EMGS SECOND QUARTER 2020.

Highlights in the Second Quarter.

Operational highlights

- Completed fully prefunded multi-client survey over the Martin Linge area
- Completed multi-client survey in the Liatårnet area
- Renegotiated the Atlantic Guardian charter party agreement
- Redelivered the Petrel Explorer

Financial highlights

- Revenues of USD 7.5 million
- EBITDA of USD 1.6 million
- Adjusted EBITDA of negative USD 2.0 million
- The new guarantee facility is now fully secured by pledged cash of USD 7.3 million

Key financial figures

Amounts in USD million (except per share data)	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year YTD 2020 Unaudited	First half year YTD 2019 Unaudited	2019 Audited	Q1 2020 Unaudited
Contract sales	**1.2**	9.3	10.8	12.4	54.4	**9.6**
Multi-client sales	**4.9**	4.5	5.2	11.4	26.1	**0.3**
Other revenue	**1.4**	0.7	2.9	1.5	8.8	**1.4**
Total revenues	**7.5**	14.5	18.8	25.3	89.4	**11.3**
Operating profit/ (loss)	**-5.2**	0.8	-13.7	-3.6	22.5	**-8.5**
Income/ (loss) before income taxes	**-6.6**	-1.6	-16.2	-7.5	16.7	**-9.6**
Net income/ (loss)	**-6.6**	-2.0	-16.2	-8.0	15.0	**-9.6**
Earnings/ (loss) per share	**-0.05**	-0.02	-0.12	-0.06	0.11	**-0.07**
Average number of shares outstanding (in thousands)	**130,970**	130,970	130,970	130,970	130,970	**130,970**
EBITDA	**1.6**	6.8	4.7	9.4	49.9	**3.1**
Multi-client investments	**0.6**	0.8	0.6	0.8	0.8	**0.1**
Vessel and office lease	**3.0**	3.9	6.9	7.7	15.7	**3.9**
Adjusted EBITDA	**-2.0**	2.1	-2.8	0.9	33.3	**-0.8**

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

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 7.5 million in the second quarter of 2020, down from USD 14.5 million reported for the corresponding quarter of 2019. Contract and other sales totalled USD 2.6 million, while multi-client sales amounted to USD 4.9 million. For the second quarter of 2019, contract and other sales totalled USD 10.0 million, while multi-client sales amounted to USD 4.5 million.

Revenues for the first half of 2020 amounted to USD 18.8 million, compared with USD 25.3 million for the first half of 2019.

Charter hire, fuel and crew expense amounted to USD 0.4 million in the second quarter this year, compared with USD 2.4 million in the second quarter of 2019. The Company capitalised USD 0.6 million of the charter hire, fuel and crew expenses as multi-client expenses in the quarter, while USD 0.8 million was capitalised in the second quarter of 2019. The charter hire, fuel and crew expenses have decreased from USD 6.9 million in the second quarter of 2019 to USD 3.8 million in same period this year when adding back the vessel lease expenses and the capitalised multi-client expenses. This is a result of a decreased activity level in the second quarter of 2020 compared to 2019, including returning the Petrel Explorer upon expiry of the charter party agreement (end of May), as well as cold stacking the Atlantic Guardian at the beginning of April.

For the first half of 2020, charter hire, fuel and crew expenses totalled USD 4.3 million, down from USD 4.8 million in 2019.

Employee expenses amounted to USD 4.8 million in the second quarter of 2020, up from USD 4.0 million in the same quarter in 2019. The increase is due to accrued employee expense related to laid off employees that do not have an obligation to work in July as well as other costs associated with the transition to the low-cost set-up.

Employee expenses for the first half of 2020 were USD 8.0 million, compared with USD 8.7 million in 2019.

Other operating expenses totalled USD 0.8 million in the second quarter this year, compared to USD 1.3 million in the second quarter of 2019

For the first half of 2020, other operating expenses amounted to USD 1.9 million, down from USD 2.3 million in the same period last year.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 3.3 million in the second quarter of 2020 down from USD 4.3 million in the second quarter of 2019.

Impairment of long-term assets totalled USD 1.6 million in the second quarter of 2020, while no impairment of long-term assets was made in the second quarter of 2019. The impairment is a result of the transition to the low-cost set-up and is split between USD 1.0 million impairment of right-of-use assets for offices which will no longer be utilised and USD 0.6 million impairment of assets under construction for projects which will no longer be pursued.

