EMGS SECOND QUARTER 2018.

Highlights in the Second Quarter.

Operational highlights

- Multi-client investments of USD 2.2 million in the North Sea and the Barents Sea
- Continuous upward momentum regarding international opportunities

Financial highlights

- Revenues of USD 7.9 million
- EBITDA of negative USD 0.8
- Rights issue of USD 12.5 million completed
- NOK 246 million bond refinanced with a USD 32.5 million convertible bond
  - Reduced cash covenant (USD 2.5 million vs. USD 10 million)
  - New maturity (2023 vs. 2019)

Key financial figures

Amounts in USD million (except per share data)	Q2 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited	Q1 2018 Unaudited
		Restated*	Restated*	Restated*	Restated*	
Contract sales	**0.2**	0.5	0.3	1.2	2.6	0.1
Multi-client sales	**7.0**	7.8	3.5	11.3	30.4	3.5
Other revenue	**0.7**	0.0	1.4	0.0	0.9	0.7
Total revenues	**7.9**	8.3	5.2	12.4	33.9	4.3
Operating profit/ (loss)	**-4.4**	-4.9	-15.7	-14.0	-17.8	-11.2
Income/ (loss) before income taxes	**-6.1**	-5.9	-18.1	-16.1	-22.8	-12.1
Net income/ (loss)	**-6.2**	-6.0	-18.2	-16.2	-23.2	-12.1
Earnings/ (loss) per share	**-0.06**	-0.18	-0.56	-0.16	-0.39	-0.13
Average number of shares outstanding (in thousands)	**111,417**	32,794	32,794	101,478	59,782	91,429
EBITDA	**-0.8**	2.3	-7.2	-3.2	2.9	-6.4
Multi-client and JIP test investments	**2.2**	3.2	3.9	4.1	9.6	1.7
Adjusted EBITDA	**-3.0**	-0.9	-11.1	-7.3	-6.6	-8.1

*** See Accounting principles under Notes**

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 7.9 million in the second quarter of 2018, down from USD 8.3 million reported for the corresponding quarter of 2017. Contract and other sales totalled USD 0.9 million, while multi-client sales amounted to USD 7.0 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS. For the second quarter of 2017, contract sales totalled USD 0.5 million, while multi-client sales amounted to USD 7.8 million.

Revenues for the first half of 2018 amounted to USD 12.2 million, compared with USD 12.4 million for the first half of 2017.

The Group applied, for the first time in the first quarter of 2018, IFRS 15 Revenue from Contracts with Customers using the full retrospective method which requires a restatement of the previous financials. For contract sales and late sales, there are no effects following the implementation of IFRS 15. The new standard's impact on recognition of multi-client pre-funding revenues has still not been concluded. The interpretation of the new standard is the same as last quarter. The multi-client prefunding revenues are recognised at the point in time when final data is delivered to the customer, and not based on the so-called Percentage of Completion (POC) principle, which was used prior to 1 January 2018. The effects are further described in the Accounting principles under Notes and Definitions - Alternative Performance Measures.

Charter hire, fuel and crew expenses totalled USD 3.5 million in the second quarter this year, compared with USD 0.7 million in the second quarter of 2017. The Company capitalised USD 2.2 million in multi-client expenses in the quarter, while USD 3.2 million was capitalised in the second quarter of 2017. The charter hire, fuel and crew expenses have increased from USD 3.9 million in the second quarter of 2017 to USD 5.7 million in same period this year when adding back the capitalised multi-client expenses. The main reason for the increased expenses is that BOA Thalassa was off-hire in the second quarter of 2017.

For the first half of 2018, charter hire, fuel and crew expenses totalled USD 7.8 million, up from USD 3.5 million in 2017. USD 3.9 million was capitalised as multi-client and JIP expenses in the first half of 2018, compared with USD 4.1 million during the same period last year.

Employee expenses amounted to USD 3.7 million in the second quarter of 2018, up from USD 3.4 million in the same quarter in 2017.

Employee expenses for the first half of 2018 were USD 8.8 million in 2018, compared with USD 8.6 million in 2017.

Other operating expenses totalled USD 1.5 million in the second quarter this year. In the second quarter last year, other operating expenses amounted to USD 1.8 million.

