has, as far as the Company's knows, stopped all attempts in 2015.

EMGS continue to have a high priority on the Company's compliance work.

External environment

EMGS is of the opinion that a more systematic use of its EM data in oil exploration will reduce the environmental footprint of oil exploration by among other things reducing the number of well spudding required to find and appraise hydrocarbon reservoirs.

EMGS is committed to act responsibly and in full transparency to monitor and reduce its environmental impact and continually improve the overall environmental performance of its services. This is an integral and fundamental part of EMGS business strategy, operating methods and technology development implemented through EMGS' QHSSE Policy, Environmental Standard and Environmental Management Plan.

EMGS is tracking its environmental footprint on each surveys and identifying and monitoring the main waste streams including hazardous waste.

The technology EMGS uses supports the Company's environmental ambitions. The anchors used to keep receivers in place are made from an eco-friendly compound which dissolves in the months after the receivers are released, thus the anchors do not harm the environment. This means that the anchors are reduced to disaggregated sand after a survey, leaving no discernible survey footprint and no hazard to sub-sea operations or fishing.

Vessel fuel efficiency upgrade in 2014 are paying off with documented fuel consumption reductions in the order of 30-40% in 2015.

Human Rights

Principles related to Human Rights:

- Support and respect the protection of human rights; and
- Make sure not to be complicit in human rights abuses.

Human rights abuses shall not occur at EMGS. It is the intention of EMGS that the working environment effort, including safety measures, the anti-corruption procedures and training as well as the attitude encouraged from the Company's employees shall contribute to improved understanding for human rights, working ethics and a cleaner environment in the areas of the world where the Group operates.

The reputation of the Company is created by the collective conduct of each individual employee. The employees are obligated to study the EMGS policies, including but not limited to Ethics Policy and Code of Conduct and perform their duties accordingly.

On an operating level, EMGS seeks to ensure that there is a good working environment without discrimination of any kind in the Group. The managers handle all minor issues related to human rights. If/when there are issues of broader magnitude, HR, legal and the Ethics Committee are involved.

No claim regarding Human Rights has been reported to the HR, QHSE, legal or the Ethics Committee in 2015.

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Determination of Salary Statement.

This declaration has been prepared by the Board of Directors of Electromagnetic Geoservices ASA ("EMGS" or the "Company") in accordance with the Norwegian Public Limited Liability Companies Act section 6-16a. The declaration applies to the financial year 2015 and will be presented at the Annual General Meeting in EMGS in accordance with the Norwegian Public Limited Liability Companies Act section 5-6, subsection 3.

1. Main principles for determination of management remuneration

The objective of the Company's compensation policy applied to executive management («Management»), is to attract and retain the best leadership capabilities to lead and develop the Company going forward. The compensation is based both on a non-variable element ("Base Salary") and variable elements such as bonus, stock options and variable special payments ("Variable Compensation").

The Base Salary shall be competitive to local market levels, and is determined by the manager's skills and level of responsibility in the organisation. The Base Salary is determined by using industry benchmarks with local relevance for similar roles. The Variable Compensation, such as bonuses, is applied using Company performance and individual performance. Long term incentives, such as stock option, is applied by assessing the criticality of the role to the Company, as an instrument to retain the critical skills in the Company.

2. Salaries and remuneration

2.1 Base Salary

The Management's fixed annual salary is defined as the Base salary and is subject to an annual consideration.

2.2 Performance Bonus

The Company has a performance bonus programme linked to annual performance. The objective of the programmem is to compensate individuals based on the achievement of Company objectives as well as personal performance. The objectives of the Company are established by the Board of Directors.

Management has a bonus potential up to 50% of Base Salary, and the rates are specified in the individual employment agreements.

Bonus programme is established as a general programme for all employees with a bonus potential of 10 – 50 % of Base Salary.

2.3 Share Option Programme

Management participates in the Company's Stock Option Plan which is used to attract and retain key employees. The programme was established with the aim to provide a long-term incentive.

For new grants, minimum exercise price is set at fair market value at the date of grant. The vesting period is from 4 to 5 years.

Grants to Management will be at the discretion of the Board.

In the Annual General Meeting held in June 2015, it was resolved to authorise the Board to issue a maximum of 10,000,000 options over 1 year under the option programme (not only Management), and that the maximum outstanding options shall not at any time exceed 7.5% of the registered number of shares in the Company.

The total number of outstanding options as of 31 December 2015 is 18,847,090.

2.4 Pension plan

Management participates in the Company´s collective pension plan. The Company has defined contribution pension plans, and the plan applicable in Norway involves a contribution level of 7% of Base Salary from 0 G up to 7.1 G and 25.1% of Base Salary from 7.1 G up 12 G, where G is the base amount (Folketrygdens grunnbeløp) that equals NOK 90,068 as of 31 December 2015.

2.5 Benefits in kind

Management may be given the benefits in kind that are common practice i.e. telephone expenses, laptop, free broadband connection and use, newspapers and car allowance.

2.6 Severance plan

In 2015 members of Management have agreements to receive Base salary and benefits beyond the statutory notice period and up to 18 months after the end of his/hers notice period.

The severance plan includes an anti-compete clause and is structured to ensure that members of the Management do not start working for a competitor shortly after leaving the Company.

Agreements may be signed regarding severance pay for other members of general management to attend to the Company's needs at all times to ensure that the selection of managers is in commensuration with the Company's needs. Pursuant to the Working Environment Act, such agreements may not have a binding effect on general management other than the CEO.

As of 31 December 2015, CFO and COO have a severance corresponding to 12 months Base salary after the end of notice period included in the agreement.

3. Management salaries and remuneration in subsidiaries of EMGS

Companies within the EMGS group are to follow the main principles of the Company's managerial salary policy as described in section 1. It is an ambition of the Company to globally coordinate the wage policy and the plans used for variable compensation throughout the EMGS Group.

4. Review of the executive management remuneration policy that has been carried out in the financial year 2015

The remuneration policies set out in the declaration on determination of salary and other compensation to the Management for 2015 were followed in all respects. No members of Management received a performance bonus exceeding 50% of Base Salary.

Eystein Eriksrud
for and on behalf of the Board of
Directors of EMGS

Financial statements.

EMGS Group

Consolidated Income Statement.

1 January — 31 December

Amounts in USD 1 000	Note	2015	2014
Operating revenues			
Contract sales	6	**45 008**	137 222
Multi-client pre-funding	6, 16	**3 546**	13 140
Multi-client late sales	6, 16	**32 586**	47 661
Total operating revenues		**81 140**	**198 023**
Operating expenses			
Charter hire, fuel and crew expenses	7	**32 402**	61 300
Employee expenses	8	**44 826**	55 172
Depreciation and ordinary amortisation	16, 17	**12 679**	16 291
Multi-client amortisation	16	**8 631**	12 595
Impairment of non-current assets	16	**31 344**	2 003
Other operating expenses	9, 10	**20 607**	22 534
Total operating expenses		**150 489**	169 895
Operating profit/(loss)		**-69 349**	**28 128**
Financial income and expenses			
Interest income	11	**352**	687
Interest expenses	11	**-4 055**	-5 926
Change in fair value of conversion rights	18	**-**	-210
Net gains/(losses) of financial assets		**-4 106**	416
Net foreign currency income/(loss)	11	**4 155**	8 121
Net financial items		**-3 654**	**3 088**
Income/(loss) before income tax		**-73 003**	**31 216**
Income tax expense	12	**3 712**	5 330
Income/(loss) for the year		**-76 715**	**25 886**
Basic income/(loss) per share in USD	32	**-0.33**	0.13
Diluted income/(loss) per share (EPS) in USD	32	**-0.33**	0.13

Consolidated Statement of Comprehensive Income.

1 January — 31 December

Amounts in USD 1 000	Note	2015	2014
Income/(loss) for the year		**-76 715**	**25 886**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**28**	-34
Net (loss)/gain on available-for-sale (AFS) financial assets	18	**-3 218**	-3 984
Other comprehensive income		**-3 190**	-4 018
Total comprehensive income/(loss) for the year		**-79 905**	**21 868**

Consolidated Statement of Financial Position.

As of 31 December

Amounts in USD 1 000	Note	2015	2014
ASSETS			
Non-current assets			
Goodwill	16	**-**	14 422
Deferred tax asset	13	**-**	3 008
Multi-client library	16	**42 267**	33 758
Other intangible assets	16	**3 703**	3 220
Property, plant and equipment	17	**16 773**	19 247
Assets under construction	17	**26 566**	31 164
Financial assets	18	**1 387**	4 766
Total non-current assets		**90 696**	**109 585**
Current assets			
Spare parts, fuel, anchors and batteries	20	**11 754**	14 906
Trade receivables	21	**18 580**	65 531
Other receivables	19	**5 665**	18 649
Cash and cash equivalents	22	**31 749**	25 213
Restricted cash	22	**6 680**	1 400
Total current assets		**74 428**	**125 699**
Total assets		**165 124**	**235 284**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid in equity	14	**319 039**	287 398
Other reserves		**-6 417**	-3 227
Retained earnings		**-234 652**	-157 937
Total equity		**77 970**	**126 234**
LIABILITIES			
Non-current liabilities			
Provisions	26	**17 371**	15 299
Borrowings	24	**30 848**	46 859
Total non-current liabilities		**48 219**	**62 158**
Current liabilities			
Trade payables	25	**10 439**	13 362
Current tax liabilities	13	**5 257**	4 573
Other short term liabilities	27	**16 243**	27 270
Financial liabilities	24	**6 326**	0
Borrowings	24	**670**	1 687
Total current liabilities		**38 935**	**46 892**
Total liabilities		**87 154**	**109 050**
Total equity and liabilities		**165 124**	**235 284**

Consolidated Statement of Cash Flows.

1 January — 31 December

Amounts in USD 1 000	Note	2015	2014
Net cash flow from operating activities:			
Income/(loss) before income tax		**-73 003**	31 216
Adjustments for:			
Depreciation and ordinary amortisation	16, 17	**12 679**	16 291
Multi-client amortisation and impairment	16	**23 952**	14 598
Impairment of other non-current assets	16	**16 023**	-
Non-cash portion of pension expenses		**-**	-3 452
Cost of share-based payments		**104**	2 127
Change in trade receivables		**46 951**	-34 011
Change in inventories		**3 152**	-1 916
Change in trade payables		**-2 924**	-2 581
Change in other working capital		**-230**	5 187
Taxes paid		**-1 008**	-3 853
Withholding tax expenses		**987**	3 353
Financial gain on bond repayment		**-2 088**	-
Amortisation of interest		**3 709**	4 755
Net cash flow from operating activities		**28 304**	**31 714**
Investing activities:			
Purchases of property, plant and equipment		**-7 658**	-19 835
Investment in multi-client library		**-34 379**	-30 634
Investment in financial assets		**-**	-8 999
Cash used in investing activities		**-42 037**	**-59 468**
Financial activities:			
Financial lease payments-principal and interest		**-299**	-185
Proceeds from issuance of ordinary shares	14	**31 536**	22
Payment of loan		**-8 898**	-1 224
Proceeds from new loan		**945**	3 310
Payment of interest on bonds		**-3 015**	-4 261
Cash provided by financial activities		**20 269**	**-2 338**
Net change in cash		**6 536**	**-30 092**
Cash balance beginning of period		**25 213**	55 305
Cash balance end of period		**31 749**	25 213
Net change in cash		**6 536**	**-30 092**
Interest paid		**-3 270**	-4 261
Interest received		**352**	687

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Note	Share capital share premium and other paid-in capital	Foreign currency translation reserves	Available-for-sale reserve	Actuarial gains/(losses)	Retained earnings	**Total equity**
Balance at 1 January 2014		**285 249**	**-1 717**	**-**	**2 508**	**-183 823**	**102 217**
Income/(loss) for the year		-	-	-	-	25 886	**25 886**
Other comprehensive income		-	-34	-3 984	-	-	**-4 018**
Total comprehensive income		**-**	**-34**	**-3 984**	**-**	**25 886**	**21 868**
Proceeds from shares issued - options exercised	14	22	-	-	-	-	**22**
Cost of share-based payment	14	2 127	-	-	-	-	**2 127**
Balance at 31 December 2014		**287 398**	**-1 751**	**-3 984**	**2 508**	**-157 937**	**126 234**
Income/(loss) for the year		-	-	-	-	-76 715	**-76 715**
Other comprehensive income		-	28	-3 218	-	-	**-3 190**
Total comprehensive income		**-**	**28**	**-3 218**	**-**	**-76 715**	**-79 905**
Proceeds from shares issued	14	31 536	-	-	-	-	**31 536**
Share-based payment	14	105	-	-	-	-	**105**
Balance at 31 December 2015		**319 039**	**-1 723**	**-7 202**	**2 508**	**-234 652**	**77 970**

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Notes.

Note 1 — Corporate information

Electromagnetic Geoservices ASA (EMGS/the Company) and its subsidiaries (together the Group) use EM, a patented electromagnetic survey method, which provides data to oil companies to help them detect hydrocarbons in offshore reservoirs. The Company's services help oil and gas companies to improve their exploration success rates. The Group has subsidiaries in Norway, Australia, Brazil, USA, Holland, Mexico, Malaysia, Cyprus, Canada and the United Kingdom.

