EMGS FOURTH QUARTER 2018.

Highlights in the Fourth Quarter.

Operational highlights

- Execution of contract in South America worth USD 8 million
- Late sales of USD 4 million
- 32% utilisation for two vessels

Financial highlights

- Revenues of USD 13.4 million
- EBITDA of USD 0.6 million
- Continued challenging market and liquidity situation

Subsequent events

- Multi-client revenues from the APA 2018 awards of USD approx. 2 million

Key financial figures

Amounts in USD million (except per share data)	Q4 2018 Unaudited	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited	Q3 2018 Unaudited
		Restated*		Restated*	
Contract sales	**6.3**	1.0	7.2	2.6	0.6
Multi-client sales	**6.4**	9.2	21.6	30.4	4.7
Other revenue	**0.7**	0.7	2.8	0.9	0.7
Total revenues	**13.4**	10.8	31.5	33.9	6.0
Operating profit/ (loss)	**-6.3**	-4.0	-31.7	-17.8	-9.7
Income/ (loss) before income taxes	**-7.3**	-6.2	-36.6	-22.8	-11.1
Net income/ (loss)	**-7.1**	-6.6	-36.6	-23.2	-11.2
Earnings/ (loss) per share	**-0.05**	-0.07	-0.31	-0.39	-0.09
Average number of shares outstanding (in thousands)	**130,970**	91,429	116,345	59,782	130,970
EBITDA	**0.6**	1.2	-10.6	2.9	-4.0
Multi-client and JIP test investments	**0.4**	2.0	6.2	9.6	1.9
Adjusted EBITDA	**0.2**	-0.8	-16.8	-6.6	-5.9

*** 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 13.4 million in the fourth quarter of 2018, up from USD 10.8 million reported for the corresponding quarter of 2017. Contract and other sales totalled USD 7.0 million, while multi-client sales amounted to USD 6.4 million. For the fourth quarter of 2017, contract sales and other sales totalled USD 1.6 million, while multi-client sales amounted to USD 9.2 million.

Revenues for the full year 2018 amounted to USD 31.6 million, compared with USD 33.9 million for the full year of 2017.

With effect from 1 January 2018, the Group applied 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 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 7.1 million in the fourth quarter this year, compared with USD 4.2 million in the fourth quarter of 2017. The Company capitalised USD 0.4 million in multi-client expenses in the quarter, while USD 2.0 million was capitalised in the fourth quarter of 2017. The charter hire, fuel and crew expenses have increased from USD 6.2 million in the fourth quarter of 2017 to USD 7.5 million in same period this year when adding back the capitalised multi-client expenses.

For the full year 2018, the Company recorded charter hire, fuel and crew expenses of USD 18.8 million, up from USD 7.7 million in 2017. The Company capitalised USD 6.2 million in multi-client expenses in 2018, compared to USD 9.6 million in multi-client and JIP expenses during 2017. The charter hire, fuel and crew expenses have increased from USD 17.2 million in 2017 to USD 25.0 million in 2018 when adding back the capitalised expenses. The main reason for the increased expenses is that BOA Thalassa was six months off-hire in 2017.

Employee expenses amounted to USD 4.0 million in the fourth quarter of 2018, which is the same amount as in the fourth quarter of 2017.

Employee expenses were USD 17.5 million for the full year 2018, compared with USD 17.0 million in 2017.

Other operating expenses totalled USD 1.7 million in the fourth quarter this year. In the fourth quarter last year, other operating expenses amounted to USD 1.4 million.

In 2018, other operating expenses amounted to USD 5.9 million, down from USD 6.3 million in 2017.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.7 million in the fourth quarter of 2018, down from USD 2.1 million in the fourth quarter of 2017.

Depreciation and ordinary amortisation increased from USD 6.8 million in 2017 to USD 7.6 million in 2018.

Multi-client amortisation amounted to USD 2.6 million this quarter, compared with USD 2.7 million in the fourth quarter of 2017. 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. If the Company estimates the recoverable amount for one project to be lower than the carrying amount based on updated sales forecasts, the Company will record a multi-client impairment. The Company did not record any multi-client impairment in the fourth quarter of 2018. In the fourth quarter of 2017, a multi-client impairment of USD 0.4 million was recorded.

