EMGS THIRD QUARTER 2019.

Highlights in the Third Quarter.

Operational highlights

- Ongoing USD 24 million proprietary acquisition in South East Asia
- Commencement of the Pemex contract in Mexico
- Backlog at end Q3 of USD 78.3 million, whereof USD 37.0 million firm

Financial highlights

- Revenues of USD 26.9 million
- EBITDA of USD 15.7 million
- Adjusted EBITDA of USD 11.6 million
- Payment delay in connection with on-going acquisition contract

Subsequent events

- Multi-client sales of total USD 8.0 million
- Positive free cash effect of USD 3.7 million following final verdict in ISS litigation

Key financial figures

Amounts in USD million (except per share data)	Q3 2019 Unaudited	Q3 2018 Unaudited	YTD 2019 Unaudited	YTD 2018 Unaudited	2018 Audited	Q2 2019 Unaudited
Contract sales	**20.5**	0.6	32.9	0.9	7.2	9.3
Multi-client sales	**5.7**	4.7	17.1	15.2	21.6	4.5
Other revenue	**0.8**	0.7	2.2	2.1	2.8	0.7
Total revenues	**26.9**	6.0	52.2	18.2	31.5	14.5
Operating profit/ (loss)	**7.5**	-9.7	3.9	-25.3	-31.7	0.8
Income/ (loss) before income taxes	**5.8**	-11.1	-1.7	-29.3	-36.6	-1.6
Net income/ (loss)	**5.1**	-11.2	-2.9	-29.4	-36.6	-2.0
Earnings/ (loss) per share	**0.04**	-0.09	-0.02	-0.26	-0.31	-0.02
Average number of shares outstanding (in thousands)	**130,970**	130,970	130,970	111,417	116,345	130,970
EBITDA	**15.7**	-4.0	25.1	-11.2	-10.6	6.8
Multi-client investments	**0.0**	1.9	0.8	5.8	6.2	0.8
Vessel and office lease	**4.1**	0.0	11.8	0.0	0.0	3.9
Adjusted EBITDA	**11.6**	-5.9	12.5	-17.0	-16.8	2.1

EBITDA = Operating profit /(loss) + Depreciation and ordinary amortisation + Multi-client amortisation + Impairment of long-term assets
Adjusted EBITDA = EBITDA (see above) less multi-client investment (capitalisation) and less the cost of vessel and office lease.

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 26.9 million in the third quarter of 2019, up from USD 6.0 million reported for the corresponding quarter of 2018. Contract sales and other sales totalled USD 21.2 million, while multi-client sales amounted to USD 5.7 million. For the third quarter of 2018, contract sales and other sales totalled USD 1.3 million, while multi-client sales amounted to USD 4.7 million.

Revenues for the first nine months of 2019 amounted to USD 52.2 million, compared with USD 18.2 million in the corresponding period in 2018.

Charter hire, fuel and crew expenses totalled USD 5.0 million in the third quarter this year, compared with USD 3.9 million in the third quarter of 2018. Following the implementation of the new accounting standard for leases, IFRS 16, on 1 January 2019, vessel leases are no longer recognised under charter hire, fuel and crew expenses, but as a financial lease. See Accounting Principles for a description of the effects from implementation of IFRS 16. The reclassified vessel lease expenses amounted to USD 3.7 million in the third quarter of 2019. The Group used the modified retrospectively approach when adopting IFRS 16, hence the financials for 2018 are not comparable to the financials for 2019. The Company did not capitalise any of the charter hire, fuel and crew expenses as multi-client expenses in the quarter, while USD 1.9 million was capitalised in the third quarter of 2018. The charter hire, fuel and crew expenses have increased from USD 5.8 million in the third quarter of 2018 to USD 8.7 million in same period this year when adding back the vessel lease expenses and the capitalised multi-client expenses. This is a result of an increased activity level in the third quarter of 2019 compared to 2018.

So far this year, the Company has recorded charter hire, fuel and crew expenses of USD 9.8 million, down from USD 11.6 million in 2018. USD 12.6 million was capitalised as multi-client expenses and vessel lease expenses in the first nine months of 2019, compared with USD 5.8 million capitalised as multi-client expenses during the same period last year.