The Company is a public limited liability company incorporated and domiciled in Norway. The shares and bonds are publicly traded at the Oslo Stock Exchange in Norway. The address of its registered office is Stiklestadveien 1, 7041 Trondheim.

These consolidated financial statements have been approved for issue by the Board of Directors and the Chief Executive Officer on 16 March 2016.

Note 2 — Summary of significant accounting policies

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared on a historical cost basis and are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy.

2.2 Basis for consolidation

The consolidated financial statements incorporate the financial statements of EMGS and entities controlled by EMGS (subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual agreement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether the assets or liabilities of the acquiree are assigned to those units.

2.4 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Foreign currency translations

a) Functional and presentation currency

The financial statements of each entity within the Group reflect transactions recorded in the currency of the economic environment in which it operates (the functional currency). The functional currency of the Company is US Dollars (USD).

The consolidated financial statements are presented in USD which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rate on the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in profit and loss. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

c) Group companies

The results and financial position of Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated on the rate of exchange ruling at the reporting date.

(ii) Revenues and expenses for each income statement presented are translated at average exchange rate for the period. However, if this average is not a reasonable approximation of the cumulative effect on the rates prevailing on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates on the specific transaction date.

All resulting exchange differences are recognised in other comprehensive income.

2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable for services in the ordinary course of the Group's activities. Revenue is shown net of withholding and value-added taxes. Revenue is recognised as follows:

a) Fixed Rate Contracts/Unit Price Contracts

Revenue from contracts (whether priced as Lump Sum, Day Rate or Unit Price) is recognised based on the percentage of completion method, measured by reference to the percentage of vessel operational hours incurred to date versus the total estimated vessel operational hours for the project. Vessel operational hours are the actual amount of time incurred/expected to be incurred in the productive acquisition of the electromagnetic data. Any amount received greater than that calculated as recognisable will be recorded on the balance sheet as deferred revenue and recognised in the applicable future periods. Conversely, any earned but unbilled revenue will be recognised as revenue in the current period and recorded as accrued revenue on the balance sheet.

Mobilisation Fees
Revenues for mobilisation are usually contracted with the customer and should cover the vessels transit to the actual area. Revenues and costs related to mobilisation are deferred and recognised over the acquisition period (which is the time from the first receiver is dropped to the last retrieval) of the contract, representing the acquisition period of the geological information, using the percentage of completion method. The deferral of mobilisation costs can only begin after a definitive contract has been executed between EMGS and the client. Until a contract is signed, costs are expensed as incurred.

b) Sales of multi-client library data

Pre-funding agreements
Before an EM survey is completed, the Group secures funding from a group of customers. The advantages for pre-funding customers are generally the possibility to influence the project specifications, early access to acquired data, and discounted prices.

The Group recognises pre-funded revenue using the percentage of completion method. Progress is measured by reference to the percentage of vessel operational hours incurred to date versus the total estimated vessel operational hours for the project, provided that all other revenue recognition criteria are satisfied.

Late sales
Customers are granted a license from the Group which entitles them to access a specific part of the multi-client data library. The license payment is fixed and is required when the license is granted. The late sale revenue is recognised when a valid licensing agreement is signed and the multi-client library data made accessible to the customer.

Uplift
Uplift revenues can arise if a customer that has already bought a license for EM data, is awarded acreage covered by the data bought.

2.7 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recorded as a reduction of the asset up to the amount that covers the cost price.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognised as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred.

Depreciation on assets is calculated using the straight-line method. The assets are depreciated over their estimated useful life, adjusted for any estimated residual values.

	Useful life:
Machinery and equipment*	3 - 8 years
Cluster **	5 years
Hardware equipment and furniture	3 - 5 years

*Machinery and equipment are mainly placed onboard the vessel. Parts of the equipment are under water during operation and have a shorter useful life.

** A cluster consists of IT equipment comprising of large amount of processors for doing advanced data processing.

The assets' residual values, useful lives, and method of depreciation are reviewed at each balance sheet date and adjusted if appropriate. If an asset's carrying amount is greater than its estimated recoverable amount, the asset is immediately written down to the recoverable amount (Note 2.12).

Assets under construction are carried at cost, less accumulated impairment. Depreciation commences when the asset is ready for its intended use.

2.9 Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method are reviewed at least every financial year end.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

a) Patents

Patents have a finite useful life and are recorded at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (10-15 years). Administrative costs associated with patents are expensed as incurred.

b) Computer software

The cost of acquired computer software licenses is capitalised based on the expenses incurred to acquire and bring the specific software to use. These costs are amortised over the estimated useful life (3 years).

The costs of design of software interfaces, installing, testing, creating system and user documentation, defining user reports and data conversion are capitalised together with the software cost. These costs are directly related to developing the software application for the Group's use.

Costs associated with maintaining computer software are expensed as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, which are expected to generate economic benefits in excess of cost (beyond one year) are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful life, not to exceed three years.

c) Research and development costs

Research costs are expensed as incurred. Development expenditure on individual projects is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible assets so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit (normally 3 years). During the period of development, the asset is tested for impairment annually.

Contributions from external customers and government grant in the development stage are recorded as a reduction of the intangible asset up to the amount that covers the cost price. Any surplus is recorded as revenues.

d) Multi-client library

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

A multi-client project is considered complete when all components or processes associated with the acquisition and processing of the data are finished, and all components of the data have been properly stored and made ready for delivery to customers.

The Group amortises its multi-client library primarily based on the ratio between the cost of the surveys and the total forecasted sales for such surveys. Surveys are categorised into four amortisation categories with amortisation rates of 90%, 75%, 60% or 45% of recognised revenue from the survey. Classification of a project into a rate category is based on the ratio of its remaining net carrying value to its remaining estimated revenues. Amortisation is recorded each time there has been a multi-client sale on surveys with a carrying value higher than zero.

The Group also applies minimum amortisation criteria for the library projects based on a three-year life. Under this policy, the book value of each survey is reduced to a specified percentage by each quarter end, based on the age of the survey. The maximum book value of the multi-client library surveys are summarised as follows:

	Mamum book value
Calendaryear after project completion	
Year 0 (the year in which the survey is classified as complete	**100%**
Year 1	**66%**
Year 2	**33%**
Year 3	**0%**

The calculated minimum linear amortisation is recorded quarterly after amortisation for sales.

The Group will change its principles for multi-client amortization from 1 January 2016, see Note 2.22.

2.11 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group's inventory consists primarily of equipment components and parts, anchors, batteries, and fuel.

2.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, such as for goodwill and intangible assets with infinite useful life, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal or its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is applied.

The Group bases its impairment calculations on budget and forecast calculations.

Non-financial assets, other than goodwill previously impaired, are reviewed at each reporting date for possible reversal of the previously recorded impairment. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

2.13 Financial assets

a) Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group determines the classification of its financial assets dependent on the financial assets nature and the purpose for the acquisition. The Group's financial assets include cash and short term deposits, trade and other receivables and investment in shares.

b) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The conversion option on the loan agreement to North Energy ASA that was signed in January 2014 and settled in August 2014 was measured at fair value at each reporting date.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

This category generally applies to trade and other receivables.

AFS financial assets

AFS financial assets include equity investment. The equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gain or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. The Company's shares in North Energy ASA are classified as AFS financial assets.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default of payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.15 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The subsequent measurement of the financial liabilities depends on its classification.

The Group's financial liabilities include trade and other payables, loans and borrowings and a forward rate agreement.

b) Subsequent measurement

For purposes of subsequent measurement financial liabilities are classified in three categories:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings
- Financial guarantee contracts

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

The Company's forward rate agreement is classified as financial liabilities at fair value through profit or loss.

Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest rate method.

2.16 Derecognition of financial assets and liabilities

a) Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either
  a) has transferred substantially all the risk and rewards of the asset, or
  b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

2.17 Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured using the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred income tax is provided for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

c) Sales tax

Expenses and assets are recognised net of the amout of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.18 Employee benefits

a) Pension obligations

The Company operated a defined benefit plan until 1 December 2014. The plan was funded through payments to an insurance company. The defined benefit obligation was calculated annually by independent actuaries using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets, were recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period they occur. Re-measurements were not reclassified to profit or loss in subsequent periods.

Net interest were calculated by applying the discount rate to the net defined benefit liability or asset.

From 1 December 2014, the Company has operated a defined contribution plan.

The net pension cost for the period is presented as an employee expense.

b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuation expert using an appropriate pricing model, further details are given in Note 16.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity- settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Social security tax on share-based compensation is recorded as a liability and recognised over the estimated option period. The social security tax is calculated using the appropriate tax rate on the difference between market price and the exercise price on the measurement date.

c) Bonus plans

The Group recognises a provision for bonus expenses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.20 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash at hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.21 Changes in accounting policy and disclosures

The accounting principles adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2015:

- IFRIC 21 Levies
- IAS 19 Defined Benefit Plans: Employee Contributions – amendments to IAS 19
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

These new and amended IFRS and IFRIC interpretations are not expected to have any significant effect for the Group.

2.22 Standards and interpretations issued, but not yet adopted

The financial statements have been prepared based on standards effective for the year ending 31 December 2015. IASB has issued the following standards/amendments to the following standards that are not yet effective:

- IFRS 9 Financial Instruments (effective date 1 January 2018)
- IFRS 15 Revenue from contract with customers (effective date 1 January 2018)
- IAS 16 & IAS 38 amendments Clarification of Acceptable Methods of depreciation (effective date 1 January 2016)
- IFRS 16 Leases (effective date 1 January 2019)

There has been some early indications that the recognition of pre-funded revenue on multi-client surveys using the percentage of completion method currently applied by the Group will not be allowed under IFRS 15, but this has not yet been concluded. If the current method is not allowed, some of the prefunded revenues will be deferred and recognised when the data is delivered. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Based on amendment to IAS 38, the Group will change its principles for multi-client amortisation from 1 January 2016. After a project is completed, a straight-line amortisation will be applied. The straight-line amortisation will be assigned over the useful life, which is set at four years. The straight-line amortisation will be distributed evenly through the financial year independently of sales during the quarters. During the acquisition and processing phase of the project, amortisation will continue to be based on total cost versus forecasted total revenues of the project. The multi-client projects will still be subject to impairment testing.

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. The Group leases vessels for its operation, and will have to change the recognition of these lease contracts accordingly.

The Group has not yet considered if IFRS 9 Financial Instrument will impact the financial statements.

Other issued standards and interpretations, that are not yet effective, are not expected to be relevant for the Group, and will not have an impact on the financial statements.

The Group plans to implement the new standards, amendments and interpretations when they are effective and approved by EU.

Note 3 — Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables and loans and borrowings. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposit which arise directly from its operations. The Group also holds available-for-sale (AFS) investments.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The Group manages the exposure level of market risk by hedging its exposure to exchange rate fluctuations related to the bond loan. No such hedging was done in 2014.

a) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk for the Group: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and AFS investments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2015 and 2014. The sensitivity analysis have been prepared on the basis that the amount of net debt and the portion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risk. This is based on the financial assets and financial liabilities held at 31 December 2015 and 2014.

i) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan with floating interest rate.

With all other variables held constant, fore every one -percentage point hypothetical increase in NIBOR, the Group's annual net interest expense on the long term loan will increase by approximately 306 at 31 December 2015 (2014: 472).

ii) Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and therefore has exposure to foreign exchange risk arising from transactions executed in other currencies than the functional currency of each company. EMGS ASA has USD as functional currency, hence the foreign currency risks is primarily with respect to NOK in EMGS ASA. Approximately 94% of the Group's sales are denominated in USD, whilst approximately 68% of costs are denominated in USD in 2015.

Foreign exchange risk arises from future commercial transactions, recognised as assets and liabilities.

The following table summarises the sensitivity to a reasonably possible change in the NOK exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's exposure to foreign currency changes on equity and for all other currencies is not material.

	Increase/ decrease in NOK rate	Effect on income/(loss) before tax
2015	+20%	1 809
	-20%	-1 809
2014	+20%	9 235
	-20%	-9 235

(b) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and cash and cash equivalents). See Note 21 for aging analysis of trade receivables.

i) Trade receivables
The Group trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade

on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. Although 2 major customers amounted to a significant part of 2015 sales, these customers were large international oil companies, and considered creditworthy.

The requirement for an impairment charge is analysed at each reporting date on an individual basis for each customer. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to credit risk arising from the other financial assets of the Group such as cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with maximum exposure equal to the carrying amount of these instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient liquidity to be able to meet its financial obligations. EMGS' sources of liquidity include cash balances, cash flow from operations, borrowings, it's existing and new bank facilities and further debt and equity issues. It is the Company's objective to balance these sources of liquidity. As EMGS expects a slow market for its services the next year, the Company has brought the costs in line with expected revenues in order to preserve the cash balance. In the fourth quarter of 2015, the Company completed a financial restructuring. The Company did a rights issue of 31 687, and used 7 455 of the proceeds to buy back bonds at 80% of par, reducing the nominal value of the bond loan from NOK 350 million to NOK 270 million. At the same time, EMGS got a three year extension of the bond loan.