Depreciation and ordinary amortisation decreased from USD 9.5 million in the first half of 2019 to USD 8.1 million in 2020.

Multi-client amortisation amounted to USD 1.9 million this quarter, compared to USD 1.7 million in the second quarter of 2019. The Company uses straight-line amortisation for its completed multi-client projects, assigned over the useful life time of 4 years.

Multi-client amortisation totalled USD 2.9 million for the first half of 2020, down from USD 3.5 million in 2019.

Net financial items

Net financial items ended at negative USD 1.4 million in the second quarter of 2020, compared with negative USD 2.4

million in the corresponding quarter last year. In the second quarter of 2020, the Group recorded an interest expense of USD 1.3 million compared with an interest expense of USD 1.8 million in the second quarter of 2019. In the second quarter of 2020, the Company recorded a net currency loss of USD 0.1 million, compared with a currency loss of USD 0.7 million in the second quarter of 2019.

In the first half of 2020, net financial items were negative USD 2.5 million, down from a negative USD 4.0 million in the first half of 2019.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 6.6 million in the second quarter 2020, compared with a loss before income taxes of USD 1.6 million in the corresponding quarter in 2019.

Loss before income taxes for the first half of 2020 amounted to USD 16.2 million, compared with a loss before income taxes of USD 7.5 million in the same period last year.

Income tax expenses

Income tax expenses of USD 3,000 were recorded in the second quarter of 2020, compared with an income tax expense of USD 0.4 million in the second quarter of 2019.

Income tax expenses for the first half of 2020 were USD 6,000, compared with USD 0.4 million in the same period in 2019.

Net income for the period

Loss for the second quarter of 2020 amounted to USD 6.6 million, down from a loss of USD 2.0 million in the same period last year.

Losses for the first half of 2020 were USD 16.2 million, down from a loss of USD 8.0 million in the same period last year.

Cash flow and balance sheet

In the second quarter 2020, net cash flow from operating activities was negative USD 1.7 million, compared with positive net cash flow of USD 2.2 million in the second quarter of 2019. The cash flow from operating activities this quarter was mainly affected by the required deposit of USD 4.5 million to the pledge account.

In the first half of 2020, net cash flow from operating activities was negative USD 0.7 million, compared with a positive USD 10.1 million in the same period last year.

EMGS applied USD 1.1 million in investing activities in the second quarter this year, compared with USD 2.2 million in the second quarter of last year. The Company invested USD 0.2 million in equipment and USD 0.9 million in the multi-client library in the second quarter 2020.

Cash flow from investing activities in the first half of this year amounted to a negative USD 1.6 million, compared with a negative USD 2.5 million in the same period last year. The Company invested USD 0.5 million in equipment and USD 1.1 million in the multi-client library in the first half of 2020.

The carrying value of the multi-client library was USD 3.4 million at 30 June 2020, down from USD 6.0 million at 31 December 2019 and USD 10.4 million at 30 June 2019.

Cash flow from financial activities was negative USD 3.3 million in the second quarter of 2020, compared with a negative cash flow of USD 3.9 million in the same quarter last year.

Cash flow from financial activities for the first half of 2020 amounted to negative USD 7.6 million, compared with a negative USD 8.2 million in the same period of 2019.

The Company had a net decrease in cash, excluding restricted cash, of USD 6.2 million during the second quarter of 2020. At 30 June 2020, cash and cash equivalents totalled USD 9.8 million.

Financing

Total borrowings were USD 31.5 million at 30 June 2020, up from USD 31.2 million at 31 December 2019 and up from USD 31.0 million at 30 June 2019. This includes the Company's bond loan, which had a carrying value of USD 31.5 million recorded as non-current borrowings and USD 1.9 million recorded as equity in accordance with IFRS.

The convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the convertible bond agreement has restrictions regarding the Company´s ability to sell or otherwise dispose of the multi-client library, declare or make dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 30 June 2020, the free cash and cash equivalents totalled USD 9.8 million.

Operational Review.

