EMGS SECOND QUARTER 2015.

emgs

Highlights in the Second Quarter.

Operational highlights

- The Company has been facing challenging market conditions as a result of the decline in oil price with significant reduction in revenue
  - As a result the Company has implemented a cost reduction program and decided not to renew charters for two vessels
  - The Company has further decided to book an impairment of goodwill of USD 14.4 million
  - The Company is seeing increased acceptance and adoption of the EM technology

Financial highlights

- Revenues of USD 12.1 million
- EBITDA of negative USD 6.0 million

Recent events

- Letter of award with oil company in Malaysia
- Permits received for multi-client surveys in Mexico

Key financial figures

USD million (except per share data)	Q2 2015	Q2 2014	First half year 2015	First half year 2014	2014	Q1 2015
Contract sales	**4.8**	35.5	26.9	82.0	137.2	22.1
Multi-client sales	**7.3**	7.0	17.4	21.9	60.8	10.2
Total revenues	**12.1**	42.5	44.3	103.8	198.0	32.3
Operating profit/ (loss)	**(25.2)**	2.3	(24.5)	15.0	28.1	0.7
Income/ (loss) before income taxes	**(25.9)**	(0.6)	(27.1)	11.1	31.2	(1.1)
Net income/ (loss)	**(26.0)**	(2.5)	(27.2)	5.8	25.9	(1.2)
Earnings/ (loss) per share	**(0.13)**	(0.01)	(0.14)	0.03	0.13	(0.01)
Average number of shares outstanding (in thousands)	**199 766**	199 639	199 766	199 639	199 639	199 766
EBITDA	**(6.0)**	10.9	1.3	31.4	59.0	7.2
Multi-client investment	**14.0**	10.7	26.0	13.9	30.6	12.0
Adjusted EBITDA	**(19.9)**	**0.2**	**(24.7)**	**17.5**	**28.4**	**(4.8)**

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 12.1 million in the second quarter of 2015, down from USD 42.5 million reported for the second quarter of 2014. Contract sales totalled USD 4.8 million, while multi-client sales came in at USD 7.3 million in the quarter, net of adjustment for TGS' share of the revenues from the joint projects between the two companies. The cash contribution from TGS related to the project in the Barents Sea is not recognised as revenue, but reduces the carrying value of the multi-client data library balance. For the second quarter 2014, the contract sales totalled USD 35.5 million and the multi-client sales USD 7.0 million.

The Company recorded 10.5 vessel months in the second quarter of 2015 as opposed to 12.0 in the second quarter of 2014. Vessel utilisation came in at 68% in the second quarter of 2015, with an allocation of 5% to contract and 63% to multi-client programmes. For the corresponding period in 2014, the Company had a total utilisation of 75%, with 38% allocated to contract and 37% to multi-client programmes.

Revenues for the first half year of 2015 came in at USD 44.3 million, compared with USD 103.8 million for the first half year of 2014. The decrease in revenues is related to less contract work this year than in the corresponding period last year.

Charter hire, fuel and crew expenses totalled USD 3.7 million in the second quarter of 2015. This includes a provision for an onerous contract according to IFRS, IAS 37.10, related to the EM Leader charter agreement for the second half of 2015 of USD 1.5 million. An onerous contract is defined as a contract in which the costs of meeting the obligation under the contract exceeds the economic benefits expected to be received. As a result of declined demand for geophysical data, EMGS has implemented cost reductions, including demobilised EM Leader. The vessel is therefore not expected to generate revenues in the second half of 2015 and the charter agreement is thus defined as an onerous contract. The charter hire, fuel and crew expenses for the quarter compares to the USD 13.9 million reported in the corresponding quarter of 2014. The decrease is mainly related to increase in capitalisation of multi-client costs from USD 10.7 million in the second quarter of 2014 to USD 14.0 million in the corresponding period in 2015, as well as a reduction of USD 5.3 million in expenses related to vessel lease, fuel and agent fees compared with the second quarter in 2014.

For the first half year of 2015, charter hire, fuel and crew expenses came in at USD 11.3 million, down from USD 34.5 million in 2014. USD 26.0 million was capitalised as multi-client costs in the first half of 2015 as opposed to USD 13.1 million in the same period last year.

Employee expenses decreased from USD 12.1 million in the second quarter of 2014 to USD 9.3 million in the second quarter of 2015. The decrease is mainly explained by a lower allocation to bonus payment this year than last year. The amount in the second quarter of 2015 is including a provision related to restructuring charges of USD 1.3 million.