The table below summarises the maturity profile of the Group's financial liabilities 31 December based on contractual payments.

Amounts in USD 1 000	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 31 December 2015						
Interest bearing loans and borrowings	-	2 616	2 200	33 984	-	**38 800**
Trade and other payables	-	31 939	-	-	-	**31 939**
Forward rate agreement	-	6 326	-	-	-	**6 326**
Other financial liabilities	-	263	591	-	-	**854**
Year ended 31 December 2014						
Interest bearing loans and borrowings	-	5 393	48 990	-	-	**54 383**
Trade and other payables	-	45 205	-	-	-	**45 205**
Other financial liabilities	-	93	115	-	-	**208**

See Note 24 for financial liabilities.

The NOK 270 million bond loan contains financial covenants; free cash and cash equivalents of at least 10 000, and capital employed ratio of minimum 1/3. In addition, the bond agreement restricts the Company's ability, among other things, to sell multi-client library, declare or make any dividend payments, incur additional indebtedness, change our business, and enter into speculative financial derivative agreements.

i) Capital management

For the purpose of the Group's capital management, capital includes equity attributable to the equity holder of the parent.

The primary objective of the Group's capital management is to ensure healthy capital ratios to support its business and maximise shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may refinance its debt, issue new shares, sell assets or adjust the dividend payment to shareholders. Due to the current market conditions, the Group considers a share issuance or a loan agreement to be potential sources for additional funding. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors its capital structure on the basis of a total equity to total assets ratio. As of 31 December 2015 this ratio was 47% (2014: 54%). It is the Group's policy that the said ratio shall be above 50%.

Note 4 — Significant accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The Group uses the percentage of completion method in accounting for its contracts to deliver survey services. Use of the percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. The proportion of services performed to total services to be performed can differ from management's estimates, influencing the amount of revenue recognised in the period.

Amortisation of the multi-client library

In determining the sales amortisation rates applied to the multi-client library, the Group considers expected future sales. The assumption regarding expected future sales includes consideration of geographic location, prospects, political risk and license periods.

It is difficult to make an assumption regarding future sales, hence the amortisation rate will fluctuate when the sales forecast is updated. To reduce the effect on changes in the amortisation amount caused by deviation in sales forecast from year to year, the Group has a maximum lifetime of 3 years on multi-client data.

The minimum amortisation policy is described in Note 2.10 d).

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model. The cash flows are derived from the financial budget approved by the management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in Note 16.

Assets under constuction

At least annually, management forecast future cash flows from the Joint Industry Project ("the JIP"). The JIP is supported by Shell and Statoil, for developing the Next Generation EM equipment. The project has been on-going since 2012 and continued throughout 2015. The carrying value of the JIP within assets under construction as of 31 December 2015 was 21 714.

After the commercial launch date, Shell and Statoil will have a beneficial period with decreasing benefits over four years. The pre-payments from the two partners are recognised as provision, and the provision will be recorded as revenues during the beneficial period, see Note 26.

In estimating future cash flows, management considers the probability for the partners to commit to contract work during their beneficial period, future market demand, expenses and timing of building a full equipment set. Because the inherent difficulty in estimating these factors, it is possible that future cash flows from these activities will not be sufficient to recover the existing carrying value of the JIP.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group is subject to income taxes in several jurisdictions. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes in such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audit by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Unrecognised tax assets at 31 December 2015 are 73 554 (2014: 56 427).

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the income statement cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgement includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of the Group's property, plant and equipment, and intangible assets

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant, and equipment and intangible assets. This estimate could change significantly as a result of technical innovations and increased competition. When remaining useful lives of assets are determined to be too high, management will make appropriate estimate revisions and adjust depreciation charges prospectively. Items determined to be technically obsolete or which have been abandoned will be written off completely.

Share-based payments

The Group measures the costs of share based options by the reference to the fair value of the equity instruments at the date at which they are granted. The fair value is calculated using the Black-Scholes option pricing model. Significant inputs in the model are share prices, standard deviation of share price returns, dividend yield and volatility. Changes in these estimates will influence the fair value calculated.

4.2 Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating leases

The Group has entered into lease contracts on its vessels. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the vessels, that the vessel owner retains all significant risks and rewards of ownership of these vessels and the Group accounts for the contracts as operating leases.

Development costs

Development costs are capitalised in accordance with accounting policy in Note 2.10 c). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to established project management model. At 31 December 2015, the carrying amount of capitalised development costs is 2 017 (2014: 1 751).

Note 5 — Shared revenue

The Company has since 2013 entered into several cooperation agreements regarding EM multi-client surveys in the Barents Sea, Golf of Mexico and Foz do Amazonas.

EMGS has received funding and/or seismic data against a revenue share on late sales. EMGS has provided the vessel, performed the data acquisition and finally provided the data processing services.

The partners have provided seismic data and in some instances also invested in the project. The acquired data remains the property of EMGS, but the partners have a right to a revenue share.

EMGS' share of the revenue from the sale of multi-client library in 2015 is 14 364 (2014: 20 529).

	EMGS revenue share
EM multi-client survey	
Barents Sea 2013	**70 %**
Barents Sea 2014	**50 %**
Golf of Mexico 2014	**90 %**
Barents Sea 2015	**50 %**
Foz Do Amazonas 2013	**95 %**
Barents Sea 2014 (Terminated in 2015)	**50 %**

Note 6 — Segment

For management purposes, the Group is organised into one reportable segment. The Group offers EM services, and the sale contracts and costs are incurred worldwide.

The Group uses a patented electromagnetic survey method which provides data to oil companies to help them detect hydrocarbons in offshore reservoirs. The Group's services help oil and gas companies to improve their exploration success rates.

Management monitors the operating result of the single reportable segment for the purpose of making decisions about resource allocation and performance assessment.

No operating segments have been aggregated to form the above reportable operating segment.

The customers are international oil companies and the risk and profitability are similar in the different geographical areas.

The Group's property, plant and equipment are mainly the survey equipment on the vessels. As the surveys are executed world wide, the Group is not able to allocate any assets to different geographical areas.

Geographic information

Revenues from external customers:

Amounts in USD 1 000	2015	2014
Europe, Middle East and Africa	**34 076**	97 343
North and South America	**36 096**	82 592
Asia and the Pacific Ocean	**10 967**	18 088
Total	**81 140**	**198 023**

The revenue information in the above table is based on the location of the survey.

Two single external customers amounted to 10% or more of the Group's total revenues in 2015 (two single external customers in 2014). Total revenues from these customers were in 2015 24 550 and 10 967 (for 2014: 58 856 and 23 815).

Note 7 — Charter hire, fuel and crew expenses

Amounts in USD 1 000	2015	2014
Charter hire and crew expenses	**42 068**	46 563
Fuel	**6 993**	14 376
Agent fee	**124**	3 159
Withholding tax cost	**814**	2 969
Capitalisation of multi-client costs	**-34 379**	-30 634
Other external services	**16 781**	24 867
Total charter hire, fuel and crew expenses	**32 402**	**61 300**

Note 8 — Employee expenses

Amounts in USD 1 000	2015	2014
Employee expenses		
Salaries	**34 836**	42 785
Social security tax	**3 352**	4 506
Pension costs (Note 23)	**3 072**	-1 076
Other payments	**3 461**	6 830
Cost of share based payment (Note 15)	**104**	2 127
Total employee expenses	**44 826**	**55 172**
Compensation of key management personnel of the Group		
Salary	**1 549**	1 711
Bonus paid in the year	**549**	96
Share options	**-221**	654
Pension benefits	**69**	201
Other benefits	**524**	400
Total management remuneration	**2 471**	**3 062**

A total cost of 4 007 related to restructuring plans in 2015 is included in the employee expenses.

The average number of full-time equivalents was 275 in 2015 (2014: 299).

See Note 6 in the Financial Statements of EMGS ASA for Executive Management and Board of Directors remuneration.

Note 9 — Other operating expenses

Amounts in USD 1 000	2015	2014
Rental and housing expenses	**3 211**	3 243
Consumables and maintenance	**1 794**	2 257
Consultancy fees *	**6 140**	4 820
Travel expenses	**2 091**	3 775
Insurance	**748**	1 032
Accrued legal fees	**-**	2 000
Marketing	**1 131**	1 414
Other operating expenses	**5 492**	3 993
Total other operating expenses	**20 607**	**22 535**
*** Fees to auditor included in consultancy fees:**		
Statutory audit services	**175**	249
Further assurance services	**65**	35
Tax advisory services	**59**	79
Other non-audit services	**3**	-
Total fees to auditor	**302**	**363**

Note 10 — Research and development costs

Research and development costs consist of 2 138 (2014: 4 273) charged to the income statement as part of operating expenses.

Employee costs capitalised as development amounted to 2 516 (2014: 1 908).

Note 11 — Financial items

Amounts in USD 1 000	2015	2014
Financial income:		
Interest income on short term bank deposits	352	687
Foreign exchange gains related to loans and receivables	24 341	11 886
Foreign exchange gains related to liabilities at amortised cost	7 241	10 608
Net gains of financial assets	-	416
Financial gain on repayment of bond	2 219	-
Total financial income	**34 153**	**23 597**
Financial expenses:		
Interest expense on financial leases and bank borrowings	173	32
Interest expense on bonds	3 709	4 928
Foreign exchange losses related to loans and receivables	27 426	14 373
Currency loss on forward agreement	6 326	-
Change in fair value of conversion rights	-	210
Other financial expenses	173	966
Total financial costs	**37 807**	**20 509**
Net financial items	**-3 654**	**3 088**

Note 12 — Income tax expense

Amounts in USD 1 000	2015	2014
Change in deferred tax asset	3 008	194
Current tax	704	5 136
Total income tax expense	**3 712**	**5 330**

The expense/(benefit) for income taxes from continuing operations differs from the amount computed when applying the Norwegian statutory tax rate to income/(loss) before taxes as the result of the following:

Amounts in USD 1 000	2015	2014
Income/(Loss) before tax	**-73 003**	31 216
Tax at the domestic rate of 27%	**-19 711**	8 428
Non-deductible expenses	**-292**	-641
Change in non recognised deferred tax asset	**14 119**	-7 788
Effect of change in tax rate	**5 884**	-
Foreign income taxes	**3 712**	5 330
Tax charge	**3 712**	**5 330**

Note 13 — Deferred tax

Amounts in USD 1 000	2015	2014
Deferred taxes detailed		
Property, plant and equipment	**-13 612**	-738
Inventory	**-172**	-57
Accrued foreign income taxes	**-1 314**	-1 234
Other accruals	**-771**	-
Loss carried forward	**-57 685**	-57 406
Total deferred tax (asset)/liability	**-73 554**	**-59 435**
Non-recognised deferred tax assets	**73 554**	**56 427**
Net deferred tax assets	**-**	**-3 008**

Deferred tax assets are recognised only to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

No deferred tax assets were recorded in 2015, while in 2014, the Group has recognised deferred tax assets in Brazil.

Unused tax losses are generated in Brazil, Norway, Mexico, Malaysia and the US. It can be carried forward indefinitely in Brazil, Mexico, Norway and Malaysia whilst in the US it can be carried forward in 20 years.

The Group’s temporary differences associated to investment in subsidiaries, for which deferred tax liability has not been recognised is immaterial both for 2015 and 2014.

The current tax liabilities of 5 257 mainly consist of accruals for taxes in Brazil (2 883) and Mexico (862).

Note 14 — Share capital, share premium and other paid in capital

Amounts in USD 1 000 (except number of shares)	Number of shares	Ordinary share capital	Share premium	Other paid-in capital	Total
At 1 January 2014	**199 739 555**	**7 677**	**261 209**	**16 364**	**285 249**
Proceeds from shares issued - options exercised	26 000	1	21	-	**22**
Share-based payment	-	-	-	2 127	**2 127**
At 31 December 2014	**199 765 555**	**7 678**	**261 230**	**18 491**	**287 398**
At 1 January 2015	**199 765 555**	**7 678**	**261 230**	**18 491**	**287 398**
Proceeds from shares issued	1 112 000 000	31 687	-	-	**31 687**
Cost of shares issued	-	-	-	-152	**-152**
Share-based payment	-	-	-	105	**105**
At 31 December 2015	**1 311 765 555**	**39 365**	**261 230**	**18 444**	**319 039**

The total authorised number of ordinary shares is 1 339 742 107 (2014: 227 742 107) with a par value of USD 0.03 (NOK 0.25) per share. All issued shares are denominated in NOK and fully paid.