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Proprietary work	0%	20%	80%	73%	45%
Multi-client projects	23%	6%	0%	0%	28%
Total utilisation	**23%**	**26%**	**80%**	**73%**	**73%**

Vessel utilisation and fleet allocation

The vessel utilisation for the second quarter of 2020 was 23% compared with 73% in the corresponding quarter of 2019. For the first half of this year, the vessel utilisation was 24% compared with 41% for the same period last year.

In the second quarter of 2020, the Company's vessels were allocated 23% to multi-client projects and no time was spent on proprietary work. In the comparable quarter of 2019, the vessels were allocated 28% to multi-client projects and 45% to proprietary work.

EMGS recorded 5.0 vessel months in the quarter. In the second quarter 2019, the Company recorded 6.0 vessel months in the quarter.

Vessel activity in the second quarter

	Utilisation Q2 2020	Status Q2 2020	Firm charter period	Remaining option periods
Petrel Explorer	**56%**	Returned	None	
Atlantic Guardian	**0%**	Cold Stacked	20 October 2022	4 x 12 months

Atlantic Guardian

The Atlantic Guardian began the second quarter transiting towards Norway in preparation for cold stacking the vessel. The Atlantic Guardian will remain cold stacked until sufficient backlog is reached to warrant mobilization.

Petrel Explorer

The Petrel Explorer started the quarter acquiring the fully prefunded Martin Linge multi-client survey in Norway. The Martin Linge survey was then followed by a short unfunded Liatårnet multi-client survey, prior to demobilizing the vessel and returning the vessel to her owners upon expiry of the charter party agreement.

Backlog

As of 30 June 2020, EMGS' backlog was USD 39.6 million, compared with a backlog of USD 96.7 million at the end of the second quarter 2019. USD 37.7 million of the backlog as of 30 June 2020 is related to proprietary projects that are unlikely to materialise.

Events during the first half of 2020

Options program for EMGS employees

EMGS granted each employee 12.5 thousand share options for a total of approx. 1.5 million share options.

Multi-year acquisition contract and reduced backlog

On 22 January 2020, EMGS announced that the Company had received an additional call-off of approximately USD 3.4 million as part of the multi-year acquisition contract. On 20 February 2020, EMGS announced that the Company had been advised by the customer that no new additional acquisition work orders would be forthcoming in the near to medium future. The Company further announced that this would have a have a material detrimental effect on the Company's revenue and profitability going forward, that the Board was evaluating all strategic options available to the Company and that the Company would initiate a comprehensive cost reduction programme to adjust the Company's operational cost base to the new confirmed backlog level.

Changes to the board of directors

Mr. Johan Mikkelsen resigned as chairman of the board of directors effective 2 February 2020.

Petteri Soininen was elected chairman of the board of directors for the period until the 2020 annual ordinary general meeting (the "AGM") of EMGS.

In accordance with the proposals from the Company's nomination committee and the board of directors, at the AGM held on 19 June 2020, Mimi Berdal was elected the new chairman of the board. The minimum number of directors permitted under the Company's articles of association was also reduced from five to three. Petteri Soininen and Øyvind Greaker Bjørndal were elected as new directors at the AGM (in addition to Ms Berdal, the Chairman), each for a service period of one year.

Pledged Depot deposit (New Facility)

In February 2020, EMGS deposited USD 1.4 million in the Pledged Depot account as part of the cash sweep mechanism as agreed with the Shareholder Guarantors. Additional deposits of USD 1.4 million, USD 0.4 million and USD 4.0 million were done in March, April and May, respectively. Following this last deposit, the New Facility is now fully (100%) guaranteed by the Pledged Depot, and the Shareholder Guarantors have consequently been released from their obligations.

Low-cost set-up initiated

As announced on 27 March 2020, the Company terminated all employees and consultants with the exception of a skeleton crew of approximately 15 people. The Petrel Explorer was returned at the end of May, and the Atlantic Guardian was cold stacked mid-April 2020.

Termination of Mauritania and Senegal acquisition contract

Subsequent to the notification by the customer that the project would be postponed, EMGS received notification that the contract was terminated under a so-called termination for convenience provision. EMGS received approximately USD 2 million in connection with the termination of the contract.

Impairment of Multi-Client library and DeepBlue equipment in Q1 2020

The multi-client library was impaired in the amount of USD 0.8 million due to a reduction in expected revenue. The events relating to Covid-19 and subsequent collapse in the oil price is considered a non-adjusting event and therefore effects Q1 2020 not 2019.