Employee expenses for the first half year were USD 22.4 million in 2015 and USD 27.8 million in 2014.

Other operating expenses decreased from USD 5.6 million in the second quarter of 2014 to USD 5.1 million in the second quarter of 2015.

For the first half year 2015, other operating expenses came in at USD 9.4 million, down from USD 10.1 million in 2014.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 3.3 million in the second quarter 2015, down from USD 4.2 million in the same quarter in 2014.

Depreciation and ordinary amortisation decreased from USD 8.6 million in the first half of 2014 to USD 6.5 million in 2015. Multi-client amortisation totalled USD 1.9 million for the first half of 2015, down from USD 5.8 million in 2014.

Multi-client amortisation totalled USD 1.5 million in the second quarter of 2015, down from USD 2.5 million in the second quarter of 2014. The low amortisation rate this quarter is explained by the fact that sales of multi-client data mainly are from projects that are fully amortised.

Goodwill related to the acquisition of OHM in 2011 had a net carrying value of USD 14.4 million as of 31 March 2015. Based on changes in market conditions, the Company did an impairment test of goodwill in the second quarter of 2015, resulting in an impairment of the full carrying value of goodwill of USD 14.4 million.

Net financial items

Net financial items ended at negative USD 0.7 million in the second quarter of 2015, compared with a negative USD 2.9 million in the second quarter of 2014. The reduction is partly explained by the forward rate agreement the Company entered into in February 2015 to secure the foreign exchange effect arising from the NOK 350 million bond.

For the first half year of 2015, net financial items were negative USD 2.6 million, up from a negative USD 3.9 million in the first half of 2014.

Income/(loss) before income taxes

Loss before income taxes came in at USD 25.9 million in the second quarter 2015, compared with a loss before income taxes of USD 0.6 million in the corresponding quarter in 2014.

Loss before income taxes for the first half of 2015 was USD 27.1 million, compared to an income before income taxes of USD 11.1 million in the same period last year.

Income tax expenses

Income tax expenses of USD 0.1 million were recorded in the second quarter of 2015, compared with an income tax expense of USD 1.9 million in the second quarter of 2014. These taxes relate to results in foreign jurisdictions.

Income tax expenses for the first half year of 2015 were USD 0.1 million, compared with USD 5.3 million for the same period in 2014.

Net income for the period

Loss for the second quarter of 2015 ended at USD 26.0 million, down from a loss of USD 2.5 million in the same period last year.

Loss for the first half year of 2015 was USD 27.2 million, down from an income of USD 5.8 million in 2014.

Cash flow and balance sheet

In the second quarter of 2015, net cash flow from operating activities was USD 18.4 million, compared with USD 10.7 million in the same period last year. The positive cash flow in 2015 is mainly caused by a decrease in trade receivables of USD 22.2 million and an increase in trade payables of USD 7.1 million, while the cash flow is negatively affected by a change in other working capital of USD 4.9 million.

In the first half year of 2015, net cash flow from operating activities was USD 46.6 million, compared with USD 10.1 million the same period last year.

EMGS applied USD 17.1 million in investing activities in the second quarter of 2015, which was in line with the USD 17.1 million applied in the second quarter of 2014. The investments in the second quarter of 2015 consist of USD 14.0 million in multi-client library and USD 3.1 million in property, plant and equipment. The ending multi-client library balance was USD 51.2 million at 30 June 2015, up from USD 40.1 million at 31 March 2015.

Cash flow from investing activities in the first half year of 2015 amounted to USD 31.7 million, compared with USD 26.8 million in the same period in 2014.

Cash flow from financial activities was negative USD 1.0 million in the second quarter of 2015, compared with a negative USD 1.1 million in the same period of 2014. Total borrowings were USD 47.9 million at 30 June 2015, same amount as at 31 March 2015. This includes the Company's NOK 350 million bond loan, which has a carrying value of USD 44.3 million. Since the bond loan has maturity in June 2016, which is in less than one year, the loan has been re-classified from non-current to current liabilities on the balance sheet.

Cash flow from financial activities for the first half year of 2015 amounted to negative USD 1.5 million, compared with positive USD 1.0 million in the same period in 2014.

Cash increased by USD 0.4 million during in the second quarter of 2015. At 30 June 2015, cash and cash equivalents totalled USD 39.5 million, including USD 0.9 million restricted cash.