The largest shareholders as of 31 December 2015:

	Number of ordinary shares	Percentage
Shareholders		
Siem Investments Inc.	313 769 927	23.92 %
Perestroika AS	279 754 256	21.33 %
Morgan Stanley & Co. Llc	180 317 908	13.75 %
Odin Energi	66 876 622	5.10 %
Odin Norge	53 307 963	4.06 %
Statoil Pensjon	30 000 098	2.29 %
Sportsmagasinet AS	17 586 683	1.34 %
Bækkelaget Holding AS	17 000 000	1.30 %
NHO - P665ak	16 179 319	1.23 %
Kristian Falnes AS	16 000 000	1.22 %
Dnb Navigator (Ii)	13 717 253	1.05 %
J&J Investment AS	10 700 000	0.82 %
Tigerstaden AS	10 000 000	0.76 %
Northern Trust Gsl Cl Ac	9 849 780	0.75 %
Villa Utvikling AS	8 000 000	0.61 %
Statoil Forsikring A.S	7 330 567	0.56 %
Color Group AS	6 566 520	0.50 %
Falnes	5 561 315	0.42 %
Flatholmen AS	5 480 000	0.42 %
Cipi Lamp Ucits Swedbank Smb	4 596 564	0.35 %
Other	239 170 780	18.23 %
Total	**1 311 765 555**	**100.00%**

Note 15 — Share based payment transactions

Share options are granted to employees.

The expense recognised for employee services during the year is:

Amounts in USD 1 000	**2015**	2014
Expense arising from share based payment transactions	**104**	2 127

The vesting period is the period during which the conditions to obtain the right to exercise are to be satisfied. The options granted vest as follows:

- 20% on the Grant Date
- 20% one year following the Grant Date
- 20% two years following the Grant Date
- 20% three years following the Grant Date
- 20% four years following the Grant Date

The CEO who started in February 2016 has an agreement that differ from the regular vesting schedule in the option programme.

The options are granted in November 2015 and vest as follows:

- 33.33% three years following the Grant Date
- 33.33% four years following the Grant Date
- 33.33% five years following the Grant Date

The Grant expires seven years following the Grant Date. A condition to hold options within the Company is continued employment.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be actual outcome.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The cost of the options is calculated based on the Black Scholes option pricing model.

The following table lists the inputs to the model used for the plan for the option granted during the years ended 31 December 2015 and 2014:

	2015	2014
Expected volatility	**66%**	60%
Risk free interest rate	**1.01%**	2.22%
Expected life of options (years)	**5.8**	5.8
Weighted average share price (USD)	**0.06**	0.96

Expected volatility was determined based on historic volatility on comparable listed companies. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Average exercise price in USD per share	**Options**	Average exercise price in USD per share	Options
At 1 January	**1.51**	**12 647 007**	2.02	10 578 507
Granted	**0.03**	**10 460 115**	0.96	3 085 000
Exercised	**-**	**-**	0.68	26 000
Released	**-**	**22 032**	-	-
Forfeited	**1.31**	**4 218 000**	1.45	990 000
Expired	**3.41**	**20 000**	0.78	500
At 31 December	**0.58**	**18 847 090**	**1.51**	**12 647 007**
Exercisable at 31 December	**1.29**	**6 111 207**	**1.55**	**6 648 807**

Share options outstanding at the end of the year have the following expiry date and exercise prices:

2015

	In USD per share	Options
2016	0.49	824 083
2017	0.66	1 017 000
2018	1.33 and 1.57	509 007
2019	1.77, 2.06 and 2.19	2 405 000
2020	0.03, 0.97 and 1.02	5 505 333
2021	0.03, 0.44, 0.48 and 0.84	5 253 333
2022	0.03	3 333 334
		18 847 090

2014

	In USD per share	Options
2015	4.04	20 000
2016	0.58	619 000
2017	0.78	1 302 000
2018	1.57 and 1.86	639 007
2019	2.10, 2.46 and 2.60	3 835 000
2020	1.14 and 1.21	3 272 000
2021	0.57, 0.93, 0.99 and 1.01	2 960 000
		12 647 007

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 is 4.72 years (2014: 4.57 years).

The weighted average fair value of options granted during the year was USD 0.05 (2014: USD 0.53).

Note 16 — Intangible assets and goodwill

Amounts in USD 1 000	Software and licenses	Patents	Multi-client library	**Total**	Goodwill
Year ended 31 December 2014					
Opening carrying value	1 540	1 497	28 108	**31 460**	14 422
Additions	-	-	20 247	**20 247**	-
Transferred from assets under construction to intangible assets	1 562	-	-	**1 562**	-
Accumulated costs on disposals	-8	-	-	**-8**	-
Amortisation charge	-1 242	-137	-12 595	**-14 289**	-
Accumulated depreciation on disposals	8	-	-	**8**	-
Impairment	-	-	-2 002	**-2 002**	-
Closing carrying value	**1 860**	**1 360**	**33 758**	**36 978**	**14 422**
At 31 December 2014					
Accumulated cost	12 714	3 667	99 803	**118 505**	14 422
Accumulated amortisation and impairment	-10 854	-2 307	-66 045	**-81 527**	-
Net carrying value	**1 860**	**1 360**	**33 758**	**36 978**	**14 422**
Year ended 31 December 2015					
Opening carrying value	1 860	1 360	33 758	**36 978**	14 422
Additions	220	-	32 468	**32 688**	-
Transferred from assets under construction to intangible assets	1 852	-	-	**1 852**	-
Accumulated costs on disposals	-	-	-	**-**	-
Amortisation charge	-1 450	-139	-8 631	**-10 220**	-
Accumulated depreciation on disposals	-	-	-	**-**	-
Impairment	-	-	-15 328	**-15 328**	-14 422
Closing carrying value	**2 482**	**1 221**	**42 267**	**45 970**	**-**
At 31 December 2015					
Accumulated cost	14 786	3 667	133 865	**154 639**	-
Accumulated amortisation and impairment	-12 304	-2 446	-91 598	**-108 669**	-
Net carrying value	**2 482**	**1 221**	**42 267**	**45 970**	**-**

The amortisation expense on multi-client library only includes amortisation of costs directly linked to production, such as acquisition costs, processing costs, and direct project costs.

The Group recorded impairment of the multi-client library in 2015. Based on an updated sales forecast, the Group estimated the recoverable amount to be lower than the carrying value for the following projects: Sunshine and Daybreak in the US Gulf of Mexico, the Canada project, and Foz de Amazonas and Ceara in Brazil. This resulted in multi-client impairments of 16 922.

In 2014, the Group recorded an impairment of the Sunshine project of 2 002.

Multi-client revenue recognised in 2015 amounted to 36 132 (2014: 60 801).

The patents are related to the electromagnetic method, the Group's proprietary process which provides data to oil companies to help them detect hydrocarbons.

The goodwill that arose in the purchase price allocation in relation to the acquistion of OHM was attributed to expected synergies, competency, capacity and other benefits from combining the activities of OHM with those of the Company.

	Estimated useful lives
Patents	10-15 years
Software and licenses	3 years
Lease agreements	2.5-3.5 years

Impairment of multi-client library

The Group performs impairment tests when there are indicators of impairment and at least once a year. The Group considers the relationship between the total revenue forecast and the book value of each multi-client project when reviewing for indicators of impairment, hence the book value of the multi-client projects is highly influenced by the future sales forecasts.

Impairment test of goodwill

The Group performed impairment tests in June 2015 and December 2014. The Group considers the relationship between its market capitalisation and its book value when reviewing for indicators of impairment. As at 30 June 2015 and 31 December 2014, the market capitalisation of the Group was below the book value of its equity.

Goodwill was not allocated since there is only one CGU within the Group. The recoverable amount of the Group, 199 129 as of 30 June 2015, was determined based on cash flow projections from financial budgets approved by management. The discount rate applied to cash flow projections is 9.8% and the cash flows beyond five years are extrapolated using a 2% growth rate. As a result of this analysis, the goodwill of 14 422 was impaired, while no such impairment was done in 2014.

The calculation of the recoverable amount is most sensitive to the following assumptions:

*Discount rate

*Operating profit margins

Discount rate

The discount rate represented the current market assessment of the risks spesific to the industry. The discount rate calculation was based on the specific circumstances of the Group and was derived from its weighted average cost of capital (WACC). The WACC took both debt and equity into account. The cost of equity was derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest-bearing borrowings the Group is obliged to service. The beta factor was in line with the industry beta.

Operating profit margins

The operating profit margin were based on average growth in revenues and expenses. Revenues were expected to grow 5% and expenses 5% during the budget period. A decrease in demand can lead to a decline in the operating profit margin.

Sensitivity analysis for key assumptions

The table below shows how the recoverable amount of goodwill will be affected by changes in the various assumptions, given that the remainder of the assumptions are constant.

Assumptions		Changes in recoverable amounts
Discount rate	+1%	+ 31 MUSD
	+1%	- 25 MUSD
Growth rate revenues/expenses*	5%/0%	+ 199 MUSD
	0%/0%	- 45 MUSD

**The growth rate on revenues and expenses is from 2017 and onwards.*

Note 17 — Property, plant and equipment and assets under construction

Amounts in USD 1 000	Machinery and equipment	Hardware and furniture	Cluster	**Total**	Assets under construction
Year ended 31 December 2014					
Opening carrying value	21 377	4 711	1 595	**27 683**	19 200
Additions	436	284	-	**720**	18 967
Accumulated costs on disposals	-95	-55	-	**-150**	-
Transfer from asset under construction to property, plant and equipment	4 817	366	258	**5 441**	-7 003
Depreciation charge	-11 694	-2 251	-652	**-14 597**	-
Accumulated depreciation on disposals	95	55	-	**150**	-
Closing carrying value	**14 936**	**3 110**	**1 201**	**19 247**	**31 164**
At 31 December 2014					
Accumulated cost	115 268	22 674	12 375	**150 317**	31 164
Accumulated depreciation	-100 332	-19 564	-11 174	**-131 070**	-
Net carrying value	**14 936**	**3 110**	**1 201**	**19 247**	**31 164**
Year ended 31 December 2015					
Opening carrying value	14 936	3 110	1 201	**19 247**	31 164
Additions	491	313	-	**804**	7 689
Accumulated costs on disposals	-1 029	-	-	**-1 029**	-
Transfer from asset under construction to property, plant and equipment	10 435	-	-	**10 435**	-12 287
Depreciation charge	-8 861	-1 725	-504	**-11 090**	-
Accumulated depreciation on disposals	-	-	-	**-**	-
Impairment	-1 594	-	-	**-1 594**	-
Closing carrying value	**14 378**	**1 698**	**697**	**16 773**	**26 566**
At 31 December 2015					
Accumulated cost	125 165	22 987	12 375	**160 527**	26 566
Accumulated depreciation and impairment	-110 787	-21 289	-11 678	**-143 754**	-
Net carrying value	**14 378**	**1 698**	**697**	**16 773**	**26 566**

Assets under construction

Assets under construction are internal capital expenditure projects that are not completed. These projects are mainly development and production of acquisition equipment (25 407), but also interpretation and modelling software (1 159).

JIP

EMGS is working on a Joint Industry Project ("the JIP"), supported by Shell and Statoil, for developing the Next Generation EM equipment. The project has been ongoing since 2012 and continued throughout 2015. The carrying value of the JIP within assests under construction as of 31 December 2015 was 21 714. See Note 26 for prepayments from the JIP partners.

Other equipment developments

In addition to the JIP project, EMGS continuously works on incremental improvements to the EM equipment, including receivers, the source and the navigation system, supporting a more efficient operation and improved data quality. The remaining carrying value under assets under construction consists of such improvements projects.

Finance leasing included in property, plant and equipment:

	Machinery and equipment	Hardware and furniture	Cluster	Total
2014				
Cost of capitalised finance leases	-	721	-	**721**
Accumulated depreciation	-	-721	-	**-721**
Net carrying value	**-**	**-**	**-**	**-**

	Machinery and equipment	Hardware and furniture	Cluster	Total
2015				
Cost of capitalised finance leases	944	721	-	**1 665**
Accumulated depreciation	-236	-721	-	**-957**
Net carrying value	**708**	**-**	**-**	**708**

The amount of property, plant & equipment pledged as security for liabilities has a net carrying value of 708 as of 31 December 2015 (2014: 0).

	Estimated useful lives
Machinery and equipment	3-8 years
Hardware and furniture	3-5 years
Cluster	5 years

Note 18 — Financial assets

North Energy agreement

The Company and North Energy ASA signed an agreement worth NOK 100 million (USD 16.1 million) in January 2014. The agreement included sale of 3D EM data from the Group's existing multi-client data library in the Barents Sea and sale of services related to EM inversion and integrated interpretation. In addition, North Energy ASA committed to pre-funding of a 2014 Barents Sea programme.

The payment for services and prefunding of NOK 25 million was made in cash, while the payment for the 3D EM data was in the form of a convertible bond of NOK 75 million issued by North Energy ASA with a strike price of NOK 4.15, coupon of 6% and with a maturity of 6 months. The remaining part of the payment of NOK 25 million was settled in cash. The conversion right of the loan was subject to a fair value adjustment. A negative change in fair value of the conversion right of 210 was booked under Net financial items in 2014.

