EMGS FOURTH QUARTER 2017.

Highlights in the Fourth Quarter.

Operational highlights

- Multi-client survey in Canada completed
- Further multi-client investments in Norway
- Mobilising for two multi-client surveys in Indonesia
- Change of control and future uplift settlement agreement with important customer in Norway
- 13% utilisation

Financial highlights

- Revenues of USD 11.3 million
- EBITDA of USD 0.4 million

Subsequent events

- Multi-client surveys in Indonesia ongoing
- Revenues of approximately USD 1.0 million announced in January

Key financial figures

Amounts in USD million (except per share data)	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited	Q3 2017 Unaudited
Contract sales	**1.0**	8.0	2.6	21.8	0.4
Multi-client sales	**9.7**	4.0	32.4	22.7	9.3
Other revenue	**0.7**	0.0	0.9	0.0	0.2
Total revenues	**11.3**	12.0	35.9	44.5	10.0
Operating profit/ (loss)	**-4.0**	-15.0	-16.9	-45.1	-1.0
Income/ (loss) before income taxes	**-6.2**	-14.9	-21.9	-52.9	-1.8
Net income/ (loss)	**-5.9**	-15.1	-21.5	-52.8	-1.6
Earnings/ (loss) per share	**-0.06**	-0.46	-0.36	-0.08	-0.02
Average number of shares outstanding (in thousands)	**91,429**	32,794	59,782	668,785	81,232
EBITDA	**0.4**	-2.1	2.1	-8.9	2.9
Multi-client and JIP test investments	**0.7**	2.2	6.8	11.5	2.2
Adjusted EBITDA	**-0.3**	-4.3	-4.7	-20.4	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 11.3 million in the fourth quarter of 2017, slightly down from USD 12.0 million reported for the corresponding quarter of 2016. Contract and other sales totalled USD 1.6 million, while multi-client sales amounted to USD 9.7 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS. For the fourth quarter of 2016, contract sales totalled USD 8.0 million, while multi-client sales amounted to USD 4.0 million.

The Company recorded 6.0 vessel months in the fourth quarter of 2017. In the same quarter last year, the Company also recorded 6.0 vessel months. Vessel utilisation was 13% for the fourth quarter of 2017. The vessels were allocated 13% to multi-client projects and no time was spent on proprietary work. In the comparable quarter of 2016, the vessel utilisation was 89% and the vessels were allocated 35% to proprietary work and 54% to multi-client projects.

Revenues for the full year 2017 amounted to USD 35.9 million, compared with USD 44.5 million for the full year of 2016. The decrease in revenues is mainly explained by a reduction in proprietary work this year compared with last year and a reduction of work outside of Norway.

Charter hire, fuel and crew expenses totalled USD 5.5 million in the fourth quarter this year, compared with USD 6.2 million in the fourth quarter of 2016. The Company capitalised USD 0.7 million in multi-client and JIP expenses in the quarter, while USD 2.2 million was capitalised in the fourth quarter of 2016. The charter hire, fuel and crew expenses have decreased from USD 7.0 million in the fourth quarter of 2016 to USD 6.2 million in same period this year when adding back the capitalised multi-client and JIP expenses and after subtracting a vessel lease provision recorded in the fourth quarter last year.

For the full year 2017, the Company recorded charter hire, fuel and crew expenses of USD 10.3 million, down from USD 18.2 million in 2016. USD 6.8 million was capitalised as multi-client and JIP expenses in 2017, compared to USD 11.5 million in 2016. The charter hire, fuel and crew expenses have decreased from USD 29.7 million in 2016 to USD 17.1 million in 2017 when adding back the capitalised expenses. The main reason for decreased expenses is the lower activity level in 2017 as the Company had only one vessel on charter for six months, resulting in lower vessel lease, fuel, vessel crew and other related costs.

Employee expenses amounted to USD 4.0 million in the fourth quarter of 2017, down from USD 6.0 million in the same quarter in 2016. The decrease is mainly explained by a reduction in the number of employees.