Operational Review.

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Contract	**5%**	24%	39%	31%	38%
Multi-client	**63%**	52%	24%	38%	37%
Total utilisation	**68%**	76%	63%	69%	75%

Vessel utilisation and fleet allocation

Vessel utilisation for the second quarter 2015 came in at 68% compared with 75% for the corresponding quarter in 2014. For the first six months this year, the vessel utilisation came in at 72% compared with 71% for the same period last year.

In the second quarter of 2015, the Company's vessels were allocated 5% to contract and 63% to multi-client programmes. In the second quarter of 2014, the allocation was 38% and 37% respectively.

EMGS recorded 10.5 vessel months this quarter, compared with 12 vessel months in the second quarter of 2014.

Vessel activity in the second quarter

BOA Thalassa

The BOA Thalassa has been in Asia for the full second quarter positioned for expected contract work in the region. The vessel completed the first phase of a 3D EM multi-client project in Indonesia on 14 April and started on the second phase of the project on 15 April. This phase was completed on 26 May, after which the vessel has been idle.

The vessel's utilisation for the second quarter was 46%.

The charter agreement for BOA Thalassa expires on 15 December 2015.

BOA Galatea

The BOA Galatea acquired 3D EM data on the multi-client project called the Radiant from 27 January to 2 April. The vessel then worked on the Lightning Bolt project from 3 April to 15 July and from 28 July. The acquisition on the project is expected to be completed towards the end of August. From 16 to 27 July, the vessel acquired data on the multi-client project called Stratus.

The vessel's utilisation came in at 86% this quarter.

The Company has decided to not use the option for extension of the charter agreement for BOA Galatea. The agreement will therefore expire in July 2016.

Atlantic Guardian

The Atlantic Guardian completed the Barents Sea multi-client campaign, which was done in cooperation with TGS, on 14 April. The vessel then commenced a new campaign in the Hammerfest basin on 15 April. The campaign had a short break from 4 to 8 July and is expected to be completed towards the end of August. The survey covers approximately 12 blocks in the Barents Sea (Hammerfest basin) and the Norwegian Sea (Nykhøgda and Froan basin), all which are among the predefined areas (APA) announced by the Norwegian Petroleum Directorate on 21 April.

The vessel's utilisation for the second quarter was 87%.

EM Leader

The EM Leader completed the contract for BG Group on 17 April. The vessel then transited to Canada, where it has been off-hire since 15 May. As announced on 16 June, EMGS reduces its vessel capacity from four to three vessels for the rest of 2015 by taking out the EM Leader. The Company has therefore booked a provision in the second quarter related to loss on the EM Leader charter agreement for the rest of 2015 of USD 1.5 million.

The vessel's utilisation was 33% in the second quarter.

Vessel overview

	Utilisation Q2	Status Q2	Firm charter period	Optional charter period
BOA Thalassa	**46%**	In operation	December 2015	
BOA Galatea	**86%**	In operation	July 2016	
Atlantic Guardian	**87%**	In operation	December 2017	3 x 12 months
EM Leader	**33%**	Operating/ Off-hire from 15 May	December 2016	2 x 12 months

Backlog

As of 30 June 2015, EMGS' backlog was at USD 15.8 million. Of this, USD 13.9 million is related to the PEMEX contract. After the end of the quarter, the Company has signed agreements for a total of approximately USD 8.7 million.

Important events in the first half of 2015

Cost reduction measures

EMGS initiated cost reduction measures in the beginning of the first quarter reflecting the challenging market conditions in the oil service industry. Due to further delays in contract negotiations and lower than expected demand for EM data, the Company implemented an additional cost reduction program in mid-June, with key elements of the program being effective from the beginning of the third quarter.

The Company expects annual cost savings of a total of approximately USD 35 million compared to 2014 cost level, as a result of the cost programs initiated. Restructuring charges of approximately USD 1.3 million, in addition to the above mentioned provision related to loss on the EM Leader charter agreement of USD 1.5 million were booked in the second quarter 2015.The key elements of the program include a reduction of EMGS global headcount by 20% and a reduction of the vessel capacity from four to three vessels. In addition, the Company expects to reduce its capital expenditures by approximately 50% in 2015 compared to the guidance given in the fourth quarter 2014 report.