For the first half of 2018, other operating expenses amounted to USD 2.9 million, down from USD 3.5 million in the same period last year.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.9 million in the second quarter of 2018, up from USD 1.5 million in the second quarter of 2017. The increase is mainly a result of depreciation of the DeepBlue source, which was moved from assets under construction to property, plant and equipment in the third quarter last year.

Depreciation and ordinary amortisation increased from USD 2.9 million in the first half of 2017 to USD 4.0 million in 2018.

Multi-client amortisation amounted to USD 1.7 million this quarter, compared with USD 2.5 million in the second quarter of 2017. 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 4.4 million for the first half of 2018, down from USD 4.8 million in 2017.

The Company recorded a multi-client impairment of USD 3.2 million in the second quarter of 2017. No impairment was recorded in the second quarter of 2018.

Net financial items

Net financial items ended at negative USD 1.7 million in the second quarter of 2018, compared with negative USD 1.0 million in the corresponding quarter last year. The loss on financial liabilities totalled USD 1.5 million in the second quarter of 2018, down from a gain of USD 0.7 million in the second quarter of 2017. In the second quarter of 2018, the Company recorded a net currency gain of USD 0.9 million, compared with a currency loss of USD 0.8 million in the second quarter of 2017.

In the first half of 2018, net financial items were negative USD 2.5 million, down from a negative USD 2.1 million in the first half of 2017.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 6.1 million in the second quarter 2018, compared with a loss before income taxes of USD 5.9 million in the corresponding quarter in 2017.

Loss before income taxes for the first half of 2018 amounted to USD 18.1 million, compared with a loss before income taxes of USD 16.1 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 2018, compared with an income tax expense of USD 34 thousand in the second quarter of 2017.

Income tax expenses for the first half of 2018 were USD 0.1 million, compared with USD 67 thousand in the same period in 2017.

Net income for the period

Loss for the second quarter of 2018 amounted to USD 6.2 million, down from a loss of USD 6.0 million in the same period last year.

Losses for the first half of 2018 were USD 18.3 million, down from a loss of USD 16.2 million in the same period last year.

Cash flow and balance sheet

In the second quarter 2018, net cash flow from operating activities was negative USD 4.4 million, compared with negative net cash flow of USD 1.8 million in the second quarter of 2017. The cash flow from operating activities this quarter was mainly affected by a negative change in trade receivables of USD 6.9 million, a negative EBITDA of USD 0.8 million and a positive change in other working capital of USD 6.4 million.

In the first half of 2018, net cash flow from operating activities was negative USD 7.3 million, compared with a negative USD 1.9 million in the same period last year.

EMGS applied USD 2.8 million in investing activities in the second quarter this year, compared with USD 4.1 million in the second quarter of last year. The Company invested USD 0.5 million in equipment and USD 2.2 million in the multi-client library in the second quarter 2018.

Cash flow from investing activities in the first half of this year amounted to a negative USD 4.7 million, compared with a negative USD 5.5 million in the same period last year. The Company invested USD 0.8 million in equipment and USD 3.9 million in the multi-client library in the first half of 2018.

The carrying value of the multi-client library was USD 16.8 million at 30 June 2018, down from USD 17.3 million at 31 December 2017 and USD 18.9 million at 30 June 2017.

Cash flow from financial activities was USD 10.7 million in the second quarter of 2018, compared with a positive cash flow of USD 4.9 million in the same quarter last year. The positive cash flow this year included net proceeds from the USD 12.5 million rights issue of total USD 11.7 million and net proceeds from the issuance of the USD 32.5 million convertible bond of total USD 32.1 million. The Company used USD 32.6 million to repay the NOK 246 million bond at 103% of par value, unwind the forward rate contract and repay the short-term loan from Siem Investments Inc. in the second quarter of 2018.

Cash flow from financial activities for the first half of 2018 amounted to positive USD 10.8 million, compared with a positive USD 2.4 million in the same period of 2017.

The Company had a net increase in cash, excluding restricted cash, of USD 3.6 million during the second quarter of 2018. At 30 June 2018, cash and cash equivalents totalled USD 18.8 million, including USD 3.3 million in restricted cash.