Employee expenses were USD 17.1 million for the full year 2017, compared with USD 25.1 million in 2016.

Other operating expenses totalled USD 1.4 million in the fourth quarter this year. In the fourth quarter last year, other operating expenses amounted to USD 1.9 million.

In 2017, other operating expenses amounted to USD 6.3 million, down from USD 10.1 million in 2016. The decrease is mainly explained by a reduction in activity and implemented cost saving measures.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 2.1 million in the fourth quarter of 2017, up from USD 2.0 million in the fourth quarter of 2016.

Depreciation and ordinary amortisation decreased from USD 7.7 million in 2016 to USD 6.8 million in 2017.

Multi-client amortisation amounted to USD 1.9 million this quarter, compared with USD 2.8 million in the fourth quarter of 2016. The Company uses straight-line amortisation for its completed multi-client projects, assigned over the useful life time of 4 years. The amortisation is then distributed evenly, independently of sales during the quarter.

Multi-client amortisation totalled USD 8.6 million in 2017, down from USD 11.2 million in 2016.

Based on updated sales forecasts, the Company estimates the recoverable amount for one project to be lower than the carrying amount. The consequence is that the Company recorded a multi-client impairment of USD 0.4 million in the fourth quarter of 2017. In the corresponding period last year, a multi-client impairment of USD 7.3 million was recorded.

For the full year 2017, multi-client impairments amounted to USD 3.6 million. In 2016, EMGS recorded multi-client impairments of USD 16.5 million and impairments of assets under construction of USD 0.8 million.

Net financial items

Net financial items ended at negative USD 2.2 million in the fourth quarter of 2017, compared with USD 0.1 million in the corresponding quarter last year. In the fourth quarter of 2017, the Company recorded a net currency loss of USD 0,1 million, compared with a currency income of USD 3.0 million in the fourth quarter of 2016.

For the full year 2017, net financial items were negative USD 5.0 million, up from a negative USD 7.8 million in 2016.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 6.2 million in the fourth quarter 2017, compared with a loss before income taxes of USD 14.9 million in the corresponding quarter in 2016.

Loss before income taxes for the full year 2017 amounted to USD 21.9 million, compared with a loss before income taxes of USD 52.9 million in 2016.

Income tax expenses

Income tax expenses of negative USD 0.3 million were recorded in the fourth quarter of 2017, compared with an income tax expense of USD 0.2 million in the fourth quarter of 2016.

For the full year 2017, the Company recorded USD 0.4 million in income tax reversals, compared with an income tax reversal of USD 0.1 million in 2016.

Net income for the period

Loss for the fourth quarter of 2017 amounted to USD 5.9 million, up from a loss of USD 15.1 million in the same period last year.

Losses for the full year 2017 were USD 21.5 million, up from a loss of USD 52.1 million in 2016.

Cash flow and balance sheet

In the fourth quarter 2017, net cash flow from operating activities was negative USD 4.4 million, compared with positive net cash flow of USD 1.9 million in the fourth quarter of 2016. The cash flow from operating activities this quarter was mainly affected by a negative change in trade receivables.

Net cash flow from operating activities was negative USD 1.3 million for the full year 2017, compared with a negative USD 0.9 million in 2016.

EMGS applied USD 1.5 million in investing activities in the fourth quarter this year, compared with USD 2.9 million in the fourth quarter of last year. The Company invested USD 0.8 million in equipment and USD 0.7 million in the multi-client library and JIP in the fourth quarter 2017.

Cash flow from investing activities in the full year 2017 amounted to a negative USD 9.3 million, compared with a negative USD 13.5 million in 2016. The Company invested USD 2.5 million in equipment, USD 5.5 million in the multi-client library and 1.3 million in JIP in 2017.

The carrying value of the multi-client library was USD 16.3 million at 31 December 2017, down from USD 18.2 million at 30 September 2017 and USD 24.3 million at 31 December 2016.

Cash flow from financial activities was negative USD 0.6 million in the fourth quarter of 2017, compared with a negative cash flow of USD 0.7 million in the same quarter last year.