Employee expenses amounted to USD 5.2 million in the third quarter of 2019, up from USD 4.7 million in the same quarter in 2018. Employee expenses for the first nine months were USD 13.9 million in 2019, compared with USD 13.5 million in 2018.

Other operating expenses totalled USD 1.1 million in the third quarter this year. In accordance with IFRS 16, the office leases are no longer recognised under other operating expenses. The reclassified office lease expenses amounted to USD 0.4 million in the third quarter of 2019. Other operating expenses have increased from USD 1.3 million in the third quarter of 2018 to USD 1.5 million in the third quarter 2019 when adding back the office lease expenses. In the first nine months of 2019, other operating expenses amounted to USD 3.4 million, down from USD 4.2 million in the same period last year.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.6 million in the third quarter of 2019, down from USD 1.8 million in the third quarter of 2018. Depreciation right-of-use assets, vessel leases and office leases totalled USD 3.4 million in the third quarter of 2019 due to the adoption of IFRS 16 in 2019.

Depreciation and ordinary amortisation decreased from USD 5.9 million in the first nine months of 2018 to USD 4.9 million in 2019. Depreciation right-of-use assets, vessel leases and office leases for the first nine months were USD 9.6 million due to the adoption of IFRS 16 in 2019. The Company capitalised USD 0.5 million of the depreciation of the right-of-use asset as multi-client expenses in the first nine months of 2019.

Multi-client amortisation amounted to USD 3.0 million this quarter, compared with USD 3.9 million in the third quarter of 2018. The Company uses straight-line amortisation for its completed multi-client projects, assigned over the useful lifetime of 4 years.

Multi-client amortisation totalled USD 6.5 million for the first nine months of 2019, down from USD 8.3 million in 2018.

Impairment of long-term assets amounted to USD 0.2 million this quarter and consist of impairment of the multi-client library. No impairment of long-term assets was recorded in the corresponding quarter last year.

Net financial items

Net financial items ended at negative USD 1.7 million in the third quarter of 2019, compared with a negative USD 1.5 million in the corresponding quarter last year. In the third quarter of 2019, the Group recorded an interest expense of USD 1.9 million compared with an interest expense of USD 1.2 million in the third quarter of 2018. The increase is mainly caused by the adoption of IFRS 16 in 2019. In the third quarter of 2019, the Company recorded a net currency gain of USD 0.2 million, compared with a currency loss of USD 0.2 million in the third quarter of 2018.

In the first nine months of 2019, net financial items were negative USD 5.7 million, down from a negative USD 3.9 million in 2018.

Income/(loss) before income taxes

Profit before income taxes amounted to USD 5.8 million in the third quarter 2019, compared with a loss before income taxes of USD 11.1 million in the corresponding quarter in 2018.

Loss before income taxes for the first nine months of 2019 amounted to USD 1.8 million, compared with a loss before income taxes of USD 29.3 million in the same period last year.

Income tax expenses

Income tax expenses of USD 0.7 million were recorded in the third quarter of 2019, compared with an income tax expense of USD 14 thousand in the third quarter of 2018.

Income tax expenses for the first nine months of 2019 were USD 1.2 million, compared with USD 0.1 million in the same period in 2018.

Net income for the period

Profit for the third quarter of 2019 amounted to USD 5.1 million, up from a loss of USD 11.2 million in the same period last year.

Losses for the first nine months of 2019 were USD 3.0 million, up from a loss of USD 29.4 million in the same period last year.

Cash flow and balance sheet

In the third quarter 2019, net cash flow from operating activities was USD 2.4 million, compared with a negative net cash flow of USD 3.0 million in the third quarter of 2018. The cash flow from operating activities this quarter was mainly affected by a positive EBITDA of USD 5.8 million.

In the first nine months of 2019, net cash flow from operating activities was USD 12.0 million, compared with a negative USD 10.3 million in the same period last year.

EMGS applied USD 0.2 million in investing activities in the third quarter this year, compared with USD 2.3 million in the third quarter of last year. The Company invested USD 0.2 million in equipment in the third quarter 2019.

Cash flow from investing activities in the first nine months of this year amounted to a negative USD 2.8 million, compared with a negative USD 6.9 million in the same period last year. The Company invested USD 1.4 million in equipment and USD 1.3 million in the multi-client library in 2019.