Financing

Total borrowings were USD 33.1 million at 30 June 2018, up from USD 30.6 million at 31 December 2017 and down from USD 38.5 million at 31 March 2017. This includes the Company’s new USD 32.5 million convertible bond loan.

The convertible bond loan contains financial covenants requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the bond agreement has restrictions regarding the Company's ability to sell 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 2018, the free cash and cash equivalents totalled USD 15.4 million.

Operational Review.

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Contract	**0 %**	0 %	0 %	0 %	0 %
Multi-client	**31 %**	37 %	13 %	72 %	85 %
Funded R&D project	**0**	0 %	0 %	5 %	0 %
Total utilisation	**31 %**	**37 %**	**13 %**	**77 %**	**85 %**

Vessel utilisation and fleet allocation

The vessel utilisation for the second quarter 2018 was 31% compared with 85% in the corresponding quarter in 2017.
For the first half of this year, the vessel utilisation was 34% compared with 89% for the same period last year.

The vessels were allocated 31% to multi-client projects in the second quarter of 2018 and no time was spent on proprietary work. In the comparable quarter of 2017, the vessels were allocated 85% to multi-client projects and no time was spent on proprietary work.

EMGS recorded 6.0 vessel months in the quarter. In the second quarter 2017, the Company recorded 3.0 vessel months.

Vessel activity in the second quarter

	Utilisation Q2 2018	Status Q2 2018	Firm charter period	Period
BOA Thalassa	**0 %**	Idle	1 October 2019	3 x 6 months
Atlantic Guardian	**63 %**	In operation	30 September 2021	5 x 12 months

Atlantic Guardian

The Atlantic Guardian acquired data on a multi-client survey in the Barents Sea in the beginning of the quarter, after which she acquired data on two multi-client surveys in the North Sea until 17 June 2018.

BOA Thalassa

The BOA Thalassa has been idle this quarter.

Backlog

As of 30 June 2018, EMGS' backlog was USD 6.7 million, compared with a backlog of USD 5.5 million at the end of the second quarter 2017. USD 6.0 million of the backlog as of 30 June 2018 is related to pre-funding and late sales, while the remaining USD 0.7 million is related to processing, interpretation and other projects.

Events during the first half of 2018

Multi-client revenues related to the APA 2017 awards

On 16 January 2018, the Norwegian Ministry of Petroleum and Energy announced the awards of new production licenses through the Awards in Pre-defined Areas (APA 2017) licensing round. Based on the offered awards, EMGS realised net uplift revenues of approximately USD 1 million from data-licensing agreements related to the Company's multi-client library in the first quarter of 2018.

Comprehensive refinancing

On 2 March, the Board of Directors of EMGS called for an extraordinary general meeting in the Company to propose a comprehensive refinancing plan (the Comprehensive Refinancing) to the shareholders. The Comprehensive Refinancing consisted of two elements; (i) a rights issue (the Rights Issue) with gross proceeds of up to USD 12.5 million, whereof USD 10.0 million was underwritten; and (ii) issuance of a new, fully underwritten convertible bond loan (the Convertible Bond Issue) with a nominal amount of up to USD 32.5 million.

The Comprehensive Refinancing was approved at the extraordinary general meeting (EGM) of the Company held on 23 March 2018.

The Rights Issue and the Convertible Bond Issue was completed with the registration of the 39,540,816 new shares and delivery of the convertible bonds on 16 May 2018.

On 20 April, the Company announced that it had called, in full, the Company's existing bond, in accordance with the terms of the existing bond and the Company's exercise notification, the existing bond was be repaid in full by the Company at 103% of par value (plus accrued interest) on 7 June 2018.

Revenues related to prefunding for multi-client acquisitions and various service projects

On 1 May 2018, the Company announced that it had entered into multi-client prefunding and various service agreements. These agreements represented combined revenues of approximately USD 2.2 million. The prefunding revenue was related to 3D CSEM multi-client data surveys in the North Sea using the DeepBlue source. The data was acquired in the second quarter of 2018.

Multi-client revenues related to the 24th license round awards

On 18 June 2018, the Norwegian Ministry of Petroleum and Energy (the "MPE") announced the awards of new production licenses in the 24th licensing round on the Norwegian continental shelf.