As a result of the cold stacking of the Atlantic Guardian and the subsequent reduction in expected revenue, the carrying amount of the DeepBlue was reduced from USD 22.5 million at the end of December 2019 to USD 16.8 million at the end of March 2020.

Reduction of Credit Facility

As part of the ongoing cost reduction measures, the Company reduced the available Credit Facility with DNB from USD 10 million to USD 2.5 million.

Anders Eimstad appointed permanent CFO

On 15 May 2020 Anders Eimstad appointment as CFO was made permanent with immediate effect.

Renegotiated charter party agreement for the Atlantic Guardian

Following extensive and constructive communication with the owners of the Atlantic Guardian, a renegotiated charter party agreement for the vessel has been agreed. The renegotiated charter party became effective on 1 June 2020.

Key elements of the renegotiated charter agreement are as follows:

- A 12-month extension of the firm charter period, which entails a new expiry date for the firm charter period end October 2022
- Four 12-month option periods at expiry of the firm charter period
- Significantly reduced rates while the vessel is cold stacked (for a total period not to exceed 12 months)
- Reduced operating day rate

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2020, the EMGS share was traded between NOK 0.54 and NOK 1.10 per share. The last closing price before 30 June 2019 was NOK 0.80.

As of 30 June 2020, the Company had a total of 130,969,690 shares outstanding.

Risks and uncertainty factors

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. Historically, the demand for EM services has been correlated to the oil price, which can be volatile, unpredictable and is subject to upward and downward pressure from economic, environmental, political, and other factors. The Company expects that this correlation will remain going forward. As EM is still considered a niche product to many E&P companies, demand can quickly change as a response to declining oil price. This correlation between the oil price and the demand for EM services was shown both following the substantial oil price reductions in 2014 and following the 2020 sharp reduction in oil price as a result of the novel coronavirus pandemic (Covid-19) and the failure by the Opec+ group to agree on oil output curtailments, both of which were followed by reductions in the demand for EM services.

The Company's convertible bond loan due in 2023 contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 30 June 2020, the free cash and cash equivalents totalled USD 9.8 million. While EMGS' management follows the Company's liquidity risk closely, there remains material uncertainty related to the Company's ability to continue as a going concern. The company has made significant progress in both the implementation of cost cutting measures, with the successful renegotiation of the Atlantic Guardian charter party agreement being one key element, as well collecting past due amounts. However, the Company is operating with limited liquidity and headroom to the free cash covenant, and remains dependent upon certain other key events materialising in a timely fashion. This includes the payment of the remaining invoices related to the acquisition contract in the Americas, securing additional late sales in H2 2020 (while the Atlantic Guardian is cold stacked) and building an acquisition backlog for 2021. Should any of these events fail to materialise, or fail to materialise in a timely fashion, the Company will not be able to continue as a going concern.

Reference is made to the Annual Report of 2019 for a further description of other relevant risk factors.

Outlook

The market outlook for oil services is characterised by high uncertainty and the visibility remains low. While the oil price has improved over the quarter, the oil price is still down over one-third since the end of 2019. With the expected protracted recovery of global oil demand, E&P companies have reduced their 2020 exploration spending budgets and our assumption is that they will reduce their 2021 exploration spending budgets compared to previous expectations. Such reductions and underlying uncertainty have increased the difficulty of securing additional backlog, as well as sales of existing data from the multi-client library.

The Company continues to focus upon fulfilling existing contracts, realising near term late sales from the existing multi-client library and securing acquisition backlog for H1 2021. The Company will maximise the preservation of liquidity while retaining the ability to execute on the objectives for this year. The renegotiation of the Atlantic Guardian charter party has significantly improved the outlook for the Company by reducing the operating cost base by more than USD 1.5 million for the period June through December 2020. However, despite the steps already taken, no guarantees can be given as to whether the Company will be able to preserve sufficient liquidity. The Company is also dependent upon receiving payment for the majority of the USD 5.9 million outstanding receivables and earned not invoiced revenue, as of 30 June 2020, related to the contract in the Americas.

2020 is and will remain an uncertain and challenging year for the Company. However, the Company maintains its cutting-edge technological position in the EM market and is positioning itself to be able to capitalise on the upturn in the market with a more streamlined and efficient organisation.

