



# *ELECTROMAGNETIC GEOSERVICES ASA FIRST QUARTER 2014 RESULTS*

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8 May 2014*

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## *HIGHLIGHTS FIRST QUARTER 2014*

### **Operational highlights**

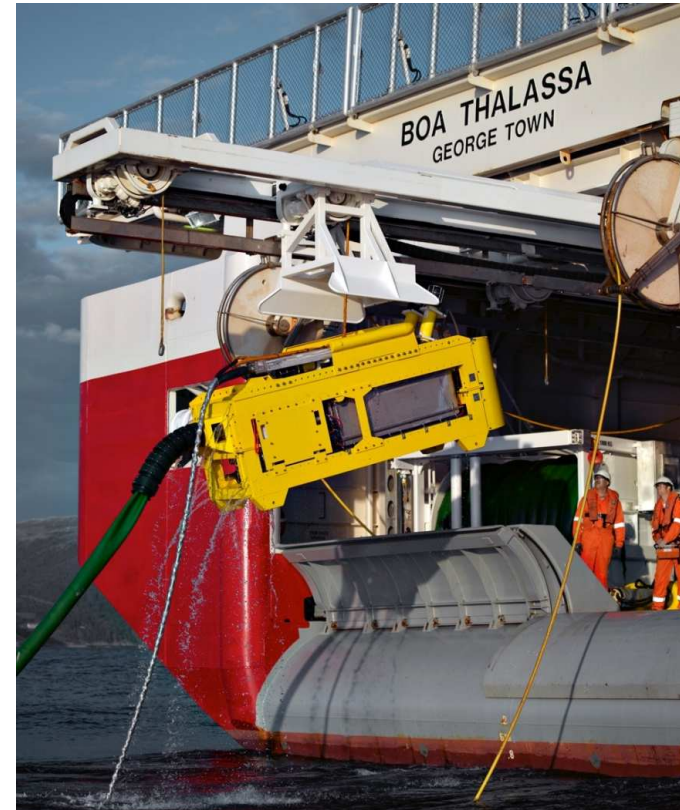
- Two vessels operating for Pemex
- Contract in Morocco for new customer
- North Energy strategic agreement
  - Barents Sea multi-client library sale
  - Two contracts in the North Sea
- Commenced fully funded multi-client campaign US Gulf of Mexico

### **Financial highlights**

- Record quarterly revenues of USD 61.3 million
- EBITDA of USD 20.4 million

### **Outlook and guidance**

- 2014 revenues of more than USD 200 million
- Long-term outlook intact





# *FINANCIAL OVERVIEW*

## FINANCIAL HIGHLIGHTS

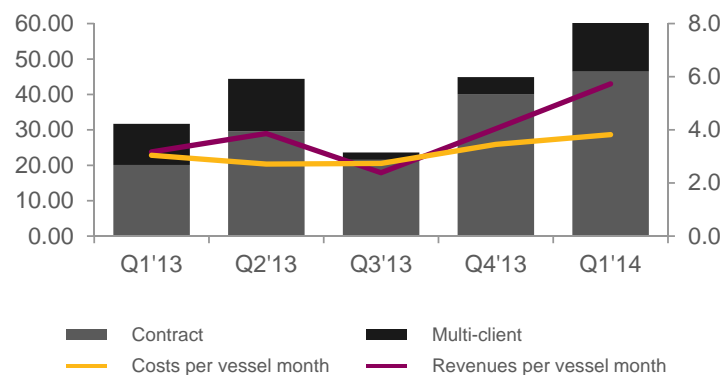
### Key figures Q1

- Revenues of USD 61.3 million
- EBITDA of USD 20.4 million
- Net income of USD 8.2 million