Based on the offered awards, the Company has recorded net uplift revenues of approximately USD 6.7 million from data-licensing agreements related to the its multi-client library in the second quarter of 2018.

Pre-funding for multi-client survey in the Norwegian North Sea

On 29 June 2018, the Company announced that it had entered into an agreement for pre-funding of a multi-client 3D CSEM survey in the North Sea. The pre-funding amounts to approximately USD 1.5 million and EMGS will acquire the data in the third quarter of 2018.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2018, the EMGS share was traded between NOK 2.65 and NOK 3.76 per share. The last closing price before 30 June 2018 was NOK 3.40.

As of 30 June 2018, 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 42 million in 2017. EMGS continues its cost focus in 2018 and targets a cost base around USD 50 million for 2018, subject to operational activity.

Based on the Company's low backlog and the current market situation, there is material uncertainty related to the expected level of revenues going forward. EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Company's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast.

The Comprehensive Refinancing provided the Company with USD 11.7 million in net proceeds to be used for general corporate purposes. Furthermore, the refinancing and replacement of the Company's existing bond issue through the Convertible Bond Issue have reduce the USD 10.0 million free cash financial covenant on the NOK 246 million bond loan with a USD 2.5 million free cash financial covenant. In addition, it has replaced the current maturity of the existing bond issue in June 2019 with a new maturity date in May 2023. Thus, in aggregate, the Comprehensive Refinancing is expected to materially improve the Company's financial position and secure a longer financial runway.

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 of 2017 for a further description of other relevant risk factors.

Outlook

The market outlook for oil services is challenging and characterised by high uncertainty. The Company expects market fundamentals to remain weak in 2018. However, EMGS has noted an increase in commercial activity. In particular, the Company is experiencing increased interest and commercial and technical discussions to more and potentially substantial proprietary and pre-funded multi-client acquisitions outside of Norway. Sales efforts are ongoing to secure backlog in all regions.

Based on the current operational forecast, EMGS expects to operate two vessels in 2018. The Company expects to keep one vessel in Asia in 2018, while the other vessel is expected to operate in Europe, Africa and 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 and to the Deep Blue source.

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 2018, 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, 25 July 2018
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q2 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Operating revenues					
Contract sales	197	474	312	1,175	2,583
Multi-client pre-funding	0	1,991	2,540	3,066	11,295
Multi-client late sales	7,009	5,800	7,971	8,186	19,132
Other revenue	691	0	1,370	0	886
Total revenues	**7,896**	**8,265**	**12,192**	**12,427**	**33,896**
Operating expenses					
Charter hire, fuel and crew expenses	3,488	700	7,784	3,466	7,655
Employee expenses	3,698	3,439	8,783	8,612	16,964
Depreciation and ordinary amortisation	1,919	1,502	4,041	2,909	6,779
Multi-client amortisation	1,680	2,498	4,398	4,789	10,345
Impairment of long-term assets	0	3,170	0	3,170	3,626
Other operating expenses	1,530	1,848	2,854	3,530	6,334
Total operating expenses	**12,315**	**13,157**	**27,859**	**26,476**	**51,703**
Operating profit/ (loss)	**-4,418**	**-4,893**	**-15,667**	**-14,049**	**-17,807**
Financial income and expenses					
Interest income	70	56	162	70	193
Interest expense	-1,194	-990	-2,422	-2,043	-4,088
Net gains/(losses) of financial assets and liabilities	-1,477	710	649	1,736	2,143
Net foreign currency income/(loss)	941	-822	-854	-1,838	-3,292
Net financial items	**-1,660**	**-1,045**	**-2,466**	**-2,074**	**-5,043**
Income/ (loss) before income taxes	**-6,079**	**-5,938**	**-18,132**	**-16,123**	**-22,850**
Income tax expense	115	34	118	67	356
Income/ (loss) for the period	**-6,194**	**-5,972**	**-18,250**	**-16,190**	**-23,206**

*** See Accounting principles under Notes**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q2 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
		Restated*	Restated*	Restated*	Restated*
Income/ (loss) for the period	**-6,194**	**-5,972**	**-18,250**	**-16,190**	**-23,206**
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	26	-9	-8
Net (loss)/gain on available-for-sale (AFS) financial assets			0	0	0
Oher comprehensive income	**0**	**0**	**26**	**-9**	**-8**
Actuarial gains/(losses) on defined benefit plans	0	0	0	0	0
Other comprehensive income	**0**	**0**	**26**	**-9**	**-8**
Total other comprehensive income/(loss) for the period	**-6,194**	**-5,972**	**-18,250**	**-16,190**	**-23,214**