The carrying value of the multi-client library was USD 7.3 million at 30 September 2019, down from USD 10.4 million at 30 June 2019 and USD 14.9 million at 30 September 2018.

Cash flow from financial activities was negative USD 4.3 million in the third quarter of 2019, compared with a negative cash flow of USD 0.6 million in the same quarter last year. The negative cash flow this year included payment of vessel and office leases recognised as financial leases following the implementation of IFRS 16 of USD 4.1 million.

Cash flow from financial activities for the first nine months of 2019 amounted to USD 12.0 million, compared with a USD 10.2 million in the same period of 2018.

The Company had a net decrease in cash, excluding restricted cash, of USD 2 million during the third quarter of 2019. At 30 September 2019, cash and cash equivalents totalled USD 3.8 million.

Financing

Total borrowings were USD 31.1 million at 30 September 2019, up from USD 31.0 million at 30 June 2019 and up from USD 30.7 million at 30 September 2018. This includes the Company's convertible bond loan, which has a carrying value of USD 31.1 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 September 2019, the free cash and cash equivalents totalled USD 3.8 million.

The Company's two bank facilities (the credit facility and the guarantee facility) both contain certain financial covenant, including a USD 2.5 million free cash covenant and a capital employed ratio (1/3) covenant. As of the end of the third quarter, the Company was not compliant with the bank facilities' capital employed covenant. A waiver for such covenant breach has been given for the second and the third quarter of 2019.

Operational Review.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Contract	73 %	45 %	11 %	32 %	0 %
Multi-client	0 %	28 %	0 %	0 %	29 %
Total utilisation	**73 %**	**73 %**	**11 %**	**32 %**	**29 %**

Vessel utilisation and fleet allocation

The vessel utilisation for the third quarter 2019 was 73% compared with 29% in the corresponding quarter in 2018. For the first nine months of 2019, the vessel utilisation was 52% compared with 33% for the same period last year.

In the third quarter of 2019, the Company's vessels were allocated 73% to proprietary work and no time was spent on multi-client projects. In the comparable quarter of 2018, the vessels were allocated 29% to multi-client projects and no time was spent on proprietary work.

EMGS had two vessels on charter and recorded 6.0 vessel months in the quarter. In the third quarter 2018, the Company also had two vessels on charter.

Vessel activity in the third quarter

	Utilisation Q3 2019	Status Q3 2019	Firm charter period	Remaining option periods
BOA Thalassa	**79 %**	In operation	31 March 2020	2 x 6 months
Atlantic Guardian	**66 %**	In operation	30 September 2021	5 x 12 months

Atlantic Guardian

The Atlantic Guardian commenced a proprietary survey for Pemex in Mexico on 25 July 2019. This survey is still ongoing.

BOA Thalassa

The BOA Thalassa spent the entire third quarter of 2019 acquiring EM data for Petronas in South-East Asia.

Backlog

As of 30 September 2019, EMGS' backlog was USD 78.3 million, whereof USD 37.0 million is fixed and the remaining USD 41.3 million is the non-committed part of the Pemex proprietary acquisition contract. This compares with a backlog of USD 3.5 million at the end of the third quarter 2018 (all fixed).

Of the total USD 78.3 million backlog as of 30 September 2019, USD 74.6 million is related to proprietary projects, USD 2.4 million to pre-funding and late sales, and the remaining USD 1.3 million is related to processing, interpretation and other projects.

Events during the third quarter of 2019

Award of proprietary acquisition contract for Nabirm Global LLC

On 1 August, EMGS announced it had been awarded a contract from Nabirm Global LLC for a proprietary 3D CSEM survey over Block 211A, Petroleum Exploration License (PEL 0058) in the Walvis Basin offshore Namibia. The contract value is in excess of USD 1 million. Under the contract, EMGS will also provide processing, inversion and interpretation services post acquisition. Subject to, amongst other things, vessel availability, acquisition is projected to take place in Q1/Q2 2020, with a backstop date (automatic termination in the event if no vessel availability) of May 2020.

Subsequent events

New multi-client contract

On 28 October, EMGS announced that the Company had signed a USD 8 million multi-client contract with an undisclosed customer. Under the contract, the customer will license certain data from the Company's existing EM multi-client library in Norway and settle future potential uplift obligations towards the Company for multi-client data already licensed by the customer. The contract furthermore includes a number of user licenses to the Company's proprietary EMU and SBLwiz software, and prepayment for consulting services. EMGS expects that the full contract value will be recognised in the fourth quarter of 2019.