Multi-client amortisation totalled USD 10.9 million in 2018, up from USD 10.3 million in 2017.

The Company recognised an impairment of assets under construction of USD 2.5 million in the fourth quarter of 2018. This is the only impairment recorded in 2018. In 2017, the Company recorded multi-client impairments of USD 3.6 million.

Net financial items

Net financial items ended at negative USD 1.0 million in the fourth quarter of 2018, compared with negative USD 2.2 million in the corresponding quarter last year. In the fourth quarter of 2018, the Company recorded a net currency gain of USD 0.5 million, compared with a total currency loss of USD 1.3 million in the fourth quarter of 2017.

For the full year 2018, net financial items were negative USD 5.0 million, same as in 2017.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 7.3 million in the fourth quarter 2018, compared with a loss before income taxes of USD 6.2 million in the corresponding quarter in 2017.

Loss before income taxes for the full year 2018 amounted to USD 36.7 million, compared with a loss before income taxes of USD 22.9 million in 2017.

Income tax expenses

Income tax expenses of negative USD 0.2 million were recorded in the fourth quarter of 2018, compared with an income tax expense of USD 0.5 million in the fourth quarter of 2017.

For the full year 2018, the Company recorded a negative income tax expense of USD 0.1 million as a result of income tax reversals, compared with an income tax expense of USD 0.4 million in 2017.

Net income for the period

Loss for the fourth quarter of 2018 amounted to USD 7.1 million, down from a loss of USD 6.6 million in the same period last year.

Losses for the full year 2018 were USD 36.6 million, compared to a loss of USD 23.2 million in 2017.

Cash flow and balance sheet

In the fourth quarter 2018, net cash flow from operating activities was negative USD 1.4 million, compared with negative net cash flow of USD 4.3 million in the fourth quarter of 2017. 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 11.7 million for the full year 2018, compared with a USD 1.5 million in 2017.

EMGS spent USD 0.9 million in investing activities in the fourth quarter this year, compared with USD 1.5 million in the fourth quarter of last year. The Company invested USD 0.5 million in equipment and USD 0.4 million in the multi-client library in the fourth quarter 2018.

Cash flow from investing activities in the full year 2018 amounted to a negative USD 7.8 million, compared with a negative USD 12.1 million in 2017. The Company invested USD 1.6 million in equipment and USD 6.2 million in the multi-client library in 2018.

The carrying value of the multi-client library was USD 12.6 million at 31 December 2018, down from USD 14.9 million at 30 September 2018 and USD 17.3 million at 31 December 2017.

Cash flow from financial activities was negative USD 0.8 million in the fourth quarter of 2018, compared with a negative cash flow of USD 0.6 million in the same quarter last year.

For the full year 2018, cash flow from financial activities was positive USD 9.4 million, compared with positive USD 13.1 million in 2017. The positive cash flow this year includes proceeds from the rights issue of USD 11.7 million, proceeds from a new convertible loan of USD 32.1 million and repayment of a bond loan of USD 31.9 million.

The Company had a net decrease in cash, excluding restricted cash, of USD 3.0 million during the fourth quarter of 2018. At 31 December 2018, cash and cash equivalents totalled USD 6.5 million.

Financing

Total borrowings were USD 31.3 million at 31 December this year, same as 30 September 2018 and up from USD 30.6 million at 31 December last year. This includes the Company's convertible bond loan, which has a carrying value of USD 30.8 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 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 2018, the free cash and cash equivalents totalled USD 6.5 million.

Operational Review.

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Contract	**32%**	0%	0%	0%	0%
Multi-client	**0%**	29%	31%	37%	13%
Funded R&D project	**0%**	0%	0%	0%	0%
Total utilisation	**32%**	**29%**	**31%**	**37%**	**13%**

Vessel utilisation and fleet allocation

The vessel utilisation for the fourth quarter 2018 was 32% compared with 13% in the corresponding quarter in 2017. For the full year 2018, the vessel utilisation was 33% compared with 56% in 2017.

In the fourth quarter of 2018, the Company's vessels were allocated 32% to proprietary work and no time was spent on multi-client projects. In the comparable quarter of 2017, the vessels were allocated 13% to multi-client projects and no time was spent on proprietary work.

EMGS had two vessels on charter and paid for 5.7 vessel months in the quarter. In the fourth quarter 2017, the Company paid for 6.0 vessel months.