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 2020, 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.

Oslo, 22 July 2020
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Operating revenues					
Contract sales	1,183	9,252	10,763	12,395	54,444
Multi-client pre-funding	3,050	0	3,050	0	4,608
Multi-client late sales	1,853	4,478	2,127	11,394	21,518
Other revenue	1,421	741	2,862	1,470	8,795
Total revenues	**7,507**	**14,471**	**18,802**	**25,259**	**89,365**
Operating expenses					
Charter hire, fuel and crew expenses	393	2,384	4,294	4,790	14,596
Employee expenses	4,754	3,996	7,964	8,714	19,662
Depreciation and ordinary amortisation	1,106	1,433	2,596	3,297	6,240
Depreciation right-of-use assets	2,239	2,831	5,548	6,187	13,189
Multi-client amortisation	1,857	1,687	2,889	3,502	7,785
Impairment of long-term assets	1,569	0	7,394	0	152
Other operating expenses	802	1,290	1,852	2,325	5,215
Total operating expenses	**12,719**	**13,621**	**32,537**	**28,814**	**66,839**
Operating profit/ (loss)	**-5,212**	**850**	**-13,735**	**-3,556**	**22,526**
Financial income and expenses					
Interest income	0	65	77	136	1,830
Interest expense	-1,025	-1,331	-2,378	-2,632	-5,449
Interest expense lease liabilities	-285	-461	-605	-968	-1,827
Net gains/(losses) of financial assets and liabilities	0	0		0	13
Net foreign currency income/(loss)	-62	-675	456	-520	-346
Net financial items	**-1,372**	**-2,402**	**-2,450**	**-3,983**	**-5,779**
Income/ (loss) before income taxes	**-6,584**	**-1,552**	**-16,185**	**-7,539**	**16,747**
Income tax expense	3	423	6	431	1,708
Income/ (loss) for the period	**-6,586**	**-1,976**	**-16,192**	**-7,970**	**15,039**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Income/ (loss) for the period	**-6,586**	**-1,976**	**-16,192**	**-7,970**	**15,039**
Oher comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	0	-1	-1	-1	52
Oher comprehensive income	**0**	**-1**	**-1**	**-1**	**52**
Other comprehensive income	**0**	**-1**	**-1**	**-1**	**52**
Total other comprehensive income/(loss) for the period	**-6,586**	**-1,977**	**-16,193**	**-7,971**	**15,091**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 June 2020 Unaudited	30 June 2019 Unaudited	31 December 2019 Audited
ASSETS			
Non-current assets			
Multi-client library	3,397	10,432	5,996
Other intangible assets	1,885	1,148	1,621
Property, plant and equipment	17,683	27,811	24,624
Right-of-use assets	10,593	19,219	15,955
Assets under construction	32	1,359	1,023
Restricted cash	0	3,057	0
Total non-current assets	**33,591**	**63,025**	**49,219**
Current assets			
Spare parts, fuel, anchors and batteries	7,240	7,104	8,261
Trade receivables	6,533	7,880	23,503
Other receivables	5,840	5,757	4,213
Cash and cash equivalents	9,835	5,777	19,731
Restricted cash	8,341	489	618
Total current assets	**37,789**	**27,008**	**56,326**
Total assets	**71,380**	**90,033**	**105,545**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	71,490	71,490	71,490
Other reserves	-1,544	-1,584	-1,531
Retained earnings	-70,172	-76,995	-53,986
Total equity	**-228**	**-7,091**	**15,971**
LIABILITIES			
Non-current liabilities			
Provisions	12,031	18,464	14,437
Borrowings	31,517	30,979	31,199
Non-current leasing liabilities	9,892	12,485	7,979
Total non-current liabilities	**53,440**	**61,928**	**53,615**
Current liabilities			
Trade payables	2,364	3,923	8,254
Current tax liabilities	6,096	5,528	6,549
Other short term liabilities	5,971	15,642	10,807
Current leasing liabilities	3,737	10,104	10,349
Total current liabilities	**18,168**	**35,196**	**35,959**
Total liabilities	**71,608**	**97,124**	**89,574**
Total equity and liabilities	**71,380**	**90,033**	**105,545**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Net cash flow from operating activities					
Income/(loss) before income taxes	**-6,584**	**-1,553**	**-16,185**	**-7,539**	**16,747**
Adjustments for:					
Withholding tax expenses		-71	8	18	0
Total taxes paid	-463	0	-460	0	-239
Depreciation and ordinary amortisation	1,106	1,433	2,597	3,297	6,240
Depreciation right-of-use assets	2,612	3,356	6,054	6,711	13,189
Multi-client amortisation and impairment	1,857	1,687	3,733	3,502	7,785
Impairment of other long term assets	1,569	0	6,550	0	152
Cost of share-based payment	-15	0	-5	0	0
Change in trade receivables	7,699	-5,718	16,970	-3,246	-18,869
Change in inventories	1,094	377	1,021	121	-1,036
Change in trade payables	-2,882	-1,449	-5,890	-2,896	1,435
Change in other working capital	-8,456	3,138	-16,594	8,020	4,209
Finance Income	0	-65	-77	-136	-1,830
Finance Cost	764	1,131	1,613	2,259	3,177
Net cash flow from operating activities	**-1,699**	**2,266**	**-667**	**10,111**	**30,959**
Investing activities:					
Purchase of property, plant and equipment	-207	-879	-505	-1,201	-1,837
Investment in multi-client library	-929	-1,337	-1,134	-1,337	-1,337
Cash used in investing activities	**-1,136**	**-2,216**	**-1,639**	**-2,538**	**-3,174**
Financial activities:					
Financial lease payments - principal	-34	470	-101	398	183
Financial lease liabilities	-2,413	-2,960	-5,659	-5,765	-11,970
Interest lease liabilities	-285	-457	-604	-964	-1,796
Net proceeds from new loan	0	-18	0	-18	-18
Interest paid	-614	-1,015	-1,302	-2,069	-2,770
Interest received	0	65	77	136	1,830
Cash used in/provided by financial activities	**-3,346**	**-3,915**	**-7,590**	**-8,282**	**-14,541**
Net change in cash	**-6,182**	**-3,865**	**-9,896**	**-710**	**13,244**
Cash balance beginning of period	16,017	9,642	19,731	6,487	6,487
Cash balance end of period	9,835	5,777	9,835	5,777	19,731
Net change in cash	**-6,182**	**-3,865**	**-9,896**	**-710**	**13,244**