The loan was settled in August 2014 when EMGS converted NOK 28.4 million of the loan into 6,851,463 shares in North Energy, at a strike price of NOK 4.1451. The remaining of the convertible loan, NOK 46.6 million was settled in cash.

After the settlement date, changes in the value of the shares in North Energy ASA were recognised in Other comprehensive income. The value of the Group's shares in North Energy ASA as of 31 December 2015 totalled 1 387 (2014: 4 766), and the change in value recognised in Other comprehensive income totaled negative 3 218 in 2015 (2014: negative 3 984).

The shares in North Energy ASA were sold in January 2016. See Note 35 for further description of the sale. The secured overdraft was repaid at the same time.

Note 19 — Other receivables

Amounts in USD 1 000	2015	2014
Prepayments	4 323	4 722
Receivables VAT and taxes	400	11 774
Deferred mobilisation expenses	-	78
Other receivables	942	2 075
Total other receivables	**5 665**	**18 649**

Note 20 — Spare parts, fuel, anchors and batteries

Amounts in USD 1 000	2015	2014
Equipment components and parts, at cost	9 402	10 262
Anchors and batteries, at cost	1 478	1 901
Fuel, at cost	874	2 743
Total spare parts, fuel, anchors and batteries	**11 754**	**14 906**

The Group did an impairment of 561 of equipment components and parts in 2015 (2014: 0)

Note 21 — Trade receivables

Amounts in USD 1 000	2015	2014
Accounts receivable	17 142	54 679
Accrued revenues	1 438	10 852
Total trade receivables	**18 580**	**65 531**

Trade receivables are non-interest bearing and are generally on 30 days payment terms.

Fair value of the receivables approximates the nominal values, less provision for doubtful receivables.

Generally, the Group trades with recognised, creditworthy customers. The customers are usually large oil companies with an appropriate credit history.

Only in a few instances services are performed for smaller companies with limited credit history.

At 31 December 2015 EMGS did not find it necessary to make any provision for doubtful trade receivables (2014: 0).

766 of the 799 that is more than 120 days due is tax withheld from payment from a customer in India. EMGS has recently received a letter from the Tax authorities which will relase the tax amount withheld by the customer.

As at 31 December, the aging analysis of trade receivables is as follows:

Amounts in USD 1 000	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120
2015	17 142	13 163	3 166	14	-	-	799

Note 22 — Cash and cash equivalents

Amounts in USD 1 000	2015	2014
Cash	**31 749**	25 213
Restricted cash current	**6 680**	1 400
Total cash and cash equivalents	**38 429**	**26 613**

Cash earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Note 23 — Employee benefit obligations

The Company is required to have an occupational pension plan in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension arrangements fulfill the requirements of the law.

In December 2014, EMGS changed the pension plan from a defined benefit pension plan to a defined contribution pension plan for employees in EMGS ASA that are members of the Norwegian National Insurance Scheme. The defined benefit plan was terminated by issuance of paid-up policies for previously earned rights in the plan. The new pension plan involved a contribution level of 7 % of Base Salary from 0 to 7.1 G and 25.1 % of Base Salary from 7.1 up to 12 G, where G is the base amount (Folketrygdens grunnbeløp) that equals to NOK 90 068 as of 31 December 2015.

The Company`s contribution to the Norwegian defined contribution plan for the year ended 31 December 2015 is 2 046. As of 31 December 2015 there are 134 employees covered by the defined contribution pension plan (2014: 156 active and 1 retired). The change had an positive impact on the 2014 employee expenses in the income statement of 2 909 due to settlement of the pension obligation.

Defined contribution schemes

Employees not eligible for coverage under the defined contribution plan applicable in Norway are eligible to participate in other Company pension schemes or to receive a pension compensation. All of the schemes are considered defined contribution plans. For some of the schemes, subject to statutory limitations, employees may make voluntary contributions in addition to the Company's contributions. Pension scheme contributions made by the Company in 2015 totals 3 072.

Note 24 — Financial liabilities

Amounts in USD 1 000	Interest rate	Maturity	2015	2014
Non-current				
NOK 270 000 000 bond	3 month NIBOR + 6.00%	27.06.19	**30 257**	-
NOK 350 000 000 bond	3 month NIBOR + 6.00%	27.06.16	**-**	46 744
Finance lease liabilities	3 month NIBOR + 3.65%	2-3 years	**591**	115
Total			**30 848**	**46 859**
Current				
Secured overdraft	7.00 %	At request	**407**	1 594
Finance lease liabilities	3 month NIBOR + 3.65%	Up to 1 year	**263**	93
Forward rate agreement		27.06.16	**6 326**	-
Total			**6 996**	**1 687**
Total financial liabilities			**37 844**	**48 546**

NOK 270 000 000 bond

On 26 June 2013, EMGS secured a NOK 350 million bond bearing an interest at 3 months NIBOR + 6.00% p.a. On 22 December 2015, EMGS bought back NOK 80 million nominal outstanding amount at 80% of par. Following settlement, the nominal outstanding amount of the bond was NOK 270 million.

The new amendments to the terms of the bond was approved 19 November 2015, and the maturity date of the bond was extended by 36 months, from 27 June 2016 to 27 June 2019.

The bond is unsecured.

Forward rate agreement

In February 2015, EMGS entered into a forward rate agreement.

While the Company entered into the forward rate agreement with the purpose of reducing its exposure to exchange rate fluctuations related to the NOK 350 million bond loan, the agreement is not treated as hedge, as the agreement is not specifically designated as hedge of firm commitments or certain cash flow. Consequently, the forward rate agreement is recorded at estimated fair value with gains and losses included in the line Net gains/(losses) of financial assets and liabilities in the Consolidated income statement.

Finance lease liabilities

The finance lease liabilities relate to certain property, plant and equipment and are capitalised leases for financial reporting purposes. The related leased property, plant and equipment serve as the collateral under such leases.

Secured overdraft

On 6 February 2014, EMGS signed an overdrafts agreement to fund the purchase of shares in North Energy ASA. The Company's repaid the secured overdraft in January 2016. The Company's shares in North Energy ASA served as the collateral for the overdrafts.

The exposure of the Group's borrowings to interest rate changes related to floating rate obligations and the contractual repricing dates of those obligations at the balance sheet dates are as follows:

Amounts in USD 1 000	**2015**	2014
6 months or less	**31 518**	46 952
6-12 months	**-**	-
1-5 years	**-**	-
Over 5 years	**-**	-
Total	**31 518**	**46 952**

The maturity of non-current borrowings is as follows:

Amounts in USD 1 000	**2015**	2014
Between 1 and 3 years	**30 848**	46 859
Between 4 and 5 years	**-**	-
Over 5 years	**-**	-
Total	**30 848**	**46 859**

The carrying amounts and fair value of the non-current borrowings are as follows:

Amounts in USD 1 000	Carrying amounts		Fair values	
	2015	2014	2015	2014
NOK 270 000 000 bond	30 257	-	24 206	-
NOK 350 000 000 bond	-	46 744	-	46 744
Leasing liabilities	591	115	591	115

The fair value measurements are calculated using observable inputs (level 2). The fair value is calulated based on the last observable pricing of the bond in 2015, which was the 80% of par value repurchase done by the Company in December 2015.

The carrying amount of the Group's borrowings are as follows:

Amounts in USD 1 000	**2015**	2014
USD denominated	**-**	-
NOK denominated	**31 518**	48 546
Total	**31 518**	48 546

The effective interest rates at the balance sheet date were as follows:

	2015	2014
NOK 350 000 000 bond	**7.82 %**	8.97 %
Leasing liabilities	**6.82 %**	7.87 %

Note 25 — Trade payables

Trade payables are generally non-interest bearing and on 30 days payment terms. Fair value of the payables equals the nominal value of 10 439 (2014: 13 362).

Note 26 — Provisions

The Group recognises a provision for prepayments from two customers in a joint industry project. EMGS and the two customers have decided to collaborate on the development, construction, and testing of an advanced marine electromagnetic acquisition system. After the commercial launch date, the two customers will have a beneficial period with decreasing benefits over four years. The provision will be recorded as revenues during the beneficial period.

The Group has recognised 15 371 as provision for JIP prepayments per 31 December 2015 (2014: 13 299).

The Group has made a precautionary provision of 2 000 to cover PGS' legal fees in the Oslo City Court as of 31 December 2015 (2014: 2 000).

Note 27 — Other short term liabilities

Amounts in USD 1 000	**2015**	2014
Accrued expenses	**4 778**	7 322
Holiday pay	**2 178**	2 491
Social security taxes and other public duties	**6 285**	8 632
Other short term liabilities	**3 002**	8 825
Total other short term liabilities	**16 243**	**27 270**

Accrued expenses are generally on 30 days payment terms.

Note 28 — Finance lease obligations

The Company has finance lease agreements for winch & handling systems, hardware, furniture and cluster.

Amounts in USD 1 000	2015	2014
Finance lease liabilities – minimum lease payments:		
No later than 1 year	**327**	136
After 1 year and no more than 5 years	**631**	118
After more than 5 years	**-**	-
Total minimum lease payments	**958**	**254**
Future finance charges on finance leases	**-105**	-46
Present value of finance lease liabilities	**853**	**208**
The present value of finance lease liabilities is as follows:		
No later than 1 year	**262**	115
After 1 year and no more than 5 years	**591**	93
After more than 5 years	**-**	-
Total present value of finance lease liabilities	**853**	**208**
Contract terms regarding property rights at expiration of the contract:		
The ownership will be negotiated at the end of the leasing period.		

Note 29 — Contingencies

The Group has contingent liabilities in respect of guarantees and matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Group has given guarantees in the ordinary course of business to third parties as specified below:

Amounts in USD 1 000	2015	2014
Guarantees on client contracts	**3 867**	10 691
Other guarantees/collateral	**1 982**	-
Total guarantees	**5 849**	**10 691**

Guarantees on office premises are valid as long as the contracts are active. All guarantees are secured by bank guarantees.

Note 30 — Commitments

Operating lease commitments:

The Group has operating leases on charter hires, office premises and IT infrastructure.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Amounts in USD 1 000	2015	2014
No later than 1 year	22 324	37 378
After 1 year and no more than 5 years	17 723	35 916
After more than 5 years	2 131	2 263
Total operating lease commitments	**42 178**	**75 557**

Contract terms on renewal of the leases are to be negotiated at or before the expiry of the contracts. The charter hire contracts have renewal options of different durations.

Operating leases recognised as expense in the period:

Amounts in USD 1 000	2015	2014
Charter hire	39 772	40 483
Office premises	2 521	2 556
Total	**42 293**	**43 039**

Note 31 — Legal claims

EMGS is involved in the following legal processes:

EMGS has taken out patent infringement claims against PGS ASA and two of its subsidiaries for infringement of one of the EMGS patents in Norway and the UK. PGS has filed counterclaims versus EMGS where they claim that the patent is invalid. The decision from Oslo City Court has been appealed and the appeal hearing is scheduled for the fall of 2016. EMGS has guaranteed for the payment of legal fees in the amount of approximately USD 2 million to PGS. Accruals for this amount were taken in the 2014 balance and remains as an accrual in 2015. The hearing in the UK is scheduled for March 2016. No accruals are made in relation to the UK case.

PGS ASA has taken out an infringement claim against EMGS ASA and EMGS Americas Inc for infringement of a PGS patent in the US. The court hearing in this matter is scheduled to take place in the second half of 2017. No accruals are made in relation to the US matter.

Note 32 — Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Amounts in USD 1 000	2015	2014
Income/(loss) attributable to equity holders of the Company	-76 715	25 886
Basic earnings per share	-0.33	0.13
Diluted earnings per share	-0.33	0.13
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	230 231	199 757
Effect of dilutive potential shares:		
Share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands)	230 231	199 757

The Company has one category of dilutive potential ordinary shares: share options.

Note 33 — Related party transactions

The Company has an agreement with Ocean Seismic de Mexico S.A. de C.V. (Ocean Seismic). Ocean Seismic will provide marketing services on behalf of the Company relating to work for PEMEX.

Under the terms of the agreement, Ocean Seismic is entitled to receive 5% (2014: 5%) commission on each PEMEX contract obtained by the Company. EMGS' former CEO, Bjarte H. Bruheim, holds 16% of the shares in Ocean Seismic.