*** See Accounting principles under Notes**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 June 2018 Unaudited	30 June 2017 Unaudited Restated*	31 December 2017 Unaudited Restated*
ASSETS			
Non-current assets			
Multi-client library	16,808	18,891	17,317
Other intangible assets	1,484	2,100	1,559
Property, plant and equipment	32,897	11,694	36,281
Assets under construction	3,319	29,403	3,112
Restricted cash	3,023	3,532	3,524
Total non-current assets	**57,531**	**65,619**	**61,793**
Current assets			
Spare parts, fuel, anchors and batteries	7,684	6,963	7,200
Trade receivables	10,418	9,413	11,075
Other receivables	6,326	6,536	5,957
Cash and cash equivalents	15,384	12,054	16,548
Restricted cash	315	1,338	2,997
Total current assets	**40,128**	**36,304**	**43,778**
Total assets	**97,658**	**101,924**	**105,571**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	348,542	319,283	336,764
Other reserves	-1,591	-1,616	-1,617
Retained earnings	-327,011	-301,745	-308,761
Total equity	**19,940**	**15,922**	**26,386**
LIABILITIES			
Non-current liabilities			
Provisions	19,984	21,918	20,670
Financial liabilities	0	3,400	2,993
Borrowings	32,815	29,751	30,288
Total non-current liabilities	**52,799**	**55,069**	**53,950**
Current liabilities			
Trade payables	5,022	3,619	6,882
Current tax liabilities	5,398	5,853	6,299
Other short term liabilities	14,205	12,681	11,763
Borrowings	295	8,781	290
Total current liabilities	**24,919**	**30,934**	**25,234**
Total liabilities	**77,718**	**86,002**	**79,184**
Total equity and liabilities	**97,658**	**101,924**	**105,571**

*** See Accounting principles under Notes**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q2 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Net cash flow from operating activities					
Income/(loss) before income taxes	**-6,079**	**-5,938**	**-18,132**	**-16,123**	**-22,850**
Adjustments for:					
Withholding tax expenses	0	0	0	4	-359
Total taxes paid	-875	-22	-1,019	-71	449
Depreciation and ordinary amortisation	1,919	1,502	4,041	2,909	6,779
Multi-client amortisation and impairment	1,680	5,667	4,398	7,959	10,345
Impairment of other long term assets	0	0	0	0	3,626
Cost of share-based payment	22	11	42	0	55
Change in trade receivables	-6,897	-6,077	657	-879	-2,541
Change in inventories	-536	602	-484	891	654
Change in trade payables	-802	-1,231	-1,860	-3,053	210
Change in other working capital	6,373	3,123	3,599	6,134	3,524
Financial gain on bond repayment	0	0	0	-836	-836
Amortisation of interest	782	600	1,437	1,205	2,464
Net cash flow from operating activities	**-4,413**	**-1,763**	**-7,321**	**-1,860**	**1,520**
Investing activities:					
Purchase of property, plant and equipment	-536	-915	-774	-1,343	-2,521
Investment in multi-client library and JIP test	-2,179	-3,185	-3,888	-4,148	-9,588
Cash used in investing activities	**-2,715**	**-4,100**	**-4,662**	**-5,491**	**-12,109**
Financial activities:					
Financial lease payments - principal	-96	-54	-146	-97	-228
Net proceeds from new loan	32,103	5,487	32,103	8,500	8,500
Repayment/settlement of loan and FRA	-32,584	0	-31,880	-1,954	-10,454
Net proceeds from rights issue	11,736	0	11,736	0	17,426
Payment of interest on bonds	-459	-511	-994	-1,082	-2,145
Cash used in/provided by financial activities	**10,700**	**4,922**	**10,819**	**5,367**	**13,099**
Net change in cash	**3,572**	**-941**	**-1,164**	**-1,984**	**2,510**
Cash balance beginning of period	11,812	12,995	16,548	14,038	14,038
Cash balance end of period	15,384	12,054	15,384	12,054	16,548
Net change in cash	**3,572**	**-941**	**-1,164**	**-1,984**	**2,510**