For the full year 2017, cash flow from financial activities was positive USD 13.1 million, compared with a negative USD 3.3 million in 2016. The positive cash flow this year includes proceeds from the rights issue of USD 17.4 million and USD 2.0

million in bond repayment and FRA settlement.

The Company had a net decrease in cash, excluding restricted cash, of USD 6.4 million during the fourth quarter of 2017. At 31 December 2017, cash and cash equivalents totalled USD 23.1 million, including USD 6.5 million in restricted cash.

Financing

Total borrowings were USD 30.6 million at 31 December 2017, down from USD 31.7 million at 30 September 2017 and down from USD 31.9 million at 31 December 2016. This includes the Company's bond loan, which had a carrying value of USD 29.8 million at 31 December 2017, USD 30.8 million at 30 September 2017 and USD 30.9 million at 31 December 2016.

The bond loan contains the following two financial covenants; free cash and cash equivalents of at least USD 10 million and capital employed ratio of minimum 1/3. 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 31 December 2017, the free cash and cash equivalents totalled USD 16.6 million, while the capital employed ratio equalled 67%.

Operational Review.

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Contract	**0%**	0%	0%	0%	35%
Multi-client	**13%**	72%	85%	92%	54%
Funded R&D project	**0%**	5%	0%	0%	0%
Total utilisation	**13%**	77%	85%	92%	89%

Vessel utilisation and fleet allocation

The vessel utilisation for the fourth quarter 2017 was 13% compared with 89% in the corresponding quarter in 2016. For the full year 2017, the vessel utilisation was 56% compared with 70% in 2016.

The vessels were allocated 13% to multi-client projects in the fourth quarter of 2017 and no time was spent on proprietary work. In the comparable quarter of 2016, the vessels were allocated 35% to proprietary work and 54% to multi-client projects.

EMGS recorded 6.0 vessel months in the quarter. In the fourth quarter 2016, the Company also recorded 6.0 vessel months.

Vessel activity in the fourth quarter

	Utilisation Q4 2017	Status Q4 2017	Firm charter period	Optional charter period
BOA Thalassa	**0%**	In operation	01-Oct-19	3 x 6 months
Atlantic Guardian	**13%**	In operation	30-Sep-21	5 x 12 months

Atlantic Guardian

The Atlantic Guardian began the fourth quarter acquiring data on two multi-client surveys in the Barents Sea. Then, following a yard stay at Fosen shipyard, the vessel commenced a pre-funded multi-client survey west of Newfoundland, Canada. This survey was completed at the end of November 2017, after which the vessel returned to Fosen shipyard.

BOA Thalassa

The BOA Thalassa was laid up until 20 November 2017, after which she had a yard stay and conducted equipment sea trials in Singapore. The vessel mobilised for two pre-funded multi-client acquisitions offshore Indonesia late December. The surveys started in January 2018 and are expected to be completed in February.

Backlog

As of 31 December 2017, EMGS' backlog was USD 3.2 million compared with a backlog of approximately USD 1 million at the end of the fourth quarter 2016. USD 3.0 million of the backlog as of 31 December 2017 is related to prefunding and late sales, while the remaining USD 0.2 million is related to processing, interpretation and other projects.

Events during the fourth quarter of 2017

Multi-client survey west of Newfoundland in Canada

On 17 October, EMGS announced that the Company had initiated preparations for carrying out a pre-funded multi-client survey west of Newfoundland in Canada. The survey represents a minimum level of revenues of approximately USD 2.5 million. The survey was completed in November 2017.

Prefunded multi-client contracts in Indonesia

On 19 December, EMGS announced that the Company had entered into a prefunded multi-client contract with a minimum gross contract value of USD 1.8 million in Indonesia.

On 20 December, the Company announced that it had entered into a second prefunding multi-client contract with a minimum gross value of USD 1.0 million in Indonesia.

Both surveys in Indonesia are being executed using the vessel BOA Thalassa. The surveys will be completed in February.