The following transactions were carried out with related parties:

Amounts in USD 1 000	2015	2014
Purchases of goods and services		
Ocean Seismic	341	2 969

Year end balances arising from purchases of goods:

Amounts in USD 1 000	2015	2014
Payables to related parties:		
Ocean Seismic	341	-

Note 34 — Investment in subsidiaries

Company	Share ownership/ voting rights 2015	Share ownership/ voting rights 2014	Equity 31 Dec 2015	Equity 31 Dec 2014	Location
EMGS Americas 1 AS	100 %	100 %	-4	-144	Trondheim, Norway
CSEM Production AS	100 %	100 %	11	7	Trondheim, Norway
Sea Bed Logging - Data Storage Company AS	100 %	100 %	-131	-280	Trondheim, Norway
Servicios Geologicos Electromagneticos do Brasil Ltda	100 %	100 %	-8 715	4 799	Rio de Janeiro, Brasil
EMGS Americas Inc	100 %	100 %	-1 844	-1 288	Delaware, USA
EMGS International B.V.	100 %	100 %	-125	-110	Amsterdam, Holland
Electromagnetic Geoservices Malaysia Sdn Bhd	1%/100%	1%/100%	-681	1 037	Kuala Lumpur, Malaysia
EMGS Asia Pacific Sdn Bhd	100 %	100 %	813	336	Kuala Lumpur, Malaysia
EMGS Australia Pty Ltd	100 %	100 %	118	99	Perth, Australia
EMGS Global AS	100 %	100 %	1 066	1 693	Trondheim, Norway
EMGS Sea Bed Logging Mexico S.A. de C.V.	100 %	100 %	-4 719	5 735	Col. Del Valle, Mexico
EMGS Shipping Mexico S. de R.L. de C.V.	49%/100%	49%/100%	1 562	777	Col. Del Valle, Mexico
EMGS Services Mexico S.A. de C.V.	99 %	99 %	-418	215	Col. Del Valle, Mexico
EMGS Labuan Ltd	100 %	100 %	933	750	Labuan, Malaysia
EMGS Asia Pacific Labuan Ltd	100 %	100 %	-322	-731	Labuan, Malaysia
EMGS Geophysical Limited	100 %	100 %	-	-	Nicosia, Cyprus
EMGS Global Services (Cyprus) Limited	100 %	100 %	-	-	Nicosia, Cyprus
EMGS MCL Limited	100 %	100 %	-	-	Nicosia, Cyprus
EMGS Surveys AS	100 %	100 %	7 349	12 564	Trondheim, Norway
Electromagnetic Geoservices UK Ltd	100 %	100 %	3 436	2 474	London, UK
EM Multi-client AS	100 %	100 %	-7 877	1 038	Trondheim, Norway
Electromagnetic Geoservices Canada Inc	100 %	100 %	-430	467	British Columbia, Canada

The Group consolidates Electromagnetic Geoservices Malaysia Sdn Bhd and emgs Shipping Mexico S. de R.L. de C.V. at 100 % as the Company has control over these companies.

Side agreements shows that EMGS has all the rights and obligations of 100 % ownership.

Note 35 — Events after the reporting period

Change of CEO

Christiaan A. Vermeijden started as Chief Executive Officer (CEO) of EMGS on 1 February 2016.

Stig Eide Sivertsen, the interim CEO of EMGS since Bjarte Bruheim stepped down in August 2015, resumed his non-executive directorship at the Board of EMGS on 1 February 2016, when Vermeijden started as the CEO of EMGS. Sivertsen's directorship was approved by the extraordinary general meeting held on 26 November 2015.

Christiaan Vermeijden, will, as part of his compensation package as CEO of EMGS, receive 10 million options to acquire a corresponding number of EMGS shares at NOK 0.25. The exercise price of NOK 0.25 is equal to the subscription price in the Rights Issue in December 2015. The options will be vesting three to five years from the EGM and be exercisable during two years from vesting.

Sale of shares in North Energy ASA

On 19 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 value of the North Energy shares as of 31 December 2015 was 1 387 (2014: 4 766). The sale will have an immaterial effect on Total equity in January 2016. The Company repaid its secured overdraft at the same time.

Financial statements.

EMGS ASA

Income Statement.

1 January — 31 December

Amounts in NOK 1 000	Note	2015	2014
Operating revenues			
Contract sales	1, 11	**618 894**	899 590
Multi-client sales	1, 11	**278 450**	335 573
Total operating revenues		**897 344**	**1 235 163**
Operating expenses			
Charter hire, fuel and crew expenses	4	**359 056**	458 439
Employee expense	5, 6	**329 792**	313 546
Depreciation and ordinary amortisation	7	**73 120**	89 841
Multi-client amortisation	7	**69 702**	38 476
Impairment of long-term assets	7	**32 771**	-
Other operating expenses	22	**174 978**	145 489
Total operating expenses		**1 039 419**	**1 045 791**
Operating income		**-142 075**	**189 372**
Financial income and expenses			
Financial income	16	**177 901**	95 338
Financial expenses	16	**385 706**	40 191
Net financial items		**-207 805**	**55 147**
Income/(loss) before income tax		**-349 880**	**244 519**
Income tax expense	8	**-**	-
Income/(loss) for the year		**-349 880**	**244 519**

Balance Sheet.

As at 31 December

Amounts in NOK 1 000	Note	2015	2014
Non-current assets			
Intangible assets	7	**127 424**	88 675
Property, plant and equipment	7, 9	**95 867**	108 150
Assets under construction	7	**173 956**	187 313
Investments in subsidiaries	10	**56 321**	117 963
Financial assets	24	**12 207**	26 468
Total non-current assets		**465 775**	**528 569**
Current assets			
Spareparts, fuel, anchors and batteries	3	**68 725**	84 463
Trade receivables	9, 11, 12	**80 641**	377 354
Receivables group companies	12	**819 234**	661 768
Other receivables	18	**22 832**	42 223
Cash and cash equivalents		**233 784**	130 478
Restricted cash	13	**33 331**	10 410
Total current assets		**1 258 547**	**1 306 696**
Total assets		**1 724 322**	**1 835 265**

Balance Sheet.

As at 31 December

Amounts in NOK 1 000	Note	2015	2014
EQUITY			
Paid-in capital			
Share capital	14, 15	**327 941**	49 941
Share premium	14, 15	**886 687**	886 687
Other paid-in capital	14, 15	**107 510**	108 066
Total paid-in capital		**1 322 138**	**1 044 694**
Retained earnings			
Other equity	15	**-333 606**	30 534
Total retained earnings		**-333 606**	**30 534**
Total equity		**988 532**	**1 075 228**
LIABILITIES			
Non-current liabilities			
Provisions	19	**152 841**	113 747
Borrowings	7, 17	**270 427**	348 302
Total non-current liabilities		**423 268**	**462 049**
Current liabilities			
Trade payables		**79 473**	79 555
Payable group companies	23	**49 063**	57 477
Current tax liability	8	**12 915**	5 074
Public taxes and duties payable	20	**29 313**	16 333
Other current liabilities	21	**80 208**	126 912
Financial liabilites	17	**55 657**	-
Borrowings	17	**5 893**	12 637
Total current liabilities		**312 522**	**297 988**
Total liabilities		**735 790**	**760 037**
Total equity and liabilities		**1 724 322**	**1 835 265**

Cash Flow Statement.

1 January — 31 December

Amounts in NOK 1 000	2015	2014
A) Cash flow from operating activities		
Funds sourced from operations *)	-161 488	416 377
Changes in inventories, accounts receivable and accounts payables	303 955	-366 957
Changes in working capital	-6 527	26 741
Net cash flow from operating activities	135 940	76 161
B) Cash flow from investing activities		
Purchase of property, plant and equipment	-62 464	-124 503
Investment in multi-client library	-127 270	-5 263
Investment in financial assets	-	-54 912
Net cash flow from investing activities	-189 738	-184 678
C) Cash flow from financial activities		
Proceeds from issuance of ordinary shares	276 666	131
Proceeds from new loan	7 216	20 000
Repayment of loan	-77 101	-8 149
Payment of interest on loans and financial leases	-26 756	-28 285
Net cash flow from financial activities	180 026	-16 302
A+B+C) Net change in cash and cash equivalents	126 227	-124 818
Cash and cash equivalents at 01.01	140 888	265 706
Cash and cash equivalents at 31.12	267 115	140 888
Calculation of cash and cash equivalents		
Cash and cash equivalents	233 784	130 478
Restricted cash	33 331	10 410
Cash and cash equivalents at 31.12	267 115	140 888
***) Calculation of funds sourced from operations**		
Income/(loss) before income tax	-349 880	244 519
Depreciation and amortisation	142 822	128 317
Impairment of long-term assets	32 771	-
Cost of share-based payment	778	13 514
Amortisation of interest	30 393	30 027
Financial gain on repayment of bond	-18 372	-
Funds sourced from operations	-161 488	416 376

Oslo, 16 March 2016

Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Notes.

Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, income, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in other operating expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Revenue recognition

Revenue is recognised as follows:
a) Fixed Rate Contracts/Unit Price Contracts
Revenue from contracts (whether priced as Lump Sum, Day Rate or Unit Price) is recognised based on the percentage of completion method, measured by reference to the percentage of vessel operational hours incurred to date versus the total estimated vessel operational hours for the project. Vessel operational hours are the actual amount of time incurred/expected to be incurred in the productive acquisition of the electromagnetic data. Any amount received greater than that calculated as recognisable will be recorded on the balance sheet as deferred revenue and recognised in the applicable future periods. Conversely, any earned but unbilled revenue will be recognised as revenue in the current period and recorded as accrued revenue on the balance sheet.

Mobilisation Fees
Revenues for mobilisation are usually contracted with the customer and should cover the vessels transit to the actual area. Revenues and costs related to mobilisation are deferred and recognised over the acquisition period (which is the time from the first receiver is dropped to the last retrieval) of the contract, representing the acquisition period of the geological information, using the percentage of completion method. The deferral of mobilisation costs can only begin after a definitive contract has been executed between EMGS and the client. Until a contract is signed, costs are expensed as incurred.

<u>b) Sales of multi-client library data</u>

Pre-funding agreements
Before an EM survey is completed, the Company secures funding from a group of customers. The advantages for pre-funding customers are generally the possibility to influence the project specifications, early access to acquired data, and discounted prices. The Company recognises pre-funded revenue using the percentage of completion method. Progress is measured by reference to the percentage of vessel operational hours incurred to date versus the total estimated vessel operational hours for the project, provided that all other revenue recognition criteria are satisfied.

Late sales

Customers are granted a license from EMGS which entitles them to access a specific part of the multi-client data library. The license payment is fixed and is required when the license is granted. The late sale revenue is recognised when a valid licensing agreement is signed and the multi-client library data made accessible to the customer.

Uplift

Uplift revenues can arise if a customer that has already bought a license for EM data, is awarded acreage covered by the data bought.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognised at nominal value.

Subsidiaries

Subsidiaries are valued at cost in the Company's accounts. The investments are valued at the cost of acquiring shares in the subsidiary or joint venture, provided that no write down is required. A write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs will be reversed when the cause of the initial write down is no longer present.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Property, plant and equipment

Property, plant and equipment is capitalised and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

Research and development

Development costs are capitalised providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalised development costs are amortised linearly over its useful life.

Research costs are expensed as they are incurred.

Multi-client library

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

The Company recognises pre-funded revenue after the percentage of completion method. Late sale revenue is recognised when a valid licensing agreement is signed and the multi-client library data made accessible to the customer.

The Company amortises its multi-client library primarily based on the ratio between the cost of the surveys and the total forecasted sales for such surveys. Surveys are categorised into four amortisation categories with amortisation rates of 90%, 75%, 60% or 45% of sales amount. Classification of a project into a rate category is based on the ratio of its remaining net carrying value to its remaining sales estimate. Amortisation is recorded each time there has been a multi-client sale on surveys with a carrying value higher than zero.

The Company also applies minimum amortisation criteria for the library projects based on a three-year life. The three-year period is starting in the year after data delivery (year after completion). Under this policy, the book value of each survey is reduced to a specified percentage by each quarter end, based on the age of the survey. The calculation of minimum amortisation is recorded quarterly after amortisation of sales.

Leased assets

Leases that provide EMGS with substantially all the rights and obligations of ownership are accounted for as finance leases. Such leases are valued at the present value of minimum lease payment, and recorded as assets under tangible assets. The assets are subsequently depreciated and the related liabilities are reduced by the amount of the lease payments less the effective interest expense. Other leases are accounted for as operating leases with lease payments recognised as an expense over the lease term.

Inventories

Inventories are valued at the lower of cost or net selling price. The selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and included the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables.

Income tax

Tax expenses in the profit and loss accounts comprise of both tax payable for the accounting period and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated at 25 percent on the basis of existing temporary differences and the tax effect of tax losses carried forward. Temporary differences, both positive and negative, that will reverse within the same period, are recorded net. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Share based payments

Options for employees are valued at the fair value of the option at the time the option plan is adopted. The Black -Scholes model is used for valuation of options. The cost of the options is allocated over the period during which the employees earn the right to receive the option. This arrangement is presented as other paid-in capital in the balance sheet. Provisions are made for the social security taxes in connection with share option plan, which are related to the difference between the issue price and the market price of the share at year-end, on the basis of the vesting period of the programme.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions for loss on contracts are recognised when it is clear that the contract will result in a loss. The calculation is made by comparing the contracted revenues to the expected direct operating costs for the contract period.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash and bank deposits.

Note 1 — Operating revenues

Amounts in NOK 1 000	2015	2014
Geographical distribution		
Europe, Middle East and Africa	**256 305**	630 091
North and South America	**546 286**	498 438
Asia and Pacific Ocean	**94 754**	106 634
Total	**897 344**	1 235 163

Out of the 897 344 in total operating revenues in 2015, 410 589 was intercompany revenues (2014: 488 859).