*** See Accounting principles under Notes**

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 2017 (Restated)*	**319,283**	**-1,607**	**0**	**-285,554**	**32,121**
Income/(loss) for the period (Restated*)	0	0	0	-10,219	-10,219
Other comprehensive income	0	-8	0	0	-8
Total comprehensive income	**0**	**-8**	**0**	**-10,219**	**-10,227**
Cost of share-based payments	-11	0	0	0	-11
Balance as of 31 March 2017 (Unaudited) (Restated*)	**319,272**	**-1,615**	**0**	**-295,773**	**21,884**
Income/(loss) for the period (Restated*)	0	0	0	-5,972	-5,972
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-5,972**	**-5,972**
Cost of share-based payments	11	0	0	0	11
Balance as of 30 June 2017 (Unaudited) (Restated*)	**319,283**	**-1,616**	**0**	**-301,745**	**15,922**

*** See Accounting principles under Notes**

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 (Unaudited)(Restated*)	**336,764**	**-1,617**	**0**	**-308,761**	**26,386**
Income/(loss) for the period	0	0	0	-12,056	-12,056
Other comprehensive income	0	26	0	0	26
Total comprehensive income	**0**	**26**	**0**	**-12,056**	**-12,030**
Cost of share-based payments	20	0	0	0	20
Balance as of 31 March 2018 (Unaudited)	**336,784**	**-1,591**	**0**	**-320,817**	**14,375**
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**	**-327,011**	**19,940**

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 2017, which is available on www.emgs.com.

IFRS 15 Revenue from contract with customers
The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers using the full retrospective method which requires a restatement of previous financials. As required by IAS 34, the nature and effect of these changes are disclosed below.

For contract sales and late sales, there were no material effects following the implementation of IFRS 15. The new standard's impact on recognition of multi-client pre-funding revenues has still not been finally concluded. The current interpretation of the new standard within the industry is that multi-client prefunding revenues should be recognised at the point in time when final product is delivered to the customer and not based on the so-called Percentage of Completion (POC) principle, which was used prior to 1 January 2018. As a consequence of the change in POC revenue, the Group has also capitalised multi-client projects with only one customer that were previously expensed as incurred (converted contracts). For these, the full amortisation of the book value is now recorded at the point in time when the revenues are recognised at delivery to the customer.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of adopting IFRS 15 is as follows:

Impact on the statement of Consolidated Income Statement:

Amounts in USD 1 000	Q2 2017 Unaudited	First half year 2017 Unaudited	2017 Unaudited
Movement pre-funding revenues from previous periods	335	914	579
Movement pre-funding revenues to subsequent periods	-2,713	-3,048	-2,540
Adjustment on Multi-client pre-funding	**-2,378**	**-2,134**	**-1,961**
Increased capitalised multi-client expenses	-185	-185	-2,769
Increased multi-client amortisation	185	185	1,732
Adjustment on Total operating expenses	**0**	**0**	**-1,037**
Adjustment on Income/ (loss) for the period	**-2,378**	**-2,134**	**-924**

Impact on the statement of financial position:

Amounts in USD 1 000	30 June 2017 Audited	Adjustments IFRS 15	30 June 2017 Unaudited Restated*
ASSETS			
Non-current assets			
Multi-client library	18,891	0	18,891
Other	46,728	0	46,728
Total non-current assets	**65,619**	**0**	**65,619**
Total current assets	**36,304**	**0**	**36,304**
Total assets	**101,924**	**0**	**101,924**
EQUITY			
Capital and reserves attributable to equity holders			
Retained earnings	-299,033	-2,712	-301,745
Other	317,667	0	321,151
Total equity	**18,634**	**-2,712**	**15,922**
LIABILITIES			
Total non-current liabilities	**55,069**	**0**	**55,069**
Current liabilities			
Other short term liabilities	9,967	2,712	12,679
Other	18,254	0	18,254
Total current liabilities	**28,221**	**2,712**	**30,933**
Total liabilities	**83,290**	**2,712**	**86,002**
Total equity and liabilities	**101,924**	**0**	**101,924**