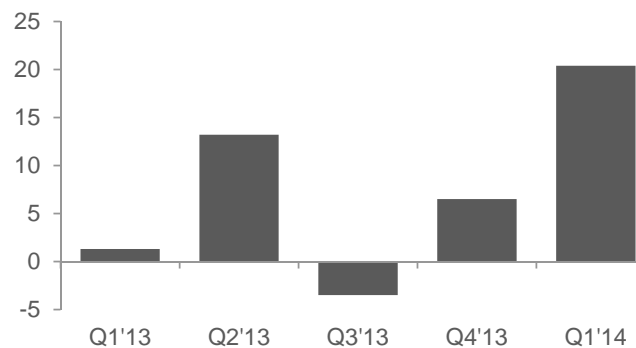
### Multi-client Q1

- Sales of USD 14.9 million
- Amortisation of USD 3.3 million
- Investments of USD 3.2 million
- Net book value of USD 28.0 million

**Revenues and revenues/costs per vessel month (USD Million)**

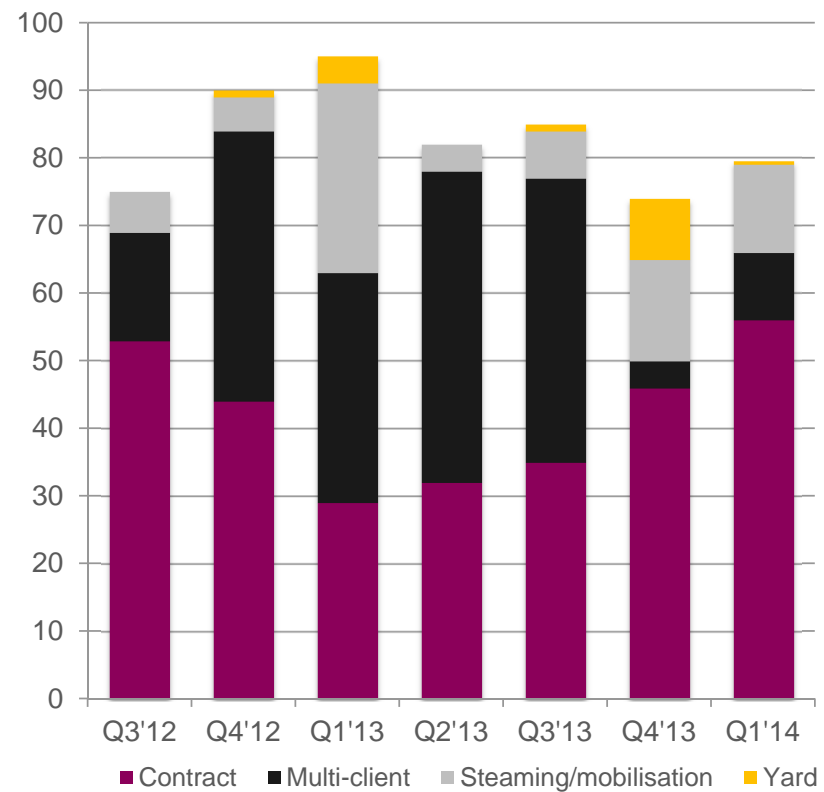


**EBITDA (USD Million)**



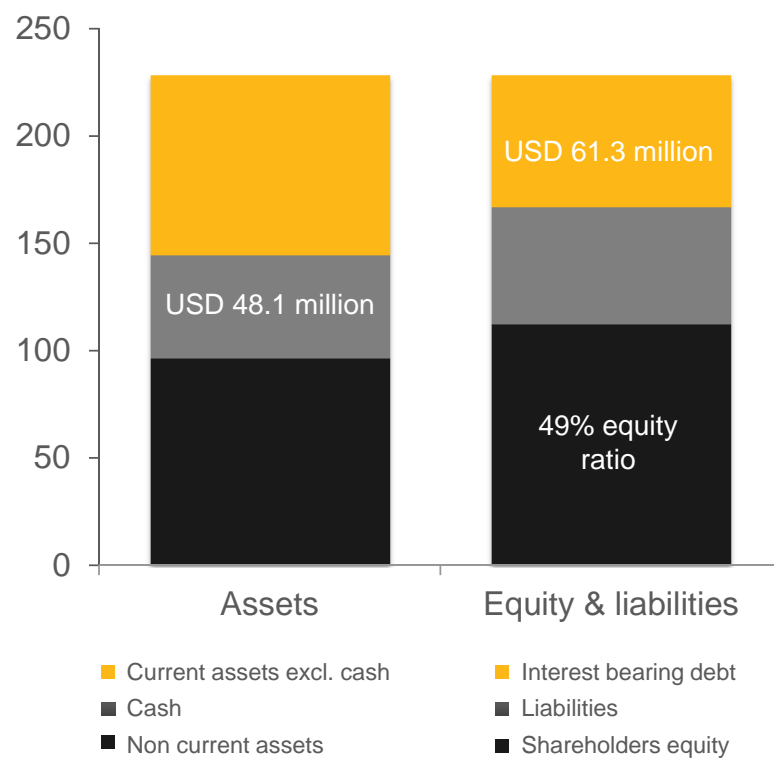
## VESSEL UTILISATION

- Fleet utilisation at 66%
  - Contract: 56%
  - Multi-client: 10%
- BOA Thalassa (27%)
  - Completed contract in Australia
  - Commenced contract in Morocco
- BOA Galatea (91%)
  - Operating for Pemex
- Atlantic Guardian (83%)
  - Operating for Pemex until 22 March
  - Transit to Norway
- EM Leader (63%)
  - Chartered from 8 February
  - Commenced Daybreak project in US Gulf of Mexico on 22 February



## CAPITAL STRUCTURE

*Balance sheet as at 31.03.14 (USD million)*



### Cash and working capital

- Cash at USD 48.1 million, down from USD 56.5 million at 31 December
- Trade receivables increased by USD 10.2 million to USD 41.8 million
- Other receivables increased by USD 11.8 million due to North Energy convertible bond
- Trade payables at USD 16.2 million



# *OPERATIONAL OVERVIEW*



## ***STRATEGIC AGREEMENT WITH NORTH ENERGY***

### **Multi-client agreement NOK 100 million (USD 16.1 million)**

- Sale of Barents Sea EM data library – payment in convertible bond
  - Booked value of conversion right of USD 2.5 million at 31 March
  - Financial gain of USD 1.6 million booked in Q1
  - If fully converted, EMGS will be entitled to 16.1% of the shares in North Energy ASA