Data licensing agreement in the Barents Sea in Norway

On 13 December, EMGS announced that the Company had entered into data licensing agreement related to 3D CSEM data surveys in the Barents Sea. The agreement represents revenues of approximately USD 1.4 million.

Multi-client late sales and revenues related to existing multi-client licenses

On 27 December, EMGS announced that the Company had entered into an agreement with one of its clients related to the client's licenses to CSEM data from EMGS' multi-client library in Norway. The agreement covered the client's merger with another entity and the merger fees payable as a result of this, as well as an upfront settlement of all uplifts which would otherwise be payable to EMGS from that client as a result of license awards in APA 17 and the 24th licensing round in Norway.

Furthermore, EMGS entered into a data licensing agreement related to its existing CSEM multi-client library in the Americas.

The two agreements above represent combined net revenues to EMGS of approximately USD 5.9 million, of which USD 5.2 million was recognised in Q4 2017.

Subsequent events

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 expects to realise net uplift revenues of approximately USD 1 million from data-licensing agreements related to the Company's multi-client library. The uplift revenues, which are subject to the Company's customers' formal approval of the awards offered by the MPE, will be recognised in the first quarter of 2018.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the fourth quarter 2017, the EMGS share was traded between NOK 2.67 and NOK 4.49 per share. The last closing price before 31 December 2017 was NOK 4.49.

As of 31 December 2017, the Company had a total of 91,428,874 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, 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 will continue its cost focus in 2018 and targets a cost base around USD 50 million for 2018, subject to inter alia operational activity.

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 bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 10 million.

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. This puts pressure on the Company's cash position and consequently the bond's cash covenant.

The Company is dependent upon securing sufficient backlog. Should sufficient additional backlog not be forthcoming within the next six months, the Company will have to consider raising new financing through new capital or debt, sale of assets, a restructuring of existing debt or a combination thereof.

In the event that the Company does not secure sufficient backlog and solve the resulting liquidity issues that may arise in the coming six months, the going concern assumption may no longer be valid.

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 2016 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 going into 2018. However, EMGS has noted an increase in commercial activity.

The Company expects that the 24th licensing round will trigger some additional multi-client sales in 2018. Otherwise, marketing efforts are ongoing to secure backlog.

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 JIP.