Amounts in USD 1 000	31 December 2017 Audited	Adjustments IFRS 15	31 December 2017 Unaudited Restated*
ASSETS			
Non-current assets			
Multi-client library	16,280	1,037	17,317
Other	44,476	0	44,476
Total non-current assets	**60,756**	**1,037**	**61,793**
Total current assets	**43,778**	**0**	**43,778**
Total assets	**104,534**	**1,037**	**105,571**
EQUITY			
Capital and reserves attributable to equity holders			
Retained earnings	-336,764	-1,503	-338,267
Other	364,653	0	364,653
Total equity	**27,889**	**-1,503**	**26,386**
LIABILITIES			
Total non-current liabilities	**53,950**	**0**	**53,950**
Current liabilities			
Other short term liabilities	9,223	2,540	11,763
Other	13,471	0	13,471
Total current liabilities	**22,694**	**2,540**	**25,234**
Total liabilities	**76,644**	**2,540**	**79,184**
Total equity and liabilities	**104,534**	**1,037**	**105,571**

There is no material impact on the statement of cash flows.

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 2018 Unaudited**	**Q2 2017 Unaudited** Restated*	**First half year 2018 Unaudited**	**First half year 2017 Unaudited** Restated*	**2017 Unaudited** Restated*
Americas	**0.0**	0.3	2.6	0.5	1.2
Asia/Pacific	**0.9**	0.0	0.9	0.2	0.5
EAME	**7.0**	8.0	8.7	11.7	32.2
Total	**7.9**	**8.3**	**12.2**	**12.4**	**33.9**

*** See Accounting principles under Notes**

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 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Opening carrying value	16.3	21.6	17.3	24.3	24.3
Additions	2.2	3.0	3.9	4.0	8.3
Amortisation charge	-1.7	-2.5	-4.4	-4.8	-10.3
Impairment	0.0	-3.2	0.0	-3.2	-3.6
Cash contribution from partners	0.0	0.0	0.0	-1.4	-1.4
Closing carrying value	**16.8**	**18.9**	**16.8**	**18.9**	**17.3**

*** See Accounting principles under Notes**

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.

For further information, visit www.emgs.com, or contact:

HEGE AASEN VEISETH
CFO
Email: hveiseth@emgs.com
Phone: +47 992 16 743

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 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Operating profit / (loss)	-4,418	-4,893	-15,667	-14,049	-17,807
Depreciation and ord. amortisation	1,919	1,502	4,041	2,909	6,779
Multi-client amortisation	1,680	2,498	4,398	4,789	10,345
Impairment of long term assets	0	3,170	0	3,170	3,626
EBITDA	**-819**	**2,277**	**-7,228**	**-3,181**	**2,943**

*** See Accounting principles under Notes**

Backlog

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

Pre-funding revenues using POC principle

The current interpretation of the new revenue recognition standard within the industry is that multi-client prefunding revenues should be recognised at the point in time final data is delivered to the customer and not based on the so-called Percentage of Completion (POC) principle, which were used prior to 1 January 2018.

The table below shows a reconciliation of pre-funding revenues using the current interpretation of IFRS 15 and pre-funding revenues using the POC principle:

Amounts in USD 1 000	Q2 2018 Unaudited	Q2 2017 Unaudited	First half year 2018 Unaudited	First half year 2017 Unaudited	2017 Unaudited
Pre-funding revenues using current interpretation of IFRS 15	0	1,991	2,540	3,066	11,295
IFRS 15 adjustments	1,895	2,378	1,642	2,133	1,961
Pre-funding revenues based on POC principle	**1,895**	**4,369**	**4,182**	**5,199**	**13,256**

EMGS Headquarters
Stiklestadveien 1
N-7041 Trondheim, Norway

Europe, Africa & Middle East
Karenslyst Allè 4 , 4th Floor
N-0278 Oslo, Norway

North & South America
16285 Park Ten Place, Suite 410
Houston, TX 77094, USA
T +1 281 920 5601

Asia Pacific
Unit E-15. 2-4, 15th Floor
East Wing
Rohas Perkasa
No. 9 Jalan P. Ramlee
50250 Kuala Lumpur
T +603 21 66 0613

emgs.com
emgs@emgs.com