The Company consists of one business area only. EMGS operates globally.

Note 2 — Shared revenue

The Company has since 2013 entered into several cooperation agreements regarding EM multi-client surveys in the Barents Sea, Golf of Mexico and Foz do Amazonas. EMGS has received funding and/or seismic data against a revenue share on late sales. EMGS has provided the vessel, performed the data acquisition and finally provided the data processing services. The partners have provided seismic data and in some instances also invested in the project. The acquired data remains the property of EMGS, and the partners have a right to a revenue share.

EMGS' share of the revenue from the sale of multi-client library in 2015 is 107 499 (2014: 60 572).

	EMGS revenue share
EM multi-client survey	
Barents Sea 2013	**70 %**
Barents Sea 2014	**50 %**
Golf of Mexico 2014	**90 %**
Barents Sea 2015	**50 %**
Foz Do Amazonas 2013	**95 %**
Barents Sea 2014 (Terminated in 2015)	**50 %**

Note 3 — Spareparts, fuel, anchors and batteries

Amounts in NOK 1 000	2015	2014
Inventory type		
Equipment, components and parts	**44 766**	61 572
Anchors and batteries	**16 795**	10 528
Fuel	**7 164**	12 363
Total	**68 725**	**84 463**

The Company did an impairment of 4 763 of equipment components and parts in 2015 (2014: 0).

Note 4 — Operating leases

Amounts in NOK 1 000	2015	2014
Operating leases recognised as expense in the period:		
Charter hire	**324 403**	242 775
Office premises	**11 787**	10 337
Total	**336 190**	**253 112**

The Company has made a provision relating to the remaining charter period of the EM Leader of 27 122 as of 31 December 2015 as the vessel is not expected to generate revenues (2014: 0).

Note 5 — Pensions

The Company is required to have an occupational pension plan in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension arrangements fulfill the requirements of the law.

In December 2014, EMGS changed the pension plan from a defined benefit pension plan to a defined contribution pension plan for employees in EMGS ASA that are members of the Norwegian National Insurance Scheme. The defined benefit plan was terminated by issuance of paid-up policies for previously earned rights in the plan.

The new pension plan involved a contribution level of 7 % of Base Salary from 0 to 7.1 G and 25.1 % of Base Salary from 7.1 up to 12 G, where G is the base amount (Folketrygdens grunnbeløp) that equals to NOK 90 068 as of 31 December 2015. The Company`s contribution to the Norwegian defined contribution plan for the year ended 31 December 2015 is 13 145.

As of 31 December 2015, 134 employees are covered by the defined contribution pension plan (2014: 156 active and 1 retired).

Note 6 — Remuneration

The average number of employees during 2015 was 193.

Amounts in NOK 1 000	2015	2014
Employee expenses:		
Salaries	**275 604**	266 196
Payroll tax	**22 418**	21 780
Pension costs	**13 145**	-6 783
Other payments	**18 625**	32 354
Total	**329 792**	**313 547**

Employee expenses incudes 15 786 in provision for restructuring expenses in 2015 (2014:0).

Executive Management remuneration

Amounts in NOK 1 000		Salaries*	Bonus	Share options**	Pension benefit	Other benefits***	Consultant fee****	**Total remuneration**
Executive Management								
Roar Bekker, CEO	01.01 - 30.04	3 371	682	-1 737	19	154	-	**2 490**
Bjarte Bruheim, CEO	01.01 - 23.08	-	-	-302	-	-	4 466	**4 164**
Stig Eide Sivertsen, CEO	24.08 - 31.12	1 069	1 500	-	-	1	-	**2 571**
Svein T. Knudsen, CFO	2015	2 119	604	750	152	792	-	**3 034**
David Neser, COO	2015	2 048	588	645	147	2 067	-	**5 496**
Ole Andre Heggheim, EVP Strategic. Dev	2015	1 954	579	482	146	570	-	**3 731**
Vincent Vieugue, EVP Sales & Marketing	01.01 - 31.08	1 948	476	-237	98	644	-	**2 928**
Total		**12 509**	**4 430**	**-398**	**561**	**4 228**	**4 466**	**24 413**

*Salaries are included severance payments made in 2015.

**Share options are costs posted as an expense under the Company's option programme in 2015.
***Other benefits includes special retention plan, car allowance, housing allowance, school fees, electronic communication, group life insurance and memberships.

**** Consultant fee is included in other operating expenses and includes severance payments made in 2015.

Payment after termination of employment

The former CEO (Roar Bekker) has a severance agreement which pays 18 months salaries and benefits after termination of the contract. He retired in January 2015 and a severance of 1 963 has been paid in 2015.

Bjarte Bruheim was appointed CEO in January 2015 and he resigned from the position on 23 August. He has a severance agreement which pays 15 months consultant fee after termination of the contract. A severance of 1 564 has been paid in 2015, and the expenses are posted as a consultant fee in other operating expenses.

The EVP Sales & Marketing retired in August 2015 and he has a severance agreement which pays 9 months salary after termination of the contract. A severance of 584 has been paid in 2015.

The CFO retired in December 2015 and he has a severance agreement which pays 12 months of salary after termination of contract. No severance pay was made in 2015.

Remuneration policy

All members of the Executive Management Group, including the CEO, have fixed salaries. In addition to the fixed salary, a bonus plan is in place. The bonus system is based on a combination of fulfillment of EMGS' goals and the individual goals. There are also car allowance agreements in place for most of the Executive Management Group and the Group is included in the Company's ordinary pension plan.

There are no other variable elements included in the remuneration for the Executive Management Group.

Board of Directors remuneration

Amounts in NOK 1 000			Directors' fee
Board of Directors			
Eystein Eriksrud	Executive Director and Chairman of the Board	01.01 - 31.12	468
Johan Mikkelsen	Non-executive Director	01.01 - 31.12	366
Stig Eide Sivertsen	Non-executive Director	01.01 - 23.08	286
Guro Høyaas Løken	Non-executive Director	01.01 - 31.12	367
Mimi Berdal	Non-executive Director	01.01 - 31.12	366
Tone Østensen	Non-executive Director	01.01 - 30.06	137
Anne Øian	Non-executive Director	30.06 - 31.12	191
Christel Brønstad	Employee's representative	01.01 - 31.12	-
Ole Martin Pedersen	Employee's representative	01.01 - 31.12	-
Adam Robinson	Employee's representative	01.01 - 31.12	-

The amounts listed under Directors' fee have been expensed in 2015.

The employee's representatives are not paid directors fee and their remuneration as employees have not been included in the table above.

Share based payment

The Company has an option programme (please find more details about the programme in the notes for the Group).

The Company uses Black Scholes model to estimate the value of the options.

	Number of options OB	Granted options	Forfeited options	Terminated options	Exercised options	Weighted average exer-cise price -A	Number of options CB	Weighted average exercise price B	Weighted average remaining contractual life
Executive Management									
Roar Bekker	1 210 000	-	-540 000	-	-	-	670 000	0.56	2.64
Svein T. Knudsen	810 000	70 000	-	-	-	-	-	-	-
David Neser	625 000	66 000	-	-	-	-	691 000	9.76	3.68
Ole Andre Heggheim	300 000	64 000	-	-	-	-	364 000	6.70	3.82
Board of Directors									
Christel Brønstad	10 000	-	-	-	-	-	10 000	12.24	2.07
Ole Martin Pedersen	38 000	-	-	-		-	38 000	14.63	2.49
Adam Robinson	128 000	-	-	-	-	-	128 000	10.29	4.32

A - average exercise price for options exercised during 2015.
B - average exercise price for number of options by 31 December 2015.

Loans and guarantees

No loans or loan guarantees have been granted to the Executive Management or the Board of Directors or other related parties.

Amounts in NOK 1 000	2015	2014
Auditor expenses		
Statutory audit services (excl VAT)	**1 231**	1 200
Tax advisory services (excl VAT)	**475**	464
Further assurance services	**528**	218
Other non-audit services	**25**	-
Total fees to auditor	**2 260**	**1 882**

Note 7 — Tangible and intangible assets

Amounts in NOK 1 000	Property, plant and equipment	Patents	Software licenses etc.	Multi-client library	Total	Assets under construction
Acquisition cost at 1 January 2015	852 671	26 416	68 513	390 314	**1 337 914**	187 313
Purchases	66 527	-	14 911	127 268	**208 706**	61 432
Disposals	-6 648	-	-	-	**-6 648**	-74 789
Acquisition cost at 31 December 2015	912 550	26 416	83 424	517 582	**1 539 972**	173 956
Accumulated depreciation 1 January 2015	744 521	18 045	57 598	320 924	**1 141 088**	-
Depreciation/amortisation for the year	63 069	761	9 290	69 702	**142 822**	-
Disposals	-	-	-	-	**-**	-
Impairment	9 093	-	-	23 678	**32 771**	-
Accumulated depreciation 31 December 2015	816 683	18 806	66 888	414 304	**1 316 681**	-
Net carrying value at 31 December 2015	**95 867**	**7 610**	**16 536**	**103 278**	**223 291**	**173 956**
Depreciation rate (%)	13-33	7-10	33			

Depreciation/amortisation of fixed assets is calculated using the straight-line method.

The registered patents rights relates to electromagnetic surveys (EM).

Assets under construction are internal capital expenditure projects that are not completed. These projects are mainly development and production of acquisition equipment, but also interpretation and modelling software.

Addition of self developed assets in 2015 amounted to 72 316 (2014: 42 528).

Finance leases are capitalised at the lease's commencement at the lower of the present value and cost.

The leasing contracts have a duration of 3 years and the asset will be depreciated over a 3-5 year period.

The terms of the agreements are 3 months NIBOR +3.65%

Finance leases

Amounts in NOK 1 000	**2015**	2014
Capitalised in the balance sheet 31 December	**11 231**	4 015
Accumulated depreciation	**-5 819**	-4 015
Net carrying value	**5 412**	**-**
Depreciation	1 804	1 338

	2015		2014	
Amounts in NOK 1 000	**Nominal value**	**Present value**	Nominal value	Present value
Leases due within 12 months	**2 500**	**2 004**	1 009	854
Leases due within the next 13 - 36 months	**4 816**	**4 512**	880	692
Remaining debt on leasing contracts 31 December	**7 316**	**6 516**	**1 889**	**1 546**

Amounts in NOK 1 000	**2015**	2014
Specification of R&D expenses:		
External expenses	**6 708**	5 478
Materials	**1 300**	1 424
Internal hours	**9 342**	20 095
Total R&D expenses	**17 350**	**26 997**

The expenses are related to the further development of the EM-technology and have been expensed as incurred.

Note 8 — Income taxes

Amounts in NOK 1 000	2015	2014
Taxes base specification		
Profit before tax	**-349 880**	244 519
Permanent differences	**251 303**	14 125
Changes in temporary differences	**44 752**	-15 078
Tax expenses abroad, paid	**-**	-
Taxable profits before utilisation of unused tax losses	**-53 824**	243 566
Tax losses carried forward	**53 824**	-243 566
Taxable profit (this year tax base)	**-**	-
Income tax expenses		
Non-creditable foreign income taxes	**-**	-
Total income tax expense	**-**	-
Temporary differences		
Fixed assets	**-159 731**	-154 703
Inventory	**-6 061**	-1 298
Provisions tax liability abroad	**-12 915**	-5 074
Other accruals	**-27 122**	-
Tax losses carried forward	**-819 890**	-766 066
Total temporary differences	**-1 025 718**	-927 142
Non-recognised deferred tax asset	**-256 430**	-250 328

Non-recognised deferred tax asset

Amounts in NOK 1 000	Tax base	27 % tax
Explanation why the tax is not 27% of income before tax:		
27% tax of income before tax	**-349 880**	-94 468
Permanent difference		67 852
Change in deferred tax assets, not recognised		6 101
Effect of change in tax rate		20 514
Non-creditable foreign income taxes		-
Calculated tax		**-**
Effective tax rate in %		0.0 %

Unused tax losses can be carried forward indefinitely.

Note 9 — Collaterals

There are no long term liabilities due in more than five years from 31 December 2015 or 31 December 2014.