- Sale of consulting services, started in March, payment in cash

### **New contracts in North Sea after close of the quarter**

- North Energy executing on their strategy to include EM in the exploration workflow
- Two separate contracts, one worth USD 3.3 million (PL509s) and one worth USD 1.7 million

### **EMGS participated in North Energy's private placement**

- EMGS participated with NOK 20 million, resulting in 4.46% of shares
- Share price at transaction of NOK 4.00 per share, increased to NOK 4.8 per 31 March



## MEXICO UPDATE

### Status on Pemex contract

- Value of USD 100 million
- Est. USD 36 million in backlog at 31 March
- Possible extensions of 2 x USD 25 million
- Pursuing new opportunities for shallow water and structural imaging

### Opening of the Mexican continental shelf

- CNH to manage licensing rounds
- Round Zero - Pemex expected to retain important areas
- Annual license rounds, first indicated Aug 2015

### Exciting opportunities

- Expect significant increase in activity in region
- New players in areas where EM has a proven track-record
- Strong position in Mexico based on past performance

**Experience from Mexican shelf positive for multi-client project in US GoM**



## *MULTI-CLIENT PROJECT IN THE US GULF OF MEXICO*

### **Daybreak project**

- EMGS' first major MC project in the US
- Extension of the Perdido trend
- First phase of 80 blocks in 2014
  - Strong industry funding – proves interest
  - Access to 2D seismic from TGS
  - Lease sale Fall 2014
- Deliveries include both CSEM and MT, aiding seismic imaging

