



# FOURTH QUARTER 2015 RESULTS.

Oslo, 11 February 2016

CEO Christiaan Vermeijden, CFO Hege A. Veiseth

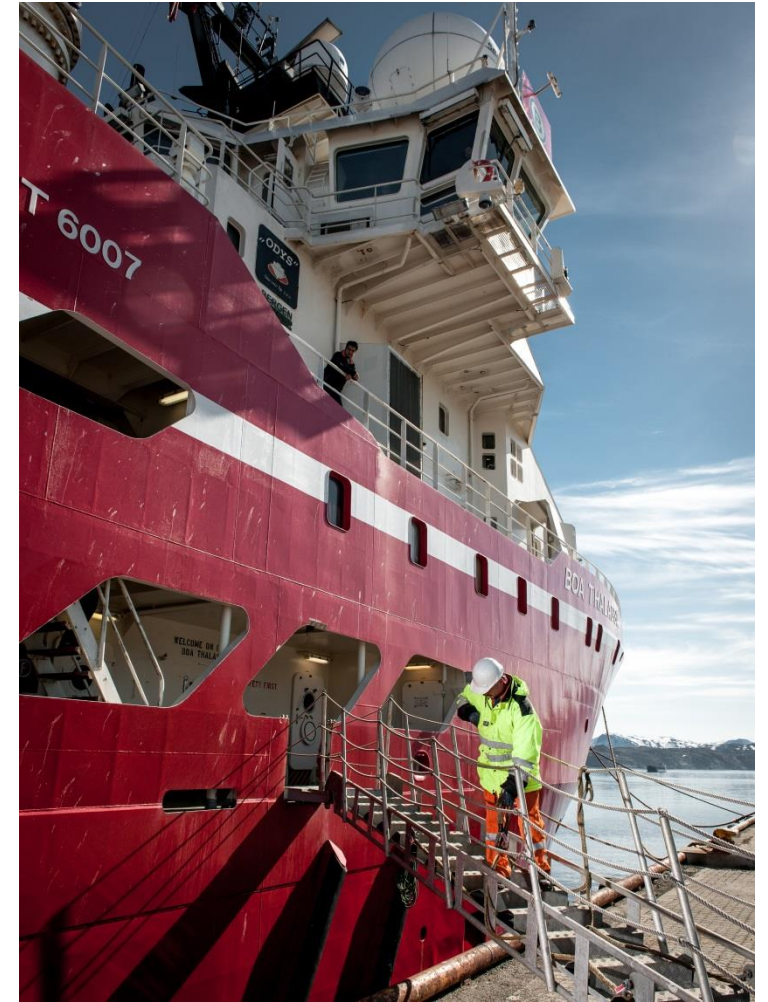
Spot the difference.

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# Fourth quarter 2015 highlights

- Completion of contract extension in Malaysia worth USD 7 million
- New contract signed in India USD 15 million
- Proof Of Concept study completed in Mexico
- Cost reduction measures ongoing
- Financial restructuring completed
- New management
  - New CEO and CFO appointed