Final verdict in ISS litigation

On 28 October, EMGS announced that a final verdict in a litigation related to Municipal Services Tax (ISS) claim in Brazil had been delivered by the Brazilian courts. The court had found in EMGS' in favour. Consequently, the disputed amount previously deposited into a judicial escrow amount in Brazil has been released to the Company. The release has, following payments of legal fees and certain tax costs related to the released amount, increased the Company's free cash position by approx. USD 3.7 million. At the same time, the non-current restricted cash position was reduced to zero.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the third quarter 2019, the EMGS share was traded between NOK 2.12 and NOK 3.30 per share. The last closing price before 30 September 2019 was NOK 2.13.

As of 30 September 2019, 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. Since 2014, there has been a substantial decline in E&P spending, as a result of a fall in the oil price, and a corresponding sharp deterioration of the market for geophysical services, including EMGS' services.

Through comprehensive cost reduction measures, EMGS has reduced the operational cost base from USD 143 million in 2015 down to USD 48 million in 2018. EMGS continues its cost focus in 2019. Based on current increased operational activity, the cost level in 2019 is anticipated to be higher than in 2018. The Company is also pursuing a strategic approach to flexible and low fixed-cost solutions for increased capacity with less dependence on vessels on long term charter, inter alia through the development and implementation of mobile equipment sets. This will bring down the fixed cost and increase vessel utilisation.

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 September 2019, the free cash and cash equivalents totaled USD 3.8 million.

As described above in this report (under *Financing*), the Company is currently not compliant with the capital employed ratio covenant under the Company's two bank facilities, and consequently dependent on further waivers by the bank. Should the bank not be willing to provide such waivers, the Company will no longer be compliant with its obligations under the two bank facilities. Such default will trigger certain other cross default provisions, including under the Company's outstanding convertible bond issue.

EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Group's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast. The Company's improved backlog in 2019 has reduced the uncertainty related to the timing of revenues and the pressure on the Company's cash position and consequently the Company's ability to meet the cash covenant. However, the Company is operating with limited headroom under the free cash covenant.

EMGS is currently experiencing a delay in the payment of one of the Company's invoices under an on-going acquisition contract in the Americas. Furthermore, the Company is experiencing delays in the approval process for several other invoices which are ready for final submittal to the customer. The outstanding amounts as of the balance date have been recorded as part of the trade receivables on the Company's balance sheet included below in this report. Should the payment delays continue, this will have a material detrimental effect on the Company's liquidity and solidity, including the Company's ability to remain compliant with the free cash covenant.

The ever-changing exogenous factors in the industry will impact the business and risk factors going forward and they represent added uncertainties. In addition, there are risks associated with EM marine operations which might affect the profitability of projects. Examples include changes in governmental regulations affecting EMGS' markets, technical downtime, adverse weather conditions, licensing and permitting, as well as delays in closing revenue-generating contracts. Reference is made to the Annual Report for 2018 for a further description of other relevant risk factors.

Outlook

The market outlook for oil services is characterised by high uncertainty and limited visibility. However, the two on-going long-term contracts combined with a noticeable increase in commercial activity form the basis for the Company's positive EM market outlook. The Company expects its balance sheet and cash position to strengthen going forward, provided, in particular, that the following two conditions are met. Firstly, that the Company is able to resolve the on-going payment delay situation. Secondly, that the Company, working together with Pemex, is able to convert more of the maximum value of the Pemex contract into committed (fixed) work.

Sales efforts are ongoing to secure backlog in all regions.

Based on the current operational forecast, EMGS expects to continue to operate two vessels in 2019. The Company expects to keep one vessel in Asia in 2019, while the other vessel is expected to operate in the Americas. EMGS will continue to invest in its multi-client library in selected areas. Capital investment plans are limited to maintenance of existing equipment.

The Company has a strong global presence and maintains its cutting-edge technological position in the EM market. The organisation is motivated, dynamic and innovative with a unique and strong know how. The Company is well positioned to benefit from the upturn in the market.