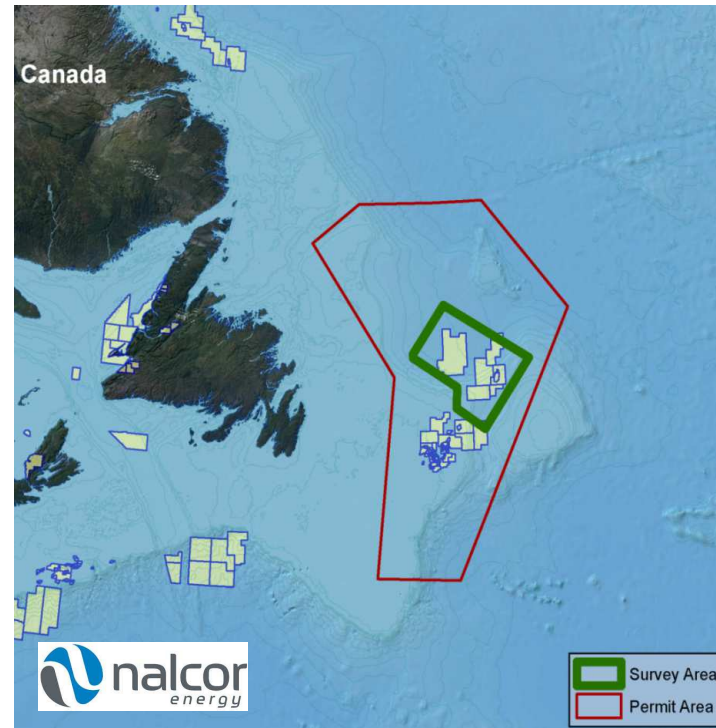
### **US Gulf of Mexico important multi-client basin**

- Exposure to a wide range of companies
- Large future potential, annual lease rounds