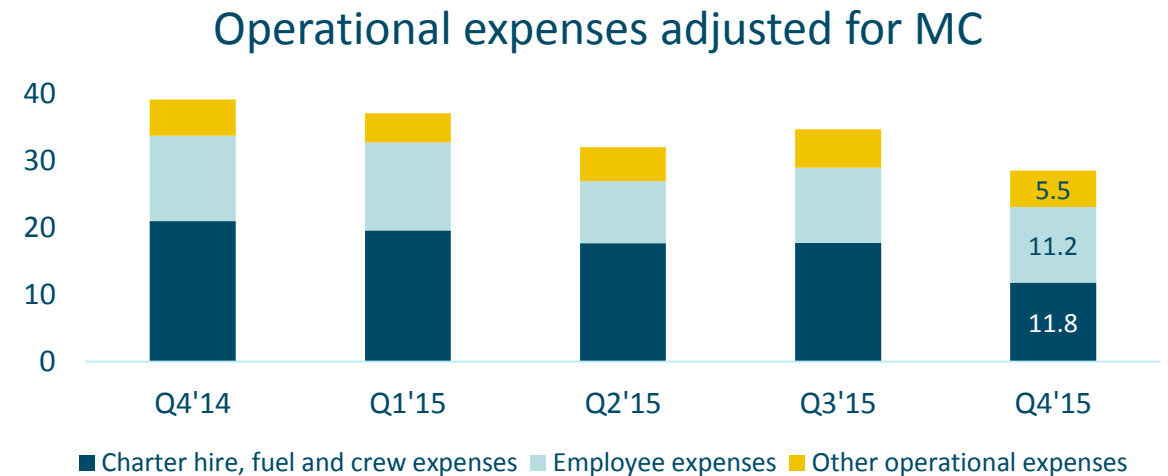
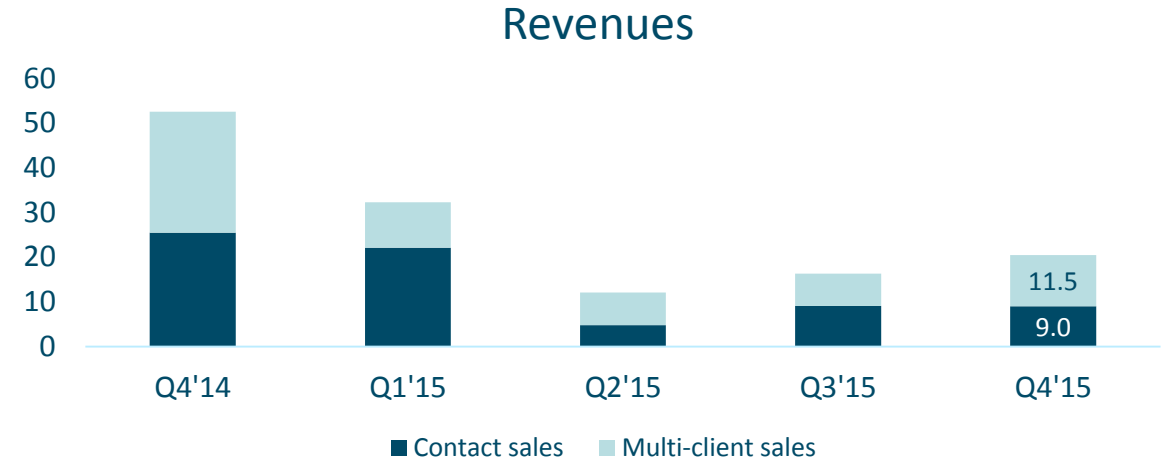


# Financial review

Spot the difference.

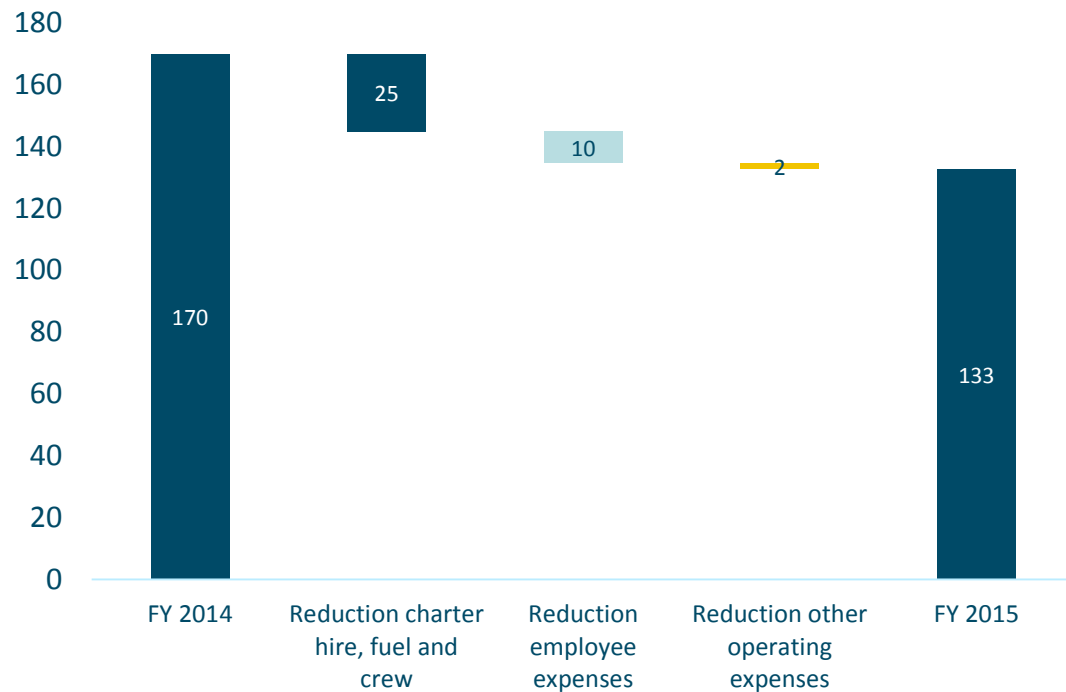
# Fourth quarter key financials

- Revenues of USD 20.5 million
- Operational costs of USD 28.5 million, affected by ~USD 5.4 million in special items
- Impairment of multi-client library of USD 8.6 million
- Down from 4 to 3 vessels in Q4, with low utilisation (21%)