Oslo, 6 November 2019
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q3 2019 Unaudited	Q3 2018 Unaudited	Year to date 2019 Unaudited	Year to date 2018 Unaudited	2018 Audited
Operating revenues					
Contract sales	20,466	568	32,861	880	7,176
Multi-client pre-funding	4,608	3,768	4,608	6,308	8,804
Multi-client late sales	1,084	924	12,478	8,895	12,781
Other revenue	755	701	2,225	2,071	2,789
Total revenues	**26,913**	**5,961**	**52,172**	**18,153**	**31,550**
Operating expenses					
Charter hire, fuel and crew expenses	4,996	3,861	9,785	11,645	18,784
Employee expenses	5,171	4,741	13,885	13,524	17,505
Depreciation and ordinary amortisation	1,592	1,816	4,889	5,857	7,595
Depreciation right-of-use assets	3,385	0	9,572	0	0
Multi-client amortisation	3,024	3,870	6,526	8,267	10,914
Impairment of long-term assets	152	0	152	0	2,544
Other operating expenses	1,095	1,346	3,420	4,200	5,877
Total operating expenses	**19,415**	**15,634**	**48,230**	**43,494**	**63,218**
Operating profit/ (loss)	**7,498**	**-9,673**	**3,942**	**-25,340**	**-31,668**
Financial income and expenses					
Interest income	24	8	160	169	232
Interest expense	-1,476	-1,242	-4,107	-3,664	-5,251
Interest expense lease liabilities	-439	0	-1,407	0	0
Net gains/(losses) of financial assets and liabilities	2	0	2	649	649
Net foreign currency income/(loss)	191	-234	-328	-1,089	-612
Net financial items	**-1,697**	**-1,469**	**-5,680**	**-3,935**	**-4,981**
Income/ (loss) before income taxes	**5,800**	**-11,142**	**-1,738**	**-29,275**	**-36,650**
Income tax expense	741	14	1,172	132	-50
Income/ (loss) for the period	**5,060**	**-11,156**	**-2,910**	**-29,406**	**-36,599**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q3 2019 Unaudited	Q3 2018 Unaudited	Year to date 2019 Unaudited	Year to date 2018 Unaudited	2018 Audited
Income/ (loss) for the period	**5,060**	**-11,156**	**-2,910**	**-29,406**	**-36,599**
Oher comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	0	0	-1	26	33
Net (loss)/gain on available-for-sale (AFS) financial assets	0	0	0		0
Oher comprehensive income	**0**	**0**	**-1**	**26**	**33**
Actuarial gains/(losses) on defined benefit plans	0	0	0	0	0
Other comprehensive income	**0**	**0**	**-1**	**26**	**33**
Total other comprehensive income/(loss) for the period	**5,060**	**-11,156**	**-2,911**	**-29,380**	**-36,566**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 September 2019 Unaudited	30 September 2018 Unaudited	31 December 2018 Audited
ASSETS			
Non-current assets			
Multi-client library	7,255	14,868	12,596
Other intangible assets	1,803	1,362	1,388
Property, plant and equipment	26,541	31,310	30,174
Right-of-use assets	18,963	0	0
Assets under construction	572	3,551	852
Restricted cash	2,806	2,910	3,008
Total non-current assets	**57,940**	**54,001**	**48,018**
Current assets			
Spare parts, fuel, anchors and batteries	7,620	7,523	7,225
Trade receivables	19,963	2,508	4,634
Other receivables	5,303	6,407	4,855
Cash and cash equivalents	3,757	9,525	6,487
Restricted cash	340	4,004	3,609
Total current assets	**36,983**	**29,966**	**26,811**
Total assets	**94,923**	**83,967**	**74,829**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	350,274	350,504	350,274
Other reserves	-1,584	-1,591	-1,584
Retained earnings	-350,719	-338,235	-345,360
Total equity	**-2,031**	**10,675**	**3,328**
LIABILITIES			
Non-current liabilities			
Provisions	18,052	19,625	19,250
Borrowings	31,075	30,694	30,808
Non-current leasing liabilities	11,332	338	238
Total non-current liabilities	**60,459**	**50,657**	**50,296**
Current liabilities			
Trade payables	8,826	7,458	6,819
Current tax liabilities	5,896	5,368	5,079
Other short term liabilities	10,998	9,491	9,003
Current leasing liabilities	10,774	317	303
Total current liabilities	**36,494**	**22,635**	**21,204**
Total liabilities	**96,953**	**73,292**	**71,501**
Total equity and liabilities	**94,923**	**83,967**	**74,829**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q3 2019 Unaudited	Q3 2018 Unaudited	Year to date 2019 Unaudited	Year to date 2018 Unaudited	2018 Audited
Net cash flow from operating activities					
Income/(loss) before income taxes	5,801	-11,142	-1,738	-29,275	**-36,650**
Adjustments for:					
Withholding tax expenses	-18	0	0	0	0
Total taxes paid	-355	-44	-355	-1,063	-1,170
Depreciation and ordinary amortisation	1,592	1,816	4,889	5,857	7,595
Depreciation right-of-use assets	3,385	0	10,096	0	0
Multi-client amortisation and impairment	3,024	3,870	6,526	8,267	10,914
Impairment of other long term assets	152	0	152	0	2,544
Cost of share-based payment	0	20	0	62	-167
Change in trade receivables	-12,083	7,911	-15,329	8,568	6,442
Change in inventories	-516	161	-395	-323	-25
Change in trade payables	4,903	2,436	2,007	576	-63
Change in other working capital	-4,197	-8,795	3,823	-5,194	-4,124
Amortisation of interest	761	801	2,282	2,238	2,999
Net cash flow from operating activities	**2,449**	**-2,966**	**11,958**	**-10,287**	**-11,705**
Investing activities:					
Purchase of property, plant and equipment	-190	-343	-1,391	-1,117	-1,598
Investment in multi-client library	0	-1,930	-1,337	-5,818	-6,193
Cash used in investing activities	**-190**	**-2,273**	**-2,728**	**-6,935**	**-7,791**
Financial activities:					
Financial lease payments - principal	-125	-73	273	-219	-332
Financial lease liabilities	-3,060	0	-8,825	0	0
Interest lease liabilities	-425	0	-1,389		0
Net proceeds from new loan	0	0	-18	32,103	32,103
Repayment/settlement of loan and FRA	0	0	0	-31,880	-31,880
Net proceeds from rights issue	0	0	0	11,736	11,736
Net proceed new lease agrement	0	107	0	107	107
Payment of interest on bonds	-670	-654	-2,001	-1,648	-2,299
Cash used in/provided by financial activities	**-4,280**	**-620**	**-11,960**	**10,199**	**9,435**
Net change in cash	**-2,020**	**-5,859**	**-2,730**	**-7,023**	**-10,061**
Cash balance beginning of period	5,777	15,384	6,487	16,548	16,548
Cash balance end of period	3,757	9,525	3,757	9,525	6,487
Net change in cash	**-2,020**	**-5,859**	**-2,730**	**-7,023**	**-10,061**