EMGS continues to work for PEMEX

Early June, EMGS announced that the Company had received a letter from PEMEX to return for 3D EM acquisition in Mexico. The order was confirming a continuation of the existing contract for PEMEX, announced on 27 June 2013.

The vessel BOA Galatea is expected to re-start the work for PEMEX during the third quarter. More details on the work for PEMEX will be announced in due course.

Sales from the multi-client library in the Barents Sea

EMGS' multi-client data libraries in Norway continue to attract good interest from oil companies. During the first half of 2015 the Company has recorded multi-client revenues of a total of USD 17.4 million, mainly related to the libraries over the Barents Sea.

The sales are a combination of uplift revenues related to the licensing round for mature areas on the Norwegian continental shelf, Awards in Predefined Areas (APA), pre-funding and late sales related to the 23rd licensing round and sales of data over other awarded areas.

Patent infringement claims against PGS

As previously announced, EMGS has issued claims against Petroleum Geo-Services (PGS) in the High Court of Justice, Patent Court, in London, UK, and in Norwegian courts on the basis that PGS used its Towed Streamer EM in violation of one of EMGS' patents. On 13 February 2015, EMGS received the decision of the Oslo City Court where EMGS' patent was found to be invalid. EMGS has appealed the decision.

Change of CEO

On 7 January 2015, the new Board of Directors of EMGS appointed Bjarte Bruheim as new CEO of the Company. Bjarte Bruheim has served as Executive Chairman of EMGS since July 2004, and he has extensive experience from the oil service sector over the past 30 years.

Other recent events

Letter of award in Malaysia

On 7 August, EMGS announced that it had received a letter of award (LOA) worth approximately USD 4.2

million from an oil company for 3D EM data acquisition over their operated area in Malaysia. The two parties have entered into a two-year contract, of which this LOA constitutes the commitment for the first and initial phase. The parties have also designed a survey for an optional second phase in 2016.

The survey will be done using the vessel BOA Thalassa which is expected to commence acquisition as soon as possible. The duration of the work is expected to be around one month.

Permits for multi-client surveys in Mexico

On 16 July, EMGS announced that the Company has received permits from Mexico's Comisión Nacional de Hidrocarburos (CNH) authorizing the acquisition of up to approximately 88,000 square km 3D EM multi-client data in the Salina de Itsmo Basin.

EMGS will prioritise acquiring EM data for the future bid rounds in Mexico as outlined in the "Plan Quinquenal de Licitaciones para la Exploración y Extracción de Hidrocarburos 2015-2019" announced by the Secretaría de Energía (SENER) in early July.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2015, the EMGS share was traded between NOK 3.35 and NOK 1.47 per share. The last closing price before 30 June 2015 was NOK 1.83.

The Company had a total of 199,765,555 shares outstanding at 30 June 2015.

General meeting

EMGS held its annual general meeting on 9 June 2015. All items on the agenda were resolved at the meeting.

At the general meeting, Anne Øian was elected as a new board member, replacing Tone Østensen. Also, new members of the Nomination Committee was elected, consisting of Kristian Siem (Chairman), Frederik W. Mohn and Lars Mohagen, representing three of the large shareholders.

Related party transactions

Note 33 in EMGS's annual report for 2014 concerns transactions with related parties.
There have not been any new transactions with related parties during the first half of 2015, nor any material changes in the transactions mentioned in the note to the annual report.

Risks and uncertainty factors in the second half of 2015

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. The demand from the oil and gas companies for EM services has, during the first half of 2015, been adversely affected by the challenging market conditions caused by the low oil price.

EMGS Board and management are continuously working to ensure that the Company is adjusting its cost level to the current conditions. Several cost reduction measures have therefore been implemented during the first half of 2015 and further actions are under evaluation. The Company is subject to the risk of not being able to reduce cost as quickly as the fall in demand for its services.

Two of EMGS charter agreements, for the BOA Thalassa and the BOA Galatea respectively, will expire during the next 12 months. The Company has currently decided not to renew or extend these agreements. This will reduce fixed commitments and utilise the flexibility that lies in the Company's business structure.

In addition, there are risks associated with EM marine operations which might affect the profitability of projects. Examples include: Change in governmental regulations affecting EMGS' markets, technical downtime, adverse weather conditions, licenses and permitting, as well as delays in closing revenue-generating contracts. For a further description of other relevant risk factors, please refer to the Annual Report for 2014.