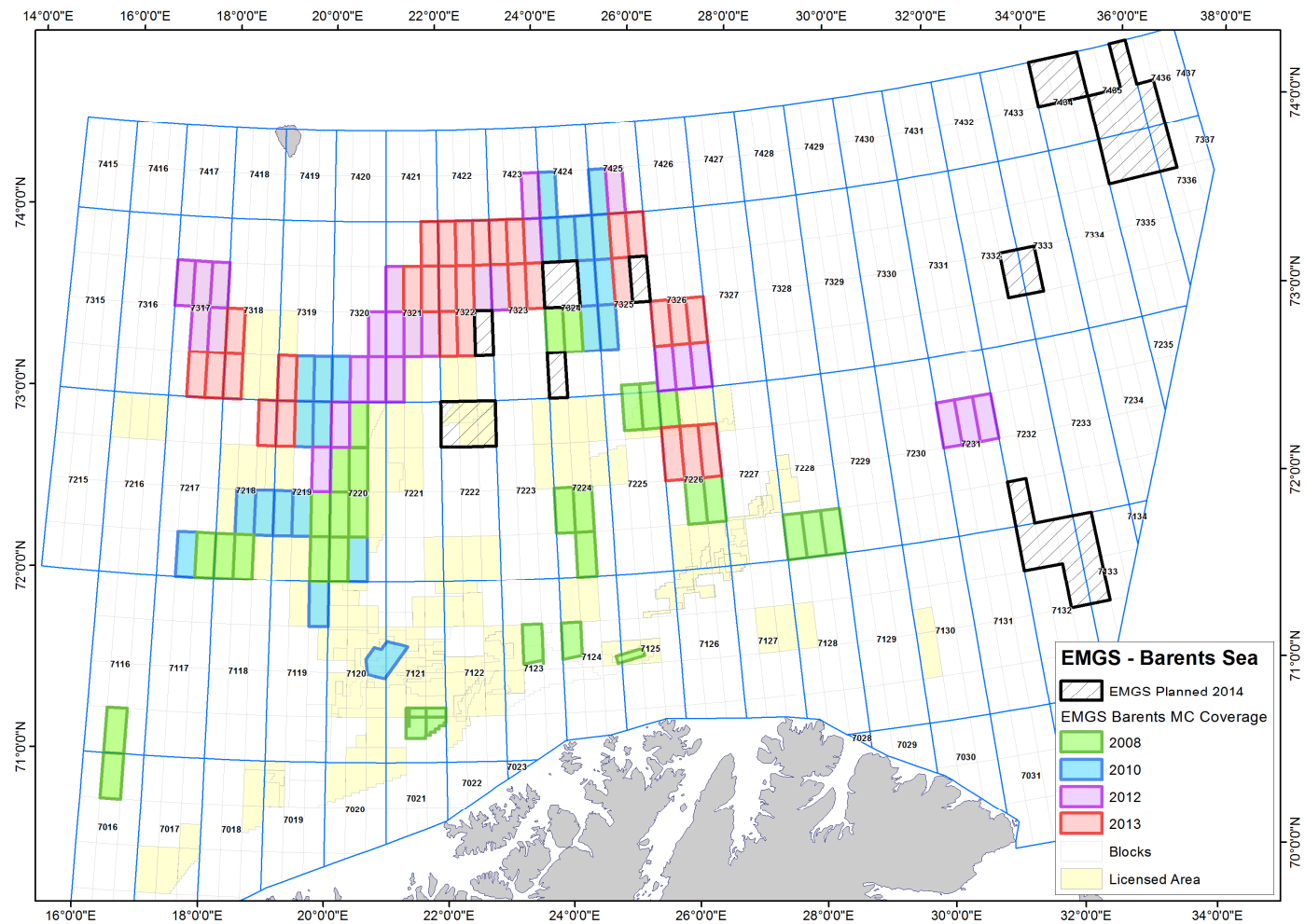


## *EAST CANADA MULTI-CLIENT PROGRAM*

- Expect to launch a 13,500 km<sup>2</sup> multi-year, multi-client campaign in July 2014
- 4 months, ~4,000 km<sup>2</sup> in 2014
- Currently soliciting additional partners for the program
- Large virgin territories
- Competitive advantage to subscribers exploring for the next high impact discovery