# Cost reduction program progressing as planned

Implications on operational cost base – USD million



Comments

- Cost reducing measures implemented to bring cost base in line with expected activity level, with key elements
  - Freeze on new hires, consultants and agents
  - Reduction of fleet capacity from 4 to 2 vessels
  - Reduction in headcount
  - Renegotiated terms with suppliers/ sub-contractors
  - CAPEX reduced by 62% vs guiding for FY2015, limited to only key R&D projects
- Measures expected to have full effect from the second quarter 2016
- Currently ahead of target to cut cost to well below USD 100 million

# Improved financial position following the equity issue

## Operational

- Financial restructuring provides EMGS with improved financial flexibility to weather the current downturn

## Financial

- New equity of USD 32 million, of which
- USD 8 million used for partial bond buy-back @ 80% of par, yielding a financial gain of USD 2 million
- Bond loan reduced to NOK 270 million (USD 31 million)
- Bond maturity extended by 36 months
- Cash position strengthened



Note: (1) All figures have been converted from NOK using the official NOK/USD rate from Norges Bank as of 29 October 2015 of 8.57

# Change in multi-client amortisation due to amendment to IAS 38

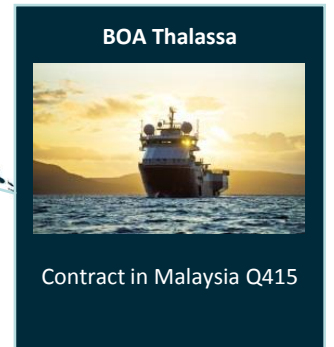
- Amendment to IAS 38, effective from 1 January 2016
- Revenue-based method of amortisation of intangible assets is not considered appropriate
- EMGS has changed its principle and aligned to the method used by the seismic companies:
  - During work in progress (WIP), amortisation continue to be based on total cost versus forecasted total revenues of the project
  - After completion, a straight-line amortisation is applied
  - Useful life is set to 4 years



# Market and outlook

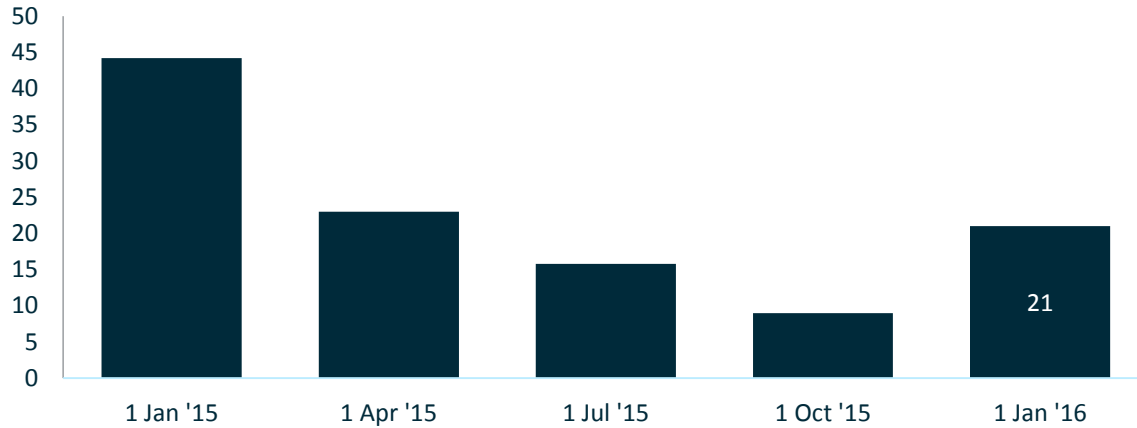
Spot the difference.