Outlook

In the second quarter, EMGS was, as expected increasingly exposed to the challenging market conditions, which negatively affected utilisation and the contract volumes for the Company.

The market outlook is currently hard to predict. Contract negotiations are delayed and the oil companies' spending and budgets are further revised and reduced. As a consequence, EMGS Board and management will continue the work to reduce the Company's cost level and capital expenditures.

Still, the Company experiences good progress on the adoption of the EM technology. The interest from oil companies is increasing, although challenged by reduced budgets. The continuous pressure on these companies to cut costs and increase efficiency, also require them to improve their success rates in exploration.

Statement of responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2015, which has been prepared in accordance with IAS 34 –Interim Financial Reporting, gives a true and fair view of Electromagnetic Geoservices ASA's consolidated assets, liabilities, financial position and results of operations. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, 19 August 2015
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	**Q2 2015 Unaudited**	Q2 2014 Unaudited	First half year 2015 Unaudited	First half year 2014 Unaudited	2014 Audited
Operating revenues					
Contract sales	**4 789**	35 487	26 898	81 952	137 222
Multi-client pre-funding	**1 213**	3 580	1 092	5 631	13 140
Multi-client late sales	**6 068**	3 421	16 348	16 224	47 661
Total revenues	**12 070**	**42 488**	**44 338**	**103 807**	**198 023**
Operating expenses					
Charter hire, fuel and crew expenses	**3 713**	13 892	11 266	34 484	61 300
Employee expenses	**9 252**	12 091	22 390	27 821	55 172
Depreciation and ordinary amortisation	**3 347**	4 222	6 515	8 555	16 291
Multi-client amortisation	**1 467**	2 464	1 904	5 793	12 595
Multi-client impairment	**-**	2 003	2 880	2 003	2 003
Goodwill impairment	**14 422**	-	14 422	-	-
Other operating expenses	**5 074**	5 566	9 426	10 137	22 534
Total operating expenses	**37 275**	40 238	68 803	88 793	169 895
Operating profit/(loss)	**-25 205**	**2 250**	**-24 465**	**15 014**	**28 128**
Financial income and expenses					
Interest income	**144**	141	217	159	687
Interest expense	**-1 056**	-1 488	-2 020	-3 273	-5 926
Change in fair value of conversion rights	**-**	-1 106	-	505	-210
Net gains/(losses) of financial assets	**-**	-250	-	416	416
Net foreign currency income/(loss)	**182**	-156	-813	-1 756	8 121
Net financial items	**-730**	**-2 859**	**-2 616**	**-3 949**	**3 088**
Income/(loss) before income tax	**-25 935**	**-609**	**-27 081**	**11 065**	**31 216**
Income tax expense	**76**	1 852	146	5 287	5 330
Income/(loss) for the period	**-26 011**	**-2 461**	**-27 227**	**5 778**	**25 886**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	**Q2 2015 Unaudited**	Q2 2014 Unaudited	First half year 2015 Unaudited	First half year 2014 Unaudited	2014 Audited
Income/ (loss for the period	**-26 011**	**-2 461**	**-27 227**	**5 778**	**25 886**
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**-8**	174	-8	897	-34
Net (loss)/gain on available-for-sale (AFS) financial assets	**-225**	-	-2 784	-	-3 984
Other comprehensive income	**-233**	174	-2 792	897	-4 018
Total comprehensive income/ (loss for the period	**-26 244**	-2 287	-30 019	6 675	21 868

Consolidated Statement of Financial Position.