# EMGS BARENTS SEA PROGRAM



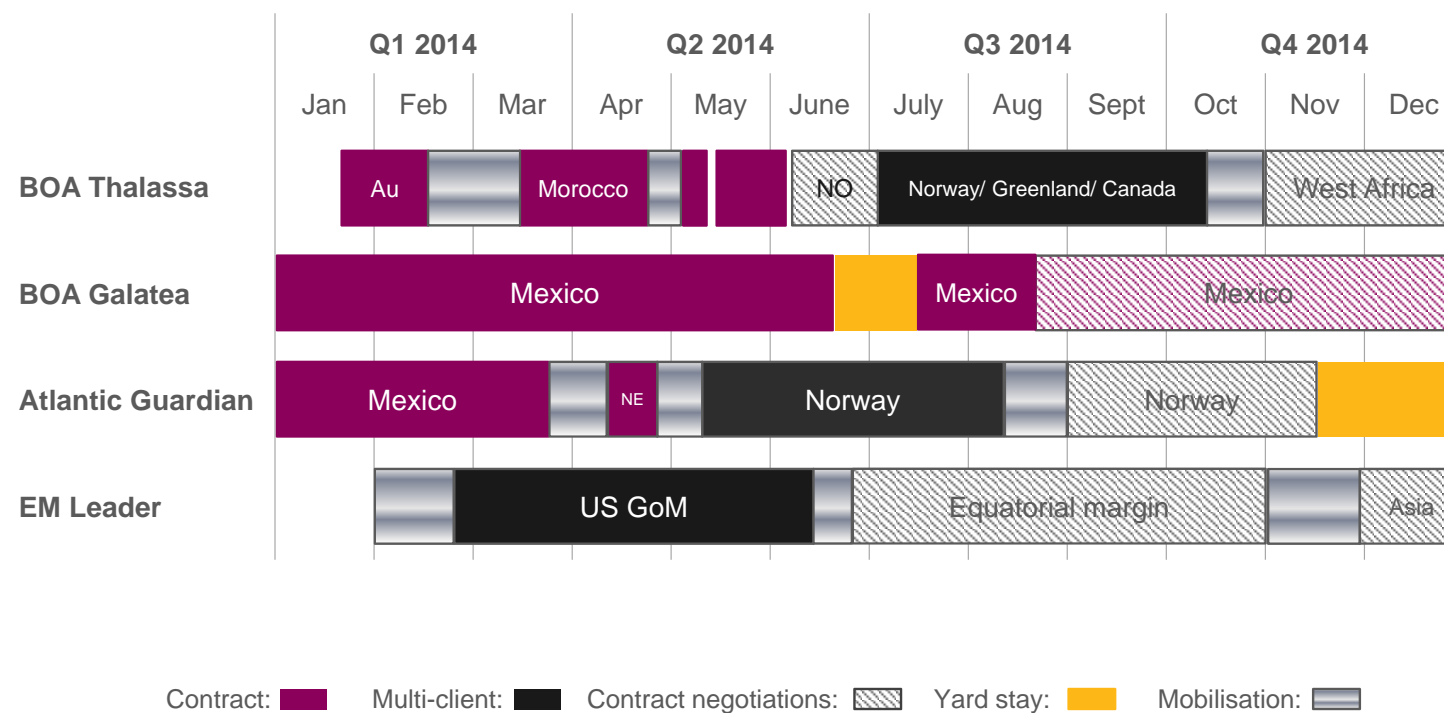
## *EXCITING OPPORTUNITIES IN URUGUAY*

- New agreement with ANCAP - the regulating authority for oil and gas exploration
- Licensing of EM count as working units
- Strengthens potential for use of EM over both licensed and open acreage
- New bid round in 2015



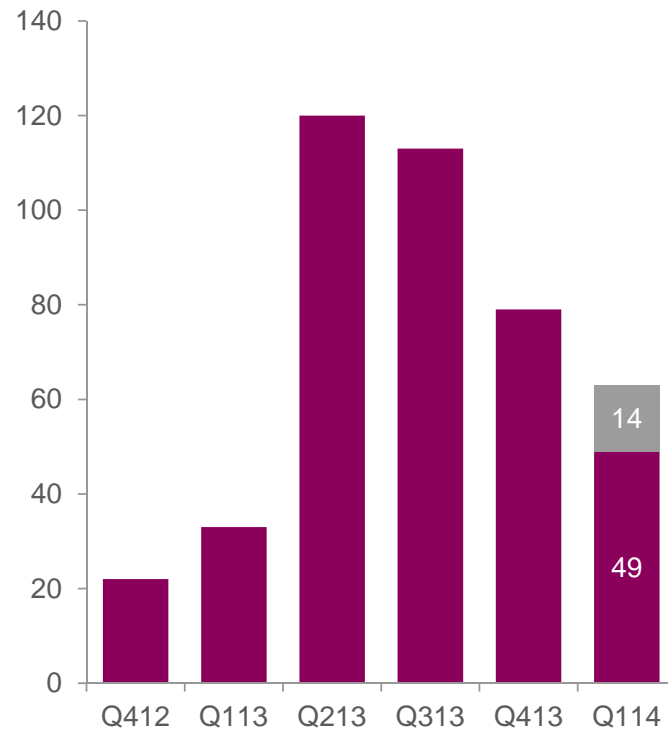
# VESSEL SCHEDULE

Expected vessel schedule as of 7 May 2014



## MARKET UPDATE

Order book (USD Million)