# Fourth quarter vessel operations



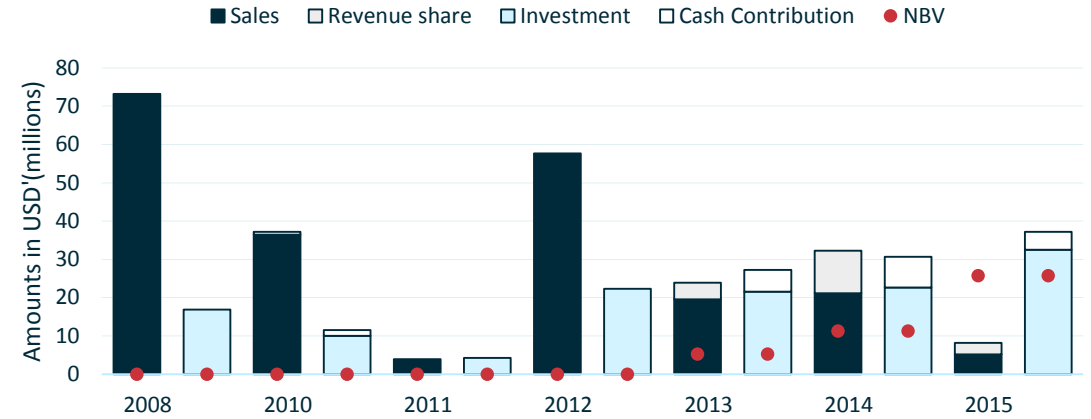
# Current market situation

Order book



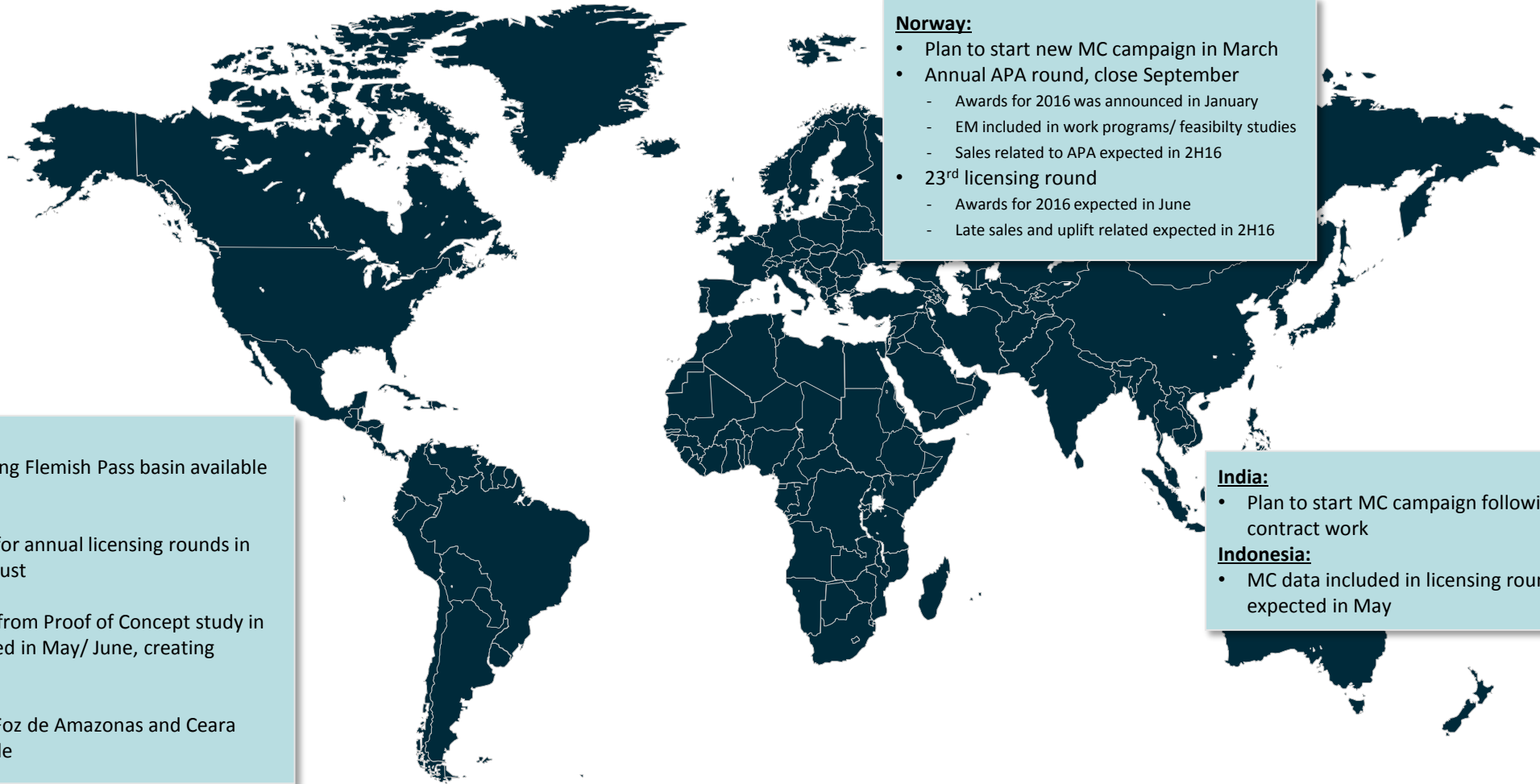
- Contract revenues have declined in 2015
- Visibility even more challenging as oil companies postpone decisions closer to start-up of surveys
- Adoption remains high in Mexico, India, Malaysia and Norway