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Share capital share premium and other paid-in-	Foreign currency translation reserves	Available-for-sale reserve	Retained earnings	**Total equity**
Balance as of 1 January 2018	**336,764**	**-1,617**	**0**	**-308,761**	**26,386**
Income/(loss) for the period	0	0	0	-12,124	-12,124
Other comprehensive income	0	26	0	0	26
Total comprehensive income	**0**	**26**	**0**	**-12,124**	**-12,098**
Cost of share-based payments	20	0	0	0	20
Balance as of 31 March 2018 (Unaudited)	**336,784**	**-1,591**	**0**	**-320,885**	**14,307**
Income/(loss) for the period	0	0	0	-6,194	-6,194
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-6,194**	**-6,194**
Cost of share-based payments	22	0	0	0	22
Proceeds from shares issued	11,736	0	0	0	11,736
Balance as of 30 June 2018 (Unaudited)	**348,542**	**-1,591**	**0**	**-327,079**	**19,872**
Income/(loss) for the period	0	0	0	-11,156	-11,156
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-11,156**	**-11,156**
Cost of share-based payments	21	0	0	0	21
Equity component of convertible loan	1,941	0	0	0	1,941
Balance as of 30 September 2018 (Unaudited)	**350,504**	**-1,591**	**0**	**-338,235**	**10,675**