Amounts in NOK 1 000	2015	2014
Collaterals		
Debts secured by pledge	**3 582**	11 851

Amounts in NOK 1 000	2015	2014
Pledged assets:		
Financial assets	**12 207**	26 468
Trade receivables	**34 023**	82 663
Cash and cash equivalents	**17 306**	-
Assets held under finance leases	**-**	-
Total carrying value of pledged assets	**63 536**	**109 131**

Note 10 — Investment in subsidiaries

Amounts in NOK 1 000	Share ownership/ Voting rights	Net carrying value shares in subsidiaries	Profit/Loss 2015	Equity 31 December 2015	Location
EMGS Americas 1 AS	100 %	120	319	-32	Trondheim, Norway
CSEM Production AS	100 %	120	12	61	Trondheim, Norway
Sea Bed Logging - Data Storage Company AS	100 %	120	784	1 453	Trondheim, Norway
Servicos Geologicos Electromagneticos Do Brazil LTDA	99 %	24 753	-122 515	-65 683	Rio de Janeiro, Brazil
Electromagnetic Geoservices Malaysia Sdn Bhd	1 %	-	-13 872	-4 746	Kuala Lumpur, Malaysia
EMGS Asia Pacific Sdn Bhd	100 %	840	3 842	6 813	Kuala Lumpur, Malaysia
EMGS International BV	100 %	197	-117	-1 087	Amsterdam, The Netherlands
EMGS Australia Pty Ltd	100 %	-	-25	1 036	Perth, Australia
EMGS Global AS	100 %	117	3 999	10 493	Trondheim, Norway
EMGS Shipping Mexico S. de R.L de C.V.	49 %	1	6 340	13 176	Col. Del Valle, Mexico
EMGS Sea Bed Logging Mexico S.A. de C.V.	100 %	24	-84 405	-33 945	Col. Del Valle, Mexico
EMGS Labuan Ltd	100 %	-	1 478	8 076	Labuan, Malaysia
EMGS Asia Pacific Labuan Ltd	100 %	-	3 298	-3 133	Labuan, Malaysia
EMGS Geophysical Limited	100 %	-	-	-	Nicosia, Cyprus
EMGS Global Services (Cyprus) Limited	100 %	-	-	-	Nicosia, Cyprus
EMGS MCL Limited	100 %	-	-	-	Nicosia, Cyprus
EMGS Surveys AS	100 %	30 000	-45 370	31 270	Trondheim, Norway
EM Multi-client AS	100 %	30	-109 437	-109 407	Trondheim, Norway
Total		**56 321**	**-360 162**	**-161 477**	

Note 11 — On-going projects

Part of accounts receivable which is recognised in 2015, but not invoiced per 31 December 2015 amounts to 0 (2014: 45 990).

Deferred revenue as of 31 December 2015 amounts to 0 (2014: 17 011).

The Company does not expect any loss on contracts in 2015.

Note 12 — Receivables

The Company has no accounts receivables with due date later than 12 months.

There has not been made any provision for loss on external receivables per 31 December 2015 (2014: 0).

Note 13 — Bank deposits

Restricted cash as of 31 December 2015:

Amounts in NOK 1 000	
Guarantees	17 306
Employee tax	16 025
Total restricted cash	**33 331**

Note 14 — Share capital and Shareholder information

The Company's share capital consists of 1 311 765 555 shares at a par value of NOK 0.25, giving a total share capital of 327 941.

The largest shareholders as of 31 December 2015:

	Number of ordinary shares	Percentage
Shareholders		
Siem Investments Inc.	313 769 927	23.92 %
Perestroika AS	279 754 256	21.33 %
Morgan Stanley & Co. Llc	180 317 908	13.75 %
Odin Energi	66 876 622	5.10 %
Odin Norge	53 307 963	4.06 %
Statoil Pensjon	30 000 098	2.29 %
Sportsmagasinet AS	17 586 683	1.34 %
Bækkelaget Holding AS	17 000 000	1.30 %
NHO - P665ak	16 179 319	1.23 %
Kristian Falnes AS	16 000 000	1.22 %
DNB Navigator (II)	13 717 253	1.05 %
J&J Investment AS	10 700 000	0.82 %
Tigerstaden AS	10 000 000	0.76 %
Northern Trust Gsl Cl Ac	9 849 780	0.75 %
Villa Utvikling AS	8 000 000	0.61 %
Statoil Forsikring A.S	7 330 567	0.56 %
Color Group AS	6 566 520	0.50 %
Falnes	5 561 315	0.42 %
Flatholmen AS	5 480 000	0.42 %
Cipi Lamp Ucits Swedbank Smb	4 596 564	0.35 %
Other	239 170 780	18.23 %
Total	**1 311 765 555**	**100.00%**

	Shares
Leading representatives of the Company as of 31 December 2015 hold the following shares	
CEO	3 093 244
CFO	352 694
COO/CTO	433 390
Board of Directors	122 042

Note 15 — Equity

Amounts in NOK 1 000	Share capital	Share premium	Other paid-in capital	Available-for-sale reserve	Actuarial gains/(losses)	Other equity (uncovered loss)	Total
Equity 1 January 2015	49 941	886 687	108 066	-28 444	13 377	45 601	**1 075 228**
Total comprehensive income	**-**	**-**	**-**	**-14 261**	**-**	**-349 880**	**-364 141**
Cost of share-based payments	-	-	778	-	-	-	**778**
Proceeds from shares issued	278 000	-	-	-	-	-	**278 000**
Costs of shares issued	-	-	-1 334	-	-	-	**-1 334**
Equity 31 December 2015	**327 941**	**886 687**	**107 510**	**-42 705**	**13 377**	**-304 279**	**988 532**

Note 16 — Financial items

Amounts in NOK 1 000	2015	2014
Financial income		
Group contribution	**4 000**	16 049
Dividends	**-**	6 585
Interest income on short term bank deposits	**907**	973
Foreign exchange rate gains	**154 622**	66 129
Other financial income	**18 372**	3 102
Net gains of financial assets and liabilities	**-**	2 500
Total financial income	**177 901**	**95 338**
Financial costs		
Interest expense	**33 569**	31 447
Other financial expenses	**745**	5 821
Foreign exchange rate losses	**47 255**	2 923
Net losses of financial assets and liabilities	**304 137**	-
Total financial costs	**385 706**	**40 191**
Net financial gain/(loss)	**-207 805**	**55 147**

Note 17 — Financial liabilities

On 26 June 2013, EMGS secured a NOK 350 million bond bearing an interest at 3 months NIBOR + 6.00% p.a. On 22 December 2015, EMGS bought back NOK 80 million nominal outstanding amount at 80% of par. Following settlement, the nominal outstanding amount of the bond was NOK 270 million. The new amendments to the terms of the bond was approved 19 November 2015, and the maturity date of the bond was extended by 36 months, from 27 June 2016 to 27 June 2019. The bond is unsecured.

On 6 February 2014, EMGS signed an overdrafts agreement to fund the purchase of shares in North Energy ASA. The Company's shares in North Energy ASA serve as the collatereal for the overdrafts.

In February 2015, EMGS entered into a forward rate agreement. While the Company entered into the forward rate agreement with the purpose of reducing its exposure to exchange rate fluctuations related to the NOK 350 million bond loan, the agreement is not treated as hedge, as the agreement is not specifically designated as hedge of firm commitments or certain cash flow. Consequently, the forward rate agreement is recorded at estimated fair value with gains and losses included in the line Net gains/(losses) of financial assets and liabilities in the Consolidated income statement.

Amounts in NOK 1 000	Currency amount	Carrying value liability	Interest rate	Term to maturity	Date of payment
Bond	NOK 270 000	266 221	3 month NIBOR + 6.00%	3.5 years	27 June 2019
Secured overdraft	NOK 3 582	3 582	7 %	At request	
Forward rate agreement		55 657		0.5 years	

Note 18 — Other receivables

Amounts in NOK 1 000	**2015**	2014
Other receivables:		
Prepaid expenses	**6 101**	20 216
Accrued investment from multi-client partner	**-**	11 933
VAT	**5 627**	3 086
Deferred mobilisation costs	**4 656**	-
Other	**6 448**	6 988
Total	**22 832**	**42 223**

Note 19 — Provisions

The Company recognises a provision for prepayments from two customers in a joint industry project. EMGS and the two customers have desired to collaborate on the development, construction, and testing of an advanced marine electromagnetic acquisition system. After the commercial launch date, the two customers will have a beneficial period with decreasing benefits over four years. The provision will be recorded as revenues during the beneficial period. The Company has recognised 135 244 as provision for JIP payments per 31 December 2015 (2014: 98 877).

The Company has made a precautionary provision of 17 597 to cover PGS' legal fees in the Oslo City Court from 2014 as of 31 December 2015.

Note 20 — Public taxes and duties payable

Amounts in NOK 1 000	2015	2014
Public taxes and duties payable:		
Employee taxes withheld	**13 248**	12 035
Employment tax	**8 882**	8 676
Tax foreign employees	**6 874**	1 971
VAT	**-**	-6 398
Other	**310**	50
Total	**29 313**	**16 333**

Note 21 — Other current liabilities

Amounts in NOK 1 000	2015	2014
Other current liabilities:		
Provision for onerous contract	**27 122**	-
Accrued holiday pay	**18 946**	18 186
Accrued salaries	**18 582**	5 201
Deferred revenues	**-**	17 116
Accrued shared revenues to partners	**-**	42 845
Accrued vessel expenses	**-4 751**	42 688
Other liabilities	**10 807**	876
Total	**80 208**	**126 912**

Provision for onerous contract relates to accrual of vessel lease expenses for the remaining charter period of EM Leader.

Note 22 — Other operating expenses

Amounts in NOK 1 000	2015	2014
Rental and housing expenses	**14 256**	13 071
Consumables and maintenance	**10 522**	11 091
Consultancy fees	**37 111**	21 109
Travel expenses	**9 695**	12 949
Insurance	**5 495**	6 347
Accrued legal fees	**-**	14 571
Marketing	**5 122**	5 370
Intercompany expenses	**53 319**	30 393
Other operating expenses	**39 458**	30 588
Total other operating expenses	**174 978**	**145 489**

Note 23 — Related parties

Sales and purchases of services, receivable and liabilities

	2015				2014			
	Liabilities	**Receivables**	**Purchase**	**Sales**	Liabilities	Receivables	Purchase	Sales
Related parties								
CSEM Production AS	**-**	**109**	**-**	**-**	-	109	-	-
Electromagnetic Geoservices Canada Inc	**-**	**34 947**	**-**	**-**	-	32 730	-	36 591
EM Multi-client AS	**-**	**237 385**	**-**	**-**	-	122 357	-	104 929
emgs Americas Inc	**-**	**2 837**	**74 941**	**-**	-	9 256	77 804	-
emgs Americas 1 AS	**-**	**98 515**	**-**	**16 791**	-	69 257	-	33 866
emgs Americas 1 AS Mexican Branch	**-**	**14**	**-**	**-**	-	12		
EMGS AP Labuan Ltd	**-**	**1 656**	**-**	**-**	-	1 240	-	-
emgs Asia Pacific Sdn Bhd	**13 253**		**18 510**	**-**	-	731	13 998	-
Servicos Geologicos Electromagneticos Do Brazil LTDA	**-**	**334 795**	**-**	**22 803**	-	372 739	-	41 948
emgs Global AS	**-**	**22 983**	**-**	**162 481**	-	18 013		27 334
EMGS International BV	**-**	**129**	**-**	**-**	-	974	-	-
emgs Labuan Ltd	**-**	**5 365**	**-**	**61 861**	-	16 698	-	13 725
Electromagnetic Geoservices Malaysia Sdn Bhd	**-**	**4 609**	**6 395**	**13 421**	-	3 511	2 038	3 896
EMGS Sea Bed Logging Mexico S.A. de C.V.	**1 321**	**-**	**-**	**43 520**	34 097	-	346	110 806
EMGS Sevices Mexico S.A de C.V	**12**	**-**	**1 036**	**-**	1 112	-	1 031	-
EMGS Shipping Mexico S. de R.L de C.V.	**-**	**64 530**	**-**	**70 615**	5 308	-	-	111 526
EMGS Surveys AS	**-**	**58**	**-**	**-**	-	43	-	-
EMGS UK Ltd	**34 477**		**36 063**	**-**	16 961	-	24 184	-
Sea Bed Logging - Data Storage Company AS	**-**	**-**	**-**	**19 097**	-	14 098	-	4 237
Total	**49 063**	**807 932**	**136 945**	**410 589**	**57 477**	**661 768**	**119 402**	**488 859**

In 2015, the Company made an accrual for loss on group company receivables of 177 100 (2014: 0).

Note 24 — Events after the reporting period

Change of CEO

Christiaan A. Vermeijden started as Chief Executive Officer (CEO) of EMGS on 1 February 2016.

Stig Eide Sivertsen, the CEO of EMGS since Bjarte Bruheim stepped down in August 2015, resumed his non-executive directorship at the Board of EMGS on 1 February 2016, when Vermeijden started as the CEO of EMGS. Sivertsen's directorship was approved by the extraordinary general meeting held on 26 November 2015.

Christiaan Vermeijden, will, as part of his compensation package as CEO of EMGS, receive 10 million options to acquire a corresponding number of EMGS shares at NOK 0.25. The exercise price of NOK 0.25 is equal to the subscription price in the Rights Issue in December 2015. The options will be vesting three to five years from the EGM and be exercisable during two years from vesting.

Sale of shares in North Energy ASA

On 19 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 value of the North Energy shares as of 31 December 2015 was 12 207 (2014: 26 468). The sale will have an immaterial effect on Total equity in January 2016. The secured overdraft was repaid at the same time.

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To the Annual Shareholders' Meeting of
Electromagnetic Geoservices ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Electromagnetic Geoservices ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2015, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2015, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Electromagnetic Geoservices ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 16 March 2016
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

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