Vessel activity in the fourth quarter

	Utilisation Q4 2018	Status Q4 2018	Firm charter period	Period
BOA Thalassa	**0%**	Idle/yard stay	1 October 2019	3 x 6 months
Atlantic Guardian	**49%**	In operation	30 September 2021	5 x 12 months

Atlantic Guardian

The Atlantic Guardian began the fourth quarter acquiring data on a small research survey west of Svalbard. On 21 October, the vessel started mobilising to South America in preparation for the USD 8 million contract, which the vessel initiated on 20 November. This survey was completed in Q1 2019.

BOA Thalassa

The BOA Thalassa has had a yard stay and been idle this quarter.

Backlog

As of 31 December 2018, EMGS' backlog was USD 3.3 million compared with a backlog of USD 3.2 million at the end of the fourth quarter 2017. USD 2.1 million of the backlog as of 31 December 2018 is related to contract sales, while USD 0.7 million is related to late sales, and the remaining USD 0.2 million is related to late processing, interpretation and other projects.

Events during the fourth quarter of 2018

Survey in South America

On 11 November, EMGS announced that the Company had received a purchase order with a value of approximately USD 8 million for a survey in South America. The survey is being executed by the vessel Atlantic Guardian and will be completed in Q1 2019.

Appointment of interim CEO

On 15 October, the Company announced that Bjørn Petter Lindhom had been appointed as interim CEO. Mr Lindhom assumed the position on 1 December 2018.

Subsequent events

Multi-client revenues related to the APA 2018 awards

On 15 January 2019, the Norwegian Ministry of Petroleum and Energy announced the awards of new production licenses through the Awards in Pre-defined Areas (APA 2018) licensing round. Based on the offered awards, EMGS expects to realise net uplift revenues of approximately USD 2 million from data-licensing agreements related to the Company's multi-client library. The uplift revenues, which are subject to, amongst other things, the Company's customers' formal approval of the awards offered by the MPE, will be recognised in the first quarter of 2019.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the fourth quarter 2018, the EMGS share was traded between NOK 1.30 and NOK 2.79 per share. The last closing price before 31 December 2018 was NOK 1.30.

As of 31 December 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 continued its cost focus in 2018 and recorded a cost base of USD 48 million in 2018.

Based on the Company's low backlog and the current market situation, there is material uncertainty related to the timing 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 convertible bond loan, as well as the Company's bank facilities, contain a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. The Company's low backlog and free cash levels and an uncertainty related to the timing of revenues going forward puts pressure on the Company's cash position and consequently the Company's ability to meet the cash covenant. Consequently, the Company is dependent upon securing sufficient additional backlog within the near future. Should sufficient additional backlog not be forthcoming within the timeframe available to the Company, the Company will have to consider raising new financing through new capital or debt, sale of assets 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 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 included: 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 2019. 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 acquisitions outside of Norway. Sales efforts are ongoing to secure backlog in all regions. The timing of securing any additional backlog as a result of this increased commercial activity, however, remains highly uncertain.

Based on the current operational forecast, EMGS expects to operate two vessels globally in 2019. EMGS also plans to continue to invest in its multi-client library in selected areas. Capital investment plans are limited to maintenance of existing equipment.

Oslo, 29 January 2019
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q4 2018 Unaudited	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited
		Restated*		Restated*
Operating revenues				
Contract sales	6,296	965	7,176	2,583
Multi-client pre-funding	2,497	2,297	8,804	11,295
Multi-client late sales	3,887	6,869	12,781	19,132
Other revenue	718	667	2,789	886
Total revenues	**13,397**	**10,797**	**31,550**	**33,896**
Operating expenses				
Charter hire, fuel and crew expenses	7,139	4,176	18,784	7,655
Employee expenses	3,981	4,007	17,505	16,964
Depreciation and ordinary amortisation	1,738	2,072	7,595	6,779
Multi-client amortisation	2,647	2,664	10,914	10,345
Impairment of long-term assets	2,544	460	2,544	3,626
Other operating expenses	1,677	1,368	5,877	6,334
Total operating expenses	**19,725**	**14,748**	**63,218**	**51,703**
Operating profit/ (loss)	**-6,328**	**-3,950**	**-31,668**	**-17,807**
Financial income and expenses				
Interest income	63	65	232	193
Interest expense	-1,518	-1,014	-5,251	-4,088
Net gains/(losses) of financial assets and liabilities	0	-1,144	649	2,143
Net foreign currency income/(loss)	477	-112	-612	-3,292
Net financial items	**-979**	**-2,205**	**-4,981**	**-5,043**
Income/ (loss) before income taxes	**-7,307**	**-6,155**	**-36,650**	**-22,850**
Income tax expense	-182	469	-50	356
Income/ (loss) for the period	**-7,125**	**-6,624**	**-36,599**	**-23,206**