Oslo, 7 February 2018
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Operating revenues				
Contract sales	965	7,953	2,583	21,797
Multi-client pre-funding	2,787	579	13,256	579
Multi-client late sales	6,869	3,438	19,132	22,151
Other revenue	667	0	886	0
Total revenues	**11,287**	**11,970**	**35,858**	**44,527**
Operating expenses				
Charter hire, fuel and crew expenses	5,491	6,228	10,331	18,176
Employee expenses	4,007	5,985	17,057	25,097
Depreciation and ordinary amortisation	2,072	1,956	6,779	7,677
Multi-client amortisation	1,858	2,827	8,613	11,244
Impairment of long-term assets	460	8,058	3,626	17,286
Other operating expenses	1,368	1,882	6,334	10,137
Total operating expenses	**15,256**	**26,936**	**52,740**	**89,617**
Operating profit/ (loss)	**-3,969**	**-14,966**	**-16,882**	**-45,090**
Financial income and expenses				
Interest income	65	54	193	217
Interest expense	-1,014	-715	-4,088	-3,273
Net gains/(losses) of financial assets and liabilities	-1,144	-2,300	2,143	-6,297
Net foreign currency income/(loss)	-112	3,036	-3,292	1,512
Net financial items	**-2,206**	**75**	**-5,043**	**-7,841**
Income/ (loss) before income taxes	**-6,175**	**-14,892**	**-21,926**	**-52,931**
Income tax expense	-281	215	-394	-100
Income/ (loss) for the period	**-5,893**	**-15,107**	**-21,532**	**-52,831**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Income/ (loss) for the period	**-5,893**	**-15,107**	**-21,532**	**-52,831**
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	-8	115
Net (loss)/gain on available-for-sale (AFS) financial assets	0	0	0	7,202
Oher comprehensive income	**0**	**0**	**-8**	**7,317**
Total other comprehensive income/ (loss) for the period	**-5,893**	**-15,107**	**- 21,540**	**-45,514**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	31 December 2017 Unaudited	31 December 2016 Audited
ASSETS		
Non-current assets		
Multi-client library	16,280	24,332
Other intangible assets	1,559	2,457
Property, plant and equipment	36,281	13,901
Assets under construction	3,112	28,255
Total non-current assets	**57,233**	**68,945**
Current assets		
Spare parts, fuel, anchors and batteries	7,200	7,854
Trade receivables	11,075	8,534
Other receivables	5,957	7,080
Cash and cash equivalents	16,548	14,038
Restricted cash	6,521	4,841
Total current assets	**47,301**	**42,347**
Total assets	**104,534**	**111,292**
EQUITY		
Capital and reserves attributable to equity holders		
Share capital, share premium and other paid-in equity	336,764	319,283
Other reserves	-1,617	-1,608
Retained earnings	-306,508	-284,975
Total equity	**28,639**	**32,700**
LIABILITIES		
Non-current liabilities		
Provisions	20,670	19,140
Financial liabilities	2,993	4,668
Borrowings	30,288	31,636
Total non-current liabilities	**53,950**	**55,444**
Current liabilities		
Trade payables	6,882	6,672
Current tax liabilities	5,549	5,853
Other short term liabilities	9,223	10,372
Borrowings	290	251
Total current liabilities	**21,944**	**23,148**
Total liabilities	**75,894**	**78,592**
Total equity and liabilities	**104,534**	**111,292**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Net cash flow from operating activities				
Income/(loss) before income taxes	**-6,175**	**-14,892**	**-21,926**	**-52,931**
Adjustments for:				
Withholding tax expenses	-363	65	-359	1,219
Total taxes paid	334	249	449	-522
Depreciation and ordinary amortisation	2,072	1,956	6,779	7,677
Multi-client amortisation and impairment	1,858	10,077	8,613	27,722
Impairment of other long term assets	460	808	3,626	808
Cost of share-based payment	24	50	55	245
Change in trade receivables	-3,729	-270	-2,541	10,046
Change in inventories	51	767	654	3,900
Change in trade payables	845	23	210	-3,767
Change in other working capital	-383	2,430	1,563	2,317
Financial gain on bond repayment	0	0	-836	0
Amortisation of interest	622	606	2,464	2,413
Net cash flow from operating activities	**-4,384**	**1,870**	**-1,249**	**-873**
Investing activities:				
Purchase of property, plant and equipment	-754	-687	-2,521	-3,398
Investment in multi-client library and JIP test	-704	-2,194	-6,819	-11,500
Sale of financial assets	0	0	0	1,375
Cash used in investing activities	**-1,458**	**-2,881**	**-9,340**	**-13,523**
Financial activities:				
Financial lease payments - principal	-85	-108	-228	141
Proceeds from new loan	0	0	8,500	0
Repayment/settlement of loan and FRA	0	0	-10,454	-1,143
Proceeds from rights issue	0	0	17,426	0
Payment of interest on bonds	-511	-562	-2,145	-2,313
Cash used in/provided by financial activities	**-596**	**-670**	**13,099**	**-3,315**
Net change in cash	**-6,438**	**-1,680**	**2,510**	**-17,711**
Cash balance beginning of period	22,986	15,718	14,038	31,749
Cash balance end of period	16,548	14,038	16,548	14,038
Net change in cash	**-6,438**	**-1,680**	**2,510**	**-17,711**