### Contract opportunities

- Contract negotiations in Norway, Brazil, Angola, India and Southeast Asia
- Opportunity in Uruguay strengthened
- Targeting to close 1-2 major contracts in 2014
- Continued focus on large NOC contracts
- New energy reform in Mexico

### Expanding multi-client library

- Good industry interest for projects in Barents Sea, US GoM and Canada
- Creating solid foundation for stable and long-term multi-client investments
- Collaboration with seismic partners

### Sales and marketing

- Sales team increase by almost 50%
- Tailored approach to strategic accounts
- Positive developments in important customer relations



## SUMMARY AND OUTLOOK

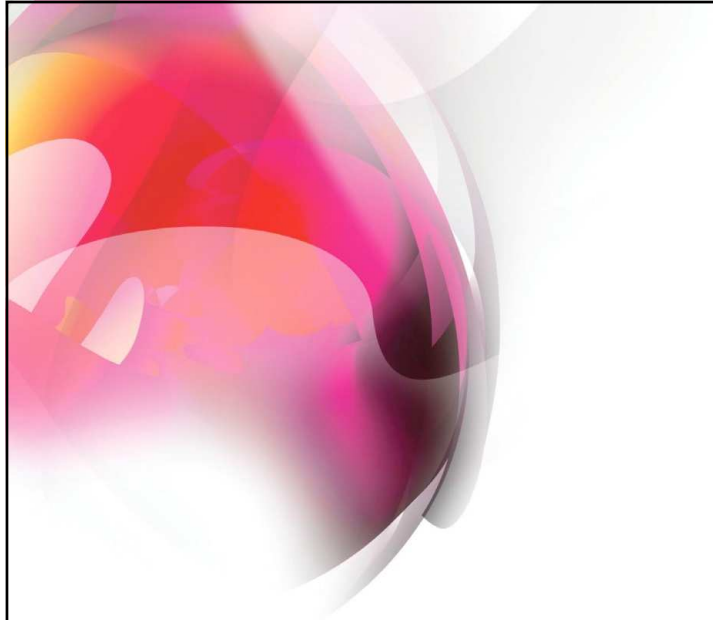
### Best quarterly revenue so far

- Two vessels working for Pemex
- Contracts in Australia, Morocco and Norway
- Strategic agreement with North Energy
- Strong support for multi-client investment US GoM
- Important partner agreements with regulating authorities

### Outlook

- Q2 expected softer due to steaming, yard stay and multi-client investments
- Promising contract opportunities for 2H
- Full year 2014 revenue guiding of >USD 200 million intact








Q&A



# *APPENDIX*

## VESSEL CHARTERS AND YARD STAYS

	BOA Thalassa 	BOA Galatea 	Atlantic Guardian 	EM Leader 	EM Express 
Firm Charter	December 2015	July 2015	1 March 2016	Charter until 8 June 2014	Standby in Bergen at no cost to EMGS.
Options	1 x 1 year	2 x 1 year	3 x 1 year	Optional 1-, 3-, 6- or 12-month charters until 9 March 2015	Optional 3-, 6- or 12-month charters until 9 May 2014. Vessel owner has the option to terminate the agreement.
Yard stays		~ 14 days in Q2/Q3 2014: 5 year class renewal	~ 5 weeks in Q4 2014		Not applicable