*** See Accounting principles under Notes**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q4 2018 Unaudited	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited
		Restated*		Restated*
Income/ (loss) for the period	**-7,125**	**-6,624**	**-36,599**	**-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	7	0	33	-8
Net (loss)/gain on available-for-sale (AFS) financial assets	0	0	0	0
Oher comprehensive income	**7**	**0**	**33**	**-8**
Actuarial gains/(losses) on defined benefit plans	0	0	0	0
Other comprehensive income	**7**	**0**	**33**	**-8**
Total other comprehensive income/(loss) for the period	**-7,118**	**-6,624**	**-36,566**	**-23,214**

*** See Accounting principles under Notes**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	31 December 2018 Unaudited	31 December 2017 Unaudited
		Restated*
ASSETS		
Non-current assets		
Multi-client library	12,596	17,317
Other intangible assets	1,388	1,559
Property, plant and equipment	30,174	36,281
Assets under construction	852	3,112
Restricted cash	3,008	3,524
Total non-current assets	**48,018**	**61,793**
Current assets		
Spare parts, fuel, anchors and batteries	7,225	7,200
Trade receivables	4,634	11,075
Other receivables	4,855	5,957
Cash and cash equivalents	6,487	16,548
Restricted cash	3,609	2,997
Total current assets	**26,811**	**43,778**
Total assets	**74,829**	**105,571**
EQUITY		
Capital and reserves attributable to equity holders		
Share capital, share premium and other paid-in equity	350,274	336,764
Other reserves	-1,584	-1,617
Retained earnings	-345,360	-308,761
Total equity	**3,328**	**26,386**
LIABILITIES		
Non-current liabilities		
Provisions	19,250	20,670
Financial liabilities	0	2,993
Borrowings	31,046	30,288
Total non-current liabilities	**50,296**	**53,950**
Current liabilities		
Trade payables	6,819	6,882
Current tax liabilities	5,079	6,299
Other short term liabilities	9,003	11,763
Borrowings	303	290
Total current liabilities	**21,204**	**25,234**
Total liabilities	**71,501**	**79,184**
Total equity and liabilities	**74,829**	**105,571**

*** See Accounting principles under Notes**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q4 2018 Unaudited	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited
		Restated*		Restated*
Net cash flow from operating activities				
Income/(loss) before income taxes	**-7,307**	**-6,155**	**-36,650**	**-22,850**
Adjustments for:				
Withholding tax expenses	**0**	-363	0	-359
Total taxes paid	**-107**	334	-1,170	449
Depreciation and ordinary amortisation	**1,738**	2,072	7,595	6,779
Multi-client amortisation and impairment	**2,647**	1,858	10,914	10,345
Impairment of other long term assets	**2,544**	460	2,544	3,626
Cost of share-based payment	**-229**	24	-167	55
Change in trade receivables	**-2,126**	-3,729	6,442	-2,541
Change in inventories	**298**	51	-25	654
Change in trade payables	**-639**	845	-63	210
Change in other working capital	**1,001**	-363	-4,124	3,524
Financial gain on bond repayment	**0**	0	0	-836
Amortisation of interest	**761**	622	2,999	2,464
Net cash flow from operating activities	**-1,419**	**-4,344**	**-11,705**	**1,520**
Investing activities:				
Purchase of property, plant and equipment	**-481**	-754	-1,598	-2,521
Investment in multi-client library and JIP test	**-375**	-704	-6,193	-9,588
Cash used in investing activities	**-856**	**-1,458**	**-7,791**	**-12,109**
Financial activities:				
Financial lease payments - principal	**-113**	-85	-332	-228
Net proceeds from new loan	**0**	0	32,103	8,500
Repayment/settlement of loan and FRA	**0**	0	-31,880	-10,454
Net proceeds from rights issue	**0**	0	11,736	17,426
Net proceed new lease agrement	**0**	0	107	0
Payment of interest on bonds	**-651**	-551	-2,299	-2,145
Cash used in/provided by financial activities	**-764**	**-636**	**9,435**	**13,099**
Net change in cash	**-3,039**	**-6,438**	**-10,061**	**2,510**
Cash balance beginning of period	**9,526**	22,986	16,548	14,038
Cash balance end of period	**6,487**	16,548	6,487	16,548
Net change in cash	**-3,039**	**-6,438**	**-10,061**	**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**
Income/(loss) for the period	0	0	0	-392	-392
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-392**	**-392**
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**	**-302,137**	**32,986**
Income/(loss) for the period	0	0	0	-6,643	-6,643
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-6,643**	**-6,643**
Cost of share-based payments	24	0	0	0	24
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	-12,124	-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**
Income/(loss) for the period	0	0	0	-7,125	-7,125
Other comprehensive income	0	7	0	0	7
Total comprehensive income	**0**	**7**	**0**	**-7,125**	**-7,118**
Cost of share-based payments	-229	0	0	0	-229
Balance as of 31 December 2018 (Unaudited)	**350,274**	**-1,584**	**0**	**-345,360**	**3,328**