Amounts in USD 1 000	Share capital share premium and other paid-in-	Foreign currency translation reserves	Available-for-sale reserve	Retained earnings	**Total equity**
Balance as of 1 January 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-347,809**	**879**
Income/(loss) for the period	0	0	0	-5,994	-5,994
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-5,994**	**-5,994**
Cost of share-based payments	0	0	0	0	0
Balance as of 31 March 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-353,803**	**-5,115**
Income/(loss) for the period	0	0	0	-1,976	-1,976
Other comprehensive income	0	-1	0	0	-1
Total comprehensive income	**0**	**-1**	**0**	**-1,976**	**-1,977**
Cost of share-based payments	0	0	0	0	0
Balance as of 30 June 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-355,779**	**-7,091**
Income/(loss) for the period	0	0	0	5,060	5,060
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**5,060**	**5,060**
Cost of share-based payments	0	0	0	0	0
Balance as of 30 September 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-350,719**	**-2,031**

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 2018, which is available on www.emgs.com.

IFRS 16 Leases, effective from 1 January 2019

The Group applied, for the first time in the first quarter of 2019, the new standard of accounting of leases, IFRS 16. The new standard replaced the existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17.

The Group adopted IFRS 16 using the modified retrospectively approach, and therefore comparatives for the year ended 31 December 2018 have not been restated and the reclassifications and adjustments on implementation are recognized in the opening balance sheet 1 January 2019.

The Group leases vessels and office space and have changed the recognition of these lease contracts accordingly. These leases are recorded as assets and corresponding financial lease liability in the balance sheet. The vessel lease expenses are moved from charter hire, fuel and crew expenses to depreciation and interest expenses. The office lease expenses are moved from other operating expenses to depreciation and interest expenses.

The Group has leases of certain office equipment (i.e. personal computers, printing and photocopying machines) that are considered of low value.

At 1 January 2019, the Company recognised lease liability of USD 28.4 million and a right-of-use assets of USD 25.9 million together with a decrease in equity of USD 2.4 million.

Impact on the statement of financial position:

Amounts in USD 1 000	At 1 January 2019 Unaudited
ASSETS	
Non-current assets	
Right-of-use assets	25,930
LIABILITIES	
Non-current liabilities	
Non current leasing liabilities	16,070
Current liabilities	
Current leasing liabilities	12,309
Impact on equity	**-2,449**

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	Q3 2019 Unaudited	Q3 2018 Unaudited	YTD 2019 Unaudited	YTD 2018 Unaudited	2018 Audited
Americas	12.1	0.3	14.2	**2.9**	9.1
Asia/Pacific	8.1	2.3	18.2	**3.2**	2.4
EAME	6.7	3.3	19.9	**12.0**	20.1
Total	**26.9**	**6.0**	**52.2**	**18.2**	**31.6**

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.

Amounts in USD million	Q3 2019 Unaudited	Q3 2018 Unaudited	YTD 2019 Unaudited	YTD 2018 Unaudited	2018 Audited
Opening carrying value	10.4	16.8	12.6	17.3	17.3
Additions	0.0	1.9	1.3	5.8	6.2
Amortisation charge	-3.0	-3.9	-6.6	-8.3	-10.9
Impairment	-0.2	0.0	0.0	0.0	0.0
Closing carrying value	**7.3**	**14.9**	**7.3**	**14.9**	**12.6**

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	Q3 2019 Unaudited	Q3 2018 Unaudited	YTD 2019 Unaudited	YTD 2018 Unaudited	2018 Audited
Operating profit / (loss)	7,498	-9,673	3,942	-25,340	-31,668
Depreciation and ord. amortisation	4,977	1,816	14,461	5,857	7,595
Multi-client amortisation	3,024	3,870	6,526	8,267	10,914
Impairment of long term assets	152	0	152	0	2,544
EBITDA	**15,651**	**-3,988**	**25,081**	**-11,216**	**-10,616**

Adjusted EBITDA

Adjusted EBITDA means EBITDA (see above) less multi-client investment (capitalisation) and less the cost of vessel and office lease. EMGS uses adjusted EBITDA because it is useful when evaluating the operating profitability regardless if the Company is working on a multi-client or a proprietary survey. The adjusted EBITDA includes the gross cash costs of the Company. The adjusted EBITDA adds back cash items as capitalised multi-client expenses and vessel and office lease expenses to the costs included in the adjusted EBITDA

Backlog

Backlog is defined as the total nominal value of future revenue from signed customer contracts. EMGS believes that the backlog figure is a useful measure in that it provides an indication of the amount of committed activity in the coming periods.

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