Amounts in USD 1 000	**Half year ended 30 June 2015 Unaudited**	Half year ended 30 June 2014 Unaudited	2014 Audited
ASSETS			
Non-current assets			
Goodwill	**-**	14 422	14 422
Deferred tax asset	**3 008**	1 900	3 008
Multi-client library	**51 178**	30 185	33 758
Other intangible assets	**4 566**	2 487	3 220
Property, plant and equipment	**14 343**	21 749	19 247
Assets under construction	**33 990**	26 176	31 164
Financial assets	**1 982**	3 727	4 766
Total non-current assets	**109 067**	**100 646**	**109 585**
Current assets			
Spare parts, fuel, anchors and batteries	**13 742**	13 367	14 906
Trade receivables	**16 289**	48 057	65 531
Other receivables	**20 485**	26 178	18 649
Cash and cash equivalents	**38 537**	39 645	25 213
Restricted cash	**928**	787	1 400
Total current assets	**89 981**	**128 034**	**125 699**
Total assets	**199 048**	**228 680**	**235 284**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	**287 494**	286 652	287 398
Other reserves	**-6 018**	1 688	-3 227
Retained earnings	**-185 166**	-178 046	-157 937
Total equity	**96 310**	**110 295**	**126 234**
LIABILITIES			
Employee benefit obligations	**-**	3 501	-
Provisions	**16 085**	8 602	15 299
Borrowings	**707**	57 826	46 859
Total non-current liabilities	**16 792**	**69 929**	**62 158**
Current liabilities			
Trade payables	**16 481**	20 136	13 362
Current tax liabilities	**4 642**	3 707	4 573
Other short term liabilities	**17 612**	21 149	27 270
Borrowings	**47 211**	3 464	1 687
Total current liabilities	**85 946**	**48 456**	**46 892**
Total liabilities	**102 738**	**118 385**	**109 050**
Total equity and liabilities	**199 048**	**228 680**	**235 284**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	**Q2 2015 Unaudited**	Q2 2014 Unaudited	First half year 2015 Unaudited	First half year 2014 Unaudited	2014 Audited
Net cash flow from operating activities					
Income/ (loss) before income taxes	**-25 935**	-609	-27 081	11 065	31 216
Adjustments for:					
Witholding tax expenses	**-**	1 192	-	2 942	3 353
Total taxes paid	**-169**	-4 818	-77	-5 519	-3 853
Depreciation and ordinary amortisation	**3 347**	4 222	6 515	8 555	16 291
Multi-client amortisation and impairment	**1 467**	4 467	4 784	7 796	14 598
Goodwill impairment	**14 422**	-	14 442	-	-
Non-cash portion of pension expense	**-**	-5	-	49	-3 452
Cost of share-based payment	**166**	461	97	1 381	2 127
Change in trade receivables	**22 175**	-6 294	49 242	-16 537	-34 011
Change in inventories	**-160**	-393	1 164	-377	-1 916
Change in trade payables	**7 064**	3 947	3 118	4 194	-2 581
Change in other working capital	**-4 894**	7 339	-7 504	-5 940	5 187
Amortisation of interest	**963**	1 220	1 898	2 469	4 755
Net cash flow from operating activities	**18 446**	**10 729**	**46 578**	**10 078**	**31 714**
Investing activities					
Purchase of property, plant and equipment	**-3 165**	-6 414	-5 760	-8 926	-19 835
Investment in multi-client library	**-13 954**	-10 690	-25 985	-13 885	-30 634
Investment in financial assets	**-**	-	-	-3 976	-8 999
Cash used in investing activities	**-17 119**	**-17 104**	**-31 745**	**-26 787**	**-59 468**
Financial activities					
Financial lease payments - principal	**-107**	-24	-150	-63	-185
Proceeds from issuance of ordinary shares	**-**	22	-	22	22
Proceeds from new loan	**-**	-	945	3 310	3 310
Repayment of loan	**-15**	-	-644	-	-1 224
Payment of interest on bonds	**-856**	-1 126	-1 660	-2 220	-4 261
Cash provided by financial activities	**-978**	**-1 128**	**-1 509**	**1 049**	**-2 338**
Net increase in cash	**350**	**-7 502**	**13 324**	**-15 660**	**-30 092**
Cash balance beginning of period	**38 187**	47 147	25 213	55 305	55 305
Cash balance end of period	**38 537**	39 645	38 537	39 645	25 213
Increase in cash	**350**	**-7 502**	**13 324**	**-15 660**	**-30 092**

Consolidated statement of changes in equity.