## CONSOLIDATED INCOME STATEMENT

USD million

	QUARTER ENDING		YEAR ENDING	
	31.03.2014	31.03.2013	31.12.2013	31.12.2012
Contract sales	46.4	20.1	111.3	176.1
Multi-client sales	14.9	11.6	33.3	24.7
<b>Total revenues</b>	<b>61.3</b>	<b>31.7</b>	<b>144.6</b>	<b>200.8</b>
Charter hire, fuel and crew expenses	20.6	10.3	51.2	68.8
Employee expenses	15.7	14.8	54.3	55.1
Other operating expenses	4.6	5.4	21.5	21.1
<b>EBITDA</b>	<b>20.4</b>	<b>1.3</b>	<b>17.5</b>	<b>55.9</b>
Depreciation and ordinary amortisation	4.3	4.6	17.5	13.9
Multi-client amortisation	3.3	2.8	12.3	12.7
<b>EBIT</b>	<b>12.8</b>	<b>(6.1)</b>	<b>(12.3)</b>	<b>29.2</b>
Net financial items	(1.1)	4.9	(0.9)	(11.3)
<b>Profit /(loss) before tax</b>	<b>11.7</b>	<b>(1.2)</b>	<b>(13.2)</b>	<b>17.9</b>
Income tax expense	3.4	1.3	1.9	6.0
<b>Net profit /(loss)</b>	<b>8.2</b>	<b>(2.5)</b>	<b>(15.1)</b>	<b>11.9</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD million

	QUARTER ENDING	
	31.03.2014	31.03.2013
ASSETS	14.4	14.2
Goodwill	1.9	-
Deferred tax asset	28.0	19.8
Multi-client library	2.9	4.6
Intangible assets	24.3	29.0
Property, plant and equipment	20.9	14.9
Assets under construction	4.0	-
<b>Total non-current assets</b>	<b>96.4</b>	<b>82.7</b>
Trade receivables	41.8	42.5
Other current assets	41.9	32.6
Cash and cash equivalents	47.1	40.3
Restricted cash	1.0	1.1
<b>Total current assets</b>	<b>131.8</b>	<b>116.5</b>
<b>TOTAL ASSETS</b>	<b>228.2</b>	<b>199.2</b>
EQUITY AND LIABILITIES		
<b>Total equity</b>	<b>112.1</b>	<b>112.1</b>
<b>Total non-current liabilities</b>	<b>69.4</b>	<b>50</b>
Trade payables	16.2	15.5
Current tax liability	5.5	1.4
Other short term liabilities	21.6	19.1
Borrowings	3.5	1.1
<b>Total current liabilities</b>	<b>46.7</b>	<b>37.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>228.2</b>	<b>199.2</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

USD million

	PERIOD ENDING	
	31.03.2014	31.03.2013
Net cash flow from operating activities	(0.7)	15.7
Net cash flow from investing activities	(9.7)	(13.3)
Net cash flow from financial activities	2.2	(1.4)
Net increase in cash	(8.2)	1.0

## LARGEST SHAREHOLDERS (AS OF 6 MAY)

	SHAREHOLDER	SHARES	HOLDING
1	MORGAN STANLEY & CO S/A MSCO CLIENT EQUI	18 033 336	9.03 %
2	SKAGEN GLOBAL	10 124 112	5.07 %
3	FIDELITY FUNDS	8 853 307	4.43 %
4	ODIN OFFSHORE	8 473 631	4.24 %
5	VERDIPAPIRFONDET DNB	7 545 383	3.78 %
6	CLEARSTREAM BANKING	6 168 757	3.09 %
7	ODIN NORGE	6 160 990	3.08 %
8	SKAGEN VEKST	5 029 207	2.52 %
9	VERDIPAPIRFONDET DNB	4 956 804	2.48 %
10	J.P. MORGAN CHASE BA A/C US RESIDENT NON	4 669 720	2.34 %
11	MOMENTUM INVESTMENTS	4 658 027	2.33 %
12	STATOIL PENSJON C/O JP MORGAN CHASE	3 783 655	1.89 %
13	SKAGEN GLOBAL II	3 325 333	1.66 %
14	SUNDT AS	3 026 833	1.52 %
15	JPMORGAN Chase Bank NORDEA RE: NON-TREATY	2 864 070	1.43 %