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Share capital share premium and other paid-in-capital	Foreign currency translation reserves	Available-for-sale reserve	Retained earnings	**Total equity**
Balance as of 1 January 2016	**319,038**	**-1,722**	**-7,202**	**-232,144**	**77,970**
Income/(loss) for the period	0	0	0	-52,831	-52,831
Other comprehensive income	0	115	7,202	0	7,317
Total comprehensive income	**0**	**115**	**7,202**	**-52,831**	**-45,514**
Cost of share-based payments	244	0	0	0	244
Balance as of 31 December 2016 (Audited)	**319,283**	**-1,607**	**0**	**-284,975**	**32,700**
Income/(loss) for the period	0	0	0	-10,464	-10,464
Other comprehensive income	0	-8	0	0	-8
Total comprehensive income	**0**	**-8**	**0**	**-10,464**	**-10,472**
Cost of share-based payments	-11	0	0	0	-11
Balance as of 31 March 2017 (Unaudited)	**319,272**	**-1,615**	**0**	**-295,439**	**22,218**
Income/(loss) for the period	0	0	0	-3,594	-3,594
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-3,594**	**-3,594**
Cost of share-based payments	11	0	0	0	11
Balance as of 30 June 2017 (Unaudited)	**319,283**	**-1,616**	**0**	**-299,033**	**18,634**
Income/(loss) for the period	0	0	0	-1,582	-1,582
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-1,582**	**-1,582**
Cost of share-based payments	31	0	0	0	31
Proceeds from shares issued	17,426	0	0	0	17,426
Balance as of 30 September 2017 (Unaudited)	**336,740**	**-1,617**	**0**	**-300,615**	**34,508**
Income/(loss) for the period	0	0	0	-5,893	-5,893
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-5,893**	**-5,893**
Cost of share-based payments	24	0	0	0	24
Balance as of 31 December 2017 (Unaudited)	**336,764**	**-1,617**	**0**	**-306,508**	**28,639**

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 2016, which is available on www.emgs.com.

IFRS 15 Revenue from contract with customers

The IASB has issued a new revenue recognition standard, IFRS 15, which replaces existing IFRS revenue requirements. The standard is effective from 1 January 2018.

The Company has analysed possible effects from implementing the standard on the Group’s financial statements. For contract sales and late sales, no material effects are expected following the implementation of IFRS 15. Currently, the pre-funding revenues are recognised based on percentage of completion. While not yet concluded, there is a high likelihood that the multi-client pre-funding agreements will no longer be recognised under the percentage of completion method. Instead pre-funding revenues should be recognised as point(s) in time when the data is delivered to the customer.

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	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Americas	**2.9**	0.7	3.7	5.5
Asia/Pacific	**0.4**	7.7	0.5	20.8
EAME	**8.0**	3.6	31.6	18.2
Total	**11.3**	**12.0**	**35.8**	**44.5**

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.

Based on updated sales forecasts, the Company estimates the recoverable amount for one multi-client project to be lower than the carrying value. As a result, a multi-client impairment of USD 0.4 million was recorded in the fourth quarter of 2017.

Amounts in USD million	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Opening carrying value	**18.2**	32.2	24.3	42.3
Additions	**0.3**	2.2	5.5	9.8
Amortisation charge	**-1.9**	-2.8	-8.6	-11.2
Impairment	**-0.4**	-7.3	-3.6	-16.5
Cash contribution from partners	**0.0**	0.0	-1.4	0.0
Closing carrying value	**16.3**	**24.3**	**16.3**	**24.3**

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	Q4 2017 Unaudited	Q4 2016 Unaudited	2017 Unaudited	2016 Audited
Operating profit / (loss)	-3,969	-14,966	-16,882	-45,090
Depreciation and ordinary amortisation	2,072	1,956	6,779	7,677
Multi-client amortisation	1,858	2,827	8,613	11,244
Impairment of long-term assets	460	8,058	3,626	17,286
EBITDA	**420**	**-2,125**	**2,136**	**-8,883**

Capital employed ratio

Capital employed ratio means the ratio of equity to equity plus net interest bearing debt. Net interest bearing debt is defined as interest bearing debt less any cash and cash equivalents. Capital employed ratio provides an indicator of the overall balance sheet strength. This measure is used in one of the Company's bond loan covenants.

Amounts in USD 1 000	31 December 2017 Unaudited	31 December 2016 Audited
Borrowings	30,578	31,887
Cash and cash equivalents	16,548	14,038
Net interest bearing debt	**14,030**	**17,849**
Total equity	28,639	32,700
Capital employed ratio	**67%**	**65%**

Backlog

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

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