Amounts in USD 1 000	Share capital share premium and other paid-in equity	Foreign currency translation reserves	Available-for-sale reserve	Actuarial gains/(losses)	Retained earnings	Total equity
Balance at 1 January 2014 (Audited)	**285 249**	**-1 717**	**-**	**2 508**	**-183 823**	**102 217**
Income/(loss) for the period	-	-	-	-	8 239	**8 239**
Other comprehensive income	-	723	-	-	-	**723**
Total comprehensive income	-	723	-	-	8 239	**8 962**
Cost of share-based payment	**920**	-	-	-	-	**920**
Balance at 31 March 2014 (Unaudited)	**286 169**	**-994**	**-**	**2 508**	**-175 584**	**112 100**
Income/(loss) for the period	-	-	-	-	-2 461	**-2 461**
Other comprehensive income	-	174	-	-	-	**174**
Total comprehensive income	-	174	-	-	-2 461	**-2 287**
Cost of share-based payment	**461**	-	-	-	-	**461**
Proceeds from shares issued - private placement and options exercised	**22**	-	-	-	-	**22**
Balance at 30 June 2014 (Unaudited)	**286 652**	**-819**	**-**	**2 508**	**-178 046**	**110 295**
Income/(loss) for the period	-	-	-	-	6 988	**6 988**
Other comprehensive income	-	51	-1 200	-	-	**-1 149**
Total comprehensive income	-	51	-1 200	-	6 988	**5 839**
Cost of share-based payment	**331**	-	-	-	-	**331**
Balance at 30 September 2014 (Unaudited)	**286 983**	**-768**	**-1 200**	**2 508**	**-171 058**	**116 465**
Income/(loss) for the period	-	-	-	-	13 120	**13 120**
Other comprehensive income	-	-982	-2 784	-	-	**-3 766**
Total comprehensive income	-	-982	-2 784	-	13 120	**9 354**
Cost of share-based payment	**415**	-	-	-	-	**415**
Balance at 31 December 2014 (Audited)	**287 398**	**-1 750**	**-3 984**	**2 508**	**-157 938**	**126 234**
Income/(loss) for the period	-	-	-	-	-1 217	**-1 217**
Other comprehensive income	-	-	-2 559	-	-	**-2 559**
Total comprehensive income	-	-	-2 559	-	-1 217	**-3 776**
Cost of share-based payment	**-69**	-	-	-	-	**-69**
Balance at 31 March 2015 (Unaudited)	**287 328**	**-1 750**	**-6 543**	**2 508**	**-159 155**	**122 388**
Income/(loss) for the period	-	-	-	-	-26 011	**-26 011**
Other comprehensive income	-	-8	-225	-	-	**-233**
Total comprehensive income	-	-8	-225	-	-26 011	**-26 244**
Cost of share-based payment	**166**	-		-	-	**166**
Balance at 30 June 2015 (Unaudited)	**287 494**	**-1 758**	**-6 768**	**2 508**	**-185 166**	**96 310**

Notes to the Financial Statements.

Accounting principles

These interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2014. The Group has applied the same accounting policies as in the Group's Annual Financial Statements for the year ended 31 December 2014.

Segment reporting

EMGS reports its sales revenue as one reportable segment. The sales revenues and related costs are incurred worldwide.

The amounts below show sales revenues reported by geographic region.

USD million	**Q2 2015 Unaudited**	Q2 2014 Unaudited	First half year 2015 Unaudited	First half year 2014 Unaudited	2014 Audited
Americas	**5.2**	21.2	25.9	58.9	80.8
Asia/Pacific	**-**	-	-	5.1	18.0
EAME	**6.9**	21.3	18.4	39.8	99.2
Total	**12.1**	**42.5**	**44.3**	**103.8**	**198.0**

Multi-client library

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

USD million	**Q2 2015 Unaudited**	Q2 2014 Unaudited	First half year 2015 Unaudited	First half year 2014 Unaudited	2014 Audited
Opening carrying value	**40 108**	27 974	33 758	28 108	28 108
Additions	**13 954**	10 690	25 985	13 885	28 272
Amortisation charge	**-1 467**	-2 464	-1 904	-5 793	-12 595
Impairment	**-**	-2 003	-2 880	-2 003	-2 002
Cash contribution from partners	**-1 417**	-4 012	-3 781	-4 012	-8 025
Closing carrying value	**51 178**	**30 185**	**51 178**	**30 185**	**33 758**

Goodwill impairment

Goodwill related to the acquisition of OHM in 2011 had a net carrying value of USD 14.4 million as of 31 March 2015. Based on changes in market conditions, the Company did an impairment test of goodwill in the second quarter of 2015. Goodwill was not allocated since there is only one cash generating unit within the Group. The recoverable amount of the Group, was determined based on cash flow projections from financial budgets approved by management. The impairment test resulted in an impairment of the full carrying value of goodwill, USD 14.4 million.

Disclaimer for forward-looking statements

This quarterly report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for EMGS ASA and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates” or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the EMGS’s businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although EMGS ASA believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this report. EMGS ASA nor any other company within the EMGS group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the report, and neither EMGS ASA, any other company within the EMGS group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the report. EMGS ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.

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