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Share capital share premium and other paid-in-capital	Foreign currency translation reserves	Retained earnings	**Total equity**
Balance as of 1 January 2019 (Unaudited)	**71,490**	**-1,584**	**-69,025**	**879**
Income/(loss) for the period	0	0	-5,994	-5,994
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**-5,994**	**-5,994**
Cost of share-based payments	0	0	0	0
Balance as of 31 March 2019 (Unaudited)	**71,490**	**-1,584**	**-75,019**	**-5,115**
Income/(loss) for the period	0	0	-1,976	-1,976
Other comprehensive income	0	-1	0	-1
Total comprehensive income	**0**	**-1**	**-1,976**	**-1,977**
Cost of share-based payments	0	0	0	0
Balance as of 30 June 2019 (Unaudited)	**71,490**	**-1,584**	**-76,995**	**-7,091**
Income/(loss) for the period	0	0	5,060	5,060
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**5,060**	**5,060**
Cost of share-based payments	0	0	0	0
Balance as of 30 September 2019 (Unaudited)	**71,490**	**-1,584**	**-71,935**	**-2,031**
Income/(loss) for the period	0	0	17,949	17,949
Other comprehensive income	0	53	0	53
Total comprehensive income	**0**	**53**	**17,949**	**18,002**
Cost of share-based payments	0	0	0	0
Balance as of 31 December 2019 (Audited)	**71,490**	**-1,531**	**-53,986**	**15,971**
Income/(loss) for the period	0	0	-9,605	-9,605
Other comprehensive income	0	-13	0	-13
Total comprehensive income	**0**	**-13**	**-9,605**	**-9,618**
Cost of share-based payments	0	0	10	10
Balance as of 31 March 2020 (Unaudited)	**71,490**	**-1,544**	**-63,581**	**6,363**
Income/(loss) for the period	0	0	-6,586	-6,586
Other comprehensive income	0	0	0	0
Total comprehensive income	**0**	**0**	**-6,586**	**-6,586**
Cost of share-based payments	0	0	-5	-5
Balance as of 30 June 2020 (Unaudited)	**71,490**	**-1,544**	**-70,172**	**-228**

Notes.