Multi-client key figures by vintage



- Multi-client sales accounts for an increasing share of the total revenues, with 45% in 2015 vs 31% in 2014
- 2008-2012 vintages performing very well, where the Barents Sea library provides an exceptional good return on investment
- 2013-2015 vintages should provide for a healthy revenue stream in 2016 and going forward
- EMGS will continue to invest in expanding its library, yielding good revenue potential the next years

# Multi-client opportunities



## Canada:

- MC data covering Flemish Pass basin available for sale

## US:

- Data available for annual licensing rounds in March and August

## Mexico:

- Proven results from Proof of Concept study in Mexico expected in May/ June, creating opportunities

## Brazil:

- MC data from Foz de Amazonas and Ceara available for sale

## Norway:

- Plan to start new MC campaign in March
- Annual APA round, close September
  - Awards for 2016 was announced in January
  - EM included in work programs/ feasibility studies
  - Sales related to APA expected in 2H16
- 23<sup>rd</sup> licensing round
  - Awards for 2016 expected in June
  - Late sales and uplift related expected in 2H16

## India:

- Plan to start MC campaign following completion of contract work

## Indonesia:

- MC data included in licensing round, with awards expected in May

# Summary and outlook

- Cost level reduced to be in line with expected activity
- Financial restructuring completed
- Market outlook challenging, characterised by high uncertainty
- Interest in EM technology healthy, challenged by reduced budgets
- EMGS expects to operate two vessels in 2016, with an option to include a third vessel if certain prospects materialise
  - Keep one vessel in Asia throughout 2016
  - One vessel will operate in Europe and the Americas



# Long term story remains intact



EMGS is the market leader in an attractive niche market, offering services highly complementary to traditional geophysical methods



E&P companies are showing increased interest in EMGS' technology, although current exploration spending is reduced from previous levels and investment decisions are delayed



EMGS is currently undergoing an extensive cost cutting program, and has revamped and tailored its sales organization in order to meet exploration needs and strengthen its competitive position



Questions?

Spot the difference.

# SPOT THE DIFFERENCE.

Appendix

# Income statement

(USD 1 000)	Q4 2015 Unaudited	Q4 2014 Unaudited	2015 Unaudited	2014 Audited
<b>Operating revenues</b>				
Contract sales	9 001	25 477	45 008	137 222
Multi-client pre-funding	-	5 152	3 546	13 140
Multi-client late sales	11 498	21 884	32 586	47 661
<b>Total revenues</b>	<b>20 499</b>	<b>52 513</b>	<b>81 140</b>	<b>198 023</b>
<b>Operating expenses</b>				
Charter hire, fuel and crew expenses	11 807	15 752	32 402	61 300
Employee expenses	11 227	12 744	44 826	55 172
Depreciation and ordinary amortisation	2 705	3 906	12 679	16 291
Multi-client amortisation	4 156	4 972	8 631	12 595
Impairment of long-term assets	8 569	-	31 344	2 003
Other operating expenses	5 461	7 393	20 607	22 534
<b>Total operating expenses</b>	<b>43 925</b>	<b>44 767</b>	<b>150 489</b>	<b>169 895</b>
<b>Operating profit/ (loss)</b>	<b>(23 426)</b>	<b>7 746</b>	<b>(69 349)</b>	<b>28 128</b>
<b>Financial income and expenses</b>				
Interest income	28	36	352	687
Interest expense	(1 014)	(1 182)	(4 055)	(5 926)
Change in fair value of conversion rights	-	-	-	(210)
Net gains/(losses) of financial assets and liabilities	795	-	(4 106)	416
Net foreign currency income/(loss)	1 526	6 578	4 155	8 121
<b>Net financial items</b>	<b>1 335</b>	<b>5 432</b>	<b>(3 654)</b>	<b>3 088</b>
<b>Income/ (loss) before income taxes</b>	<b>(22 091)</b>	<b>13 178</b>	<b>(73 003)</b>	<b>31 216</b>
Income tax expense	2 027	58	3 712	5 330
<b>Income/ (loss) for the period</b>	<b>(24 118)</b>	<b>13 120</b>	<b>(76 715)</b>	<b>25 886</b>