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 2019, which is available on www.emgs.com.

Going concern

The interim consolidated financial statements for the Group have been prepared under a going concern assumption. However, this assumption is subject to material uncertainty.

As noted in the Company’s 2019 annual report and the interim financial statements for the first quarter of 2020, the going concern assumption is dependent on, amongst other things, additional late sales in H2 2020 while the Atlantic Guardian is cold stacked, the timely collection of significantly past due invoices as well as the invoicing and payment of invoices for work that is completed but not invoiced. In addition to the preceding events the Company is dependent upon the successful implementation of the cost cutting measures announced on 27 March 2020. Failure of any of the previously mentioned events to materialise will have a material detrimental effect on the Company’s liquidity, and ability to continue as a going concern.

The first half of 2020 has seen a drastic reduction in oil price due to amongst other things effects of the Covid-19 global pandemic.

The reduction in oil price and resulting evaporation of the CSEM market have necessitated drastic cost reduction measures. The Company is experiencing significant progress in the reduction of its operational cost base, and has already achieved a substantial part of the targeted reductions, by, amongst other measures; laying off employees, returning the Petrel Explorer, cold stacking the Atlantic Guardian, renegotiating the Atlantic Guardian charter party, closing international offices and cancelling supplier and sourcing contracts. However, the steps taken could prove to be insufficient in preserving sufficient liquidity.

Cost reductions, while an important element of the going concern assumption, is not the only element. The company is also dependent upon certain events materialising over the second half of 2020: collecting outstanding payments, securing additional late sales and building a sufficient mix of proprietary and fully funded multi-client projects to allow the re-mobilisation and operation of the Atlantic Guardian in the first quarter of 2021, to secure revenue and enable the Company to weather future periods of low utilisation.

The elements described in the going concern assumption are not exhaustive and should all be viewed as necessary in order for the going concern assumption to be valid.

Segment reporting

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

The amounts below show sales revenues reported by geographic region.

Amounts in USD million	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Americas	0.4	0.0	8.2	2.1	**32.5**
Asia/Pacific	0.0	9.2	0.0	10.1	**23.9**
EAME	7.1	5.3	10.6	13.1	**32.9**
Total	**7.5**	**14.5**	**18.8**	**25.3**	**89.4**

Multi-client library

The multi-client library consists of electromagnetic data acquired through multi-client surveys, i.e. EMGS owns the data. The EM 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.

Amounts in USD million	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Opening carrying value	4.3	10.8	6.0	12.6	12.6
Additions	0.9	1.3	1.1	1.3	1.3
Amortisation charge	-1.8	-1.7	-2.8	-3.5	-7.8
Impairment	0.0	0.0	-0.9	0.0	-0.2
Closing carrying value	**3.4**	**10.4**	**3.4**	**10.4**	**6.0**

Disclaimer for forward-looking statements

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

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Definitions – Alternative Performance Measures.

EMGS' financial information is prepared in accordance with IFRS. In addition, EMGS provides alternative performance measures to enhance the understanding of EMGS' performance. The alternative performance measures presented by EMGS may be determined or calculated differently by other companies.

EBITDA

EBITDA means Earnings before interest, taxes, amortisation, depreciation and impairments. EMGS uses EBITDA because it is useful when evaluating operating profitability as it excludes amortisation, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company's performance to other companies.

Amounts in USD 1 000	Q2 2020 Unaudited	Q2 2019 Unaudited	First half year 2020 Unaudited	First half year 2019 Unaudited	2019 Audited
Operating profit / (loss)	-5,212	850	-13,735	-3,556	22,526
Depreciation and ord. amortisation	3,345	4,265	8,144	9,484	19,429
Multi-client amortisation	1,857	1,687	2,889	3,502	7,785
Impairment of long term assets	1,569	0	7,394	0	152
EBITDA	**1,559**	**6,801**	**4,692**	**9,430**	**49,893**

Adjusted EBITDA

Adjusted EBITDA means EBITDA (see above) less multi-client investment (capitalisation) and less the cost of vessel and office lease.

Backlog

Backlog is defined as the total value of future revenue from signed customer contracts.

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