# Financial position





(USD 1 000)	31 December 2015	31 December 2014
	Unaudited	Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	-	14 422
Deferred tax asset	-	3 008
Multi-client library	42 267	33 758
Other intangible assets	3 703	3 220
Property, plant and equipment	16 773	19 247
Assets under construction	26 566	31 164
Financial assets	1 387	4 766
<b>Total non-current assets</b>	<b>90 696</b>	<b>109 585</b>
<b>Current assets</b>		
Spare parts, fuel, anchors and batteries	11 754	14 906
Trade receivables	18 580	65 531
Other receivables	5 665	14 730
Cash and cash equivalents	31 749	25 213
Restricted cash	6 680	5 319
<b>Total current assets</b>	<b>74 428</b>	<b>125 699</b>
<b>Total assets</b>	<b>165 124</b>	<b>235 284</b>

(USD 1 000)	31 December 2015	31 December 2014
	Unaudited	Audited
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders</b>		
Share capital, share premium and other paid-in equity	319 038	287 398
Other reserves	(6 416)	(3 227)
Retained earnings	(234 652)	(157 937)
<b>Total equity</b>	<b>77 970</b>	<b>126 234</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions	17 371	15 299
Borrowings	30 848	46 859
<b>Total non-current liabilities</b>	<b>48 219</b>	<b>62 158</b>
<b>Current liabilities</b>		
Trade payables	10 439	13 362
Current tax liabilities	5 257	4 573
Other short term liabilities	16 243	27 270
Financial liabilities	6 326	-
Borrowings	670	1 687
<b>Total current liabilities</b>	<b>38 935</b>	<b>46 892</b>
<b>Total liabilities</b>	<b>87 154</b>	<b>109 050</b>
<b>Total equity and liabilities</b>	<b>165 124</b>	<b>235 284</b>

# Largest shareholders as of 8 February

	Shareholder	Shares	Holding
1	SIEM INVESTMENTS INC.	313,769,927	23.92
2	PERESTROIKA AS	279,754,256	21.33
3	MORGAN STANLEY & CO. LLC	180,317,908	13.75
4	ODIN ENERGI	66,876,622	5.10
5	ODIN NORGE	53,307,963	4.06
6	STATOIL PENSJON	30,000,098	2.29
7	BÆKKELAGET HOLDING AS	25,050,000	1.91
8	SPORTSMAGASINET AS	17,586,683	1.34
9	NHO - P665AK	16,179,319	1.23
10	KRISTIAN FALNES AS	16,000,000	1.22
11	DNB NAVIGATOR (II)	13,717,253	1.05
12	J&J INVESTMENT AS	10,700,000	0.82
13	NORTHERN TRUST GSL CL AC	9,849,780	0.75
14	STATOIL FORSIKRING A.S	7,330,567	0.56
15	COLOR GROUP AS	6,566,520	0.50
16	FLATHOLMEN AS	5,480,000	0.42
17	CARNEGIE AS EGENHANDELSKONTO	5,288,346	0.40
18	TIGERSTADEN AS	5,000,000	0.38
19	FALNES OLAV KRISTIAN	4,800,000	0.37
20	CIPI LAMP UCITS SWEDBANK SMB	4,596,564	0.35

# Vessel charters

	BOA Thalassa	BOA Galatea	Atlantic Guardian	EM Leader
				
Firm Charter	1 April 2017	Delivered back to vessel owner in mid-January	18 December 2017	8 December 2016
Current status	In operation, Asia		Idle	Laid up
Vessel owner	BOA Offshore	BOA Offshore	North Sea Shipping	Seatrans
Rates	Flexible rates for when (i) in operation, (ii) idle and (iii) laid up		Fixed	Flexible rates for when (i) in operation, (ii) idle and (iii) laid up