*** See Accounting principles under Notes**

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. The accounting principles adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as of 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Except for IFRS 15, no new standards had any material impact for the Company.

IFRS 9 Financial instruments

The standard has not had any significant effect on the Group's consolidated financial statements. The Company has calculated the modification gain of the restructuring of the bond loan in 2015 where the maturity date was extended from 27 June 2016 to 27 June 2019. This has an immaterial effect on the 2018 opening balance.

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 interpretation of the new standard 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	Q4 2017 Unaudited	2017 Unaudited
Movement pre-funding revenues from previous periods	2,050	579
Movement pre-funding revenues to subsequent periods	-2,540	-2,540
Adjustment on Pre-funding revenues in the period	**-490**	**-1,961**
Increased capitalised multi-client expenses	-1,315	-2,769
Increased multi-client amortisation	806	1,732
Adjustment on Total operating expenses	**-509**	**-1,037**
Adjustment on Income/(loss) for the period	**19**	**-924**

Impact on the statement of financial position:

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 liabilitie	**53,950**	**0**	**53,950**
Current liabilities			
Other short term liabilitie	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**

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 2018 Unaudited	Q4 2017 Unaudited Restated*	2018 Unaudited	2017 Unaudited Restated*
Americas	6.0	0.4	9.1	1.2
Asia/Pacific	0.0	0.4	2.4	0.5
EAME	7.4	10.0	20.1	32.3
Total	**13.4**	**10.8**	**31.6**	**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	Q4 2018 Unaudited	Q4 2017 Unaudited Restated*	2018 Unaudited	2017 Unaudited Restated*
Opening carrying value	14.9	18.8	17.3	24.3
Additions	0.4	1.6	6.2	8.3
Amortisation charge	-2.6	-2.7	-10.9	-10.3
Impairment	0.0	-0.4	0.0	-3.6
Cash contribution from partners	0.0	0.0	0.0	-1.4
Closing carrying value	**12.6**	**17.3**	**12.6**	**17.3**

*** See Accounting principles under Notes**

Convertible bond loan

EMGS issued a USD 32.5 million convertible bond bearing an interest in May 2018. The loan can at any time be converted into common shares in EMGS at the conversion price of USD 0.42677 per share until the maturity date on 9 May 2023. The USD 32.5 million convertible bond is separated into a liability and an equity component. On issuance of the convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. At 31 December 2018 the carrying value of the liability component was estimated to USD 30.8 million. The remainder of the proceeds is allocated to the conversion option that is recognised and calculated in shareholders' equity. The carrying amount of the conversion option of USD 1.9 million is not re-measured in subsequent periods.

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 the Company 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 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. Neither the Company nor any other company within the EMGS company 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 the Company nor any other company within the EMGS company group or any of its and 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. The Company 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 2018** **Unaudited**	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited
		Restated*		Restated*
Operating profit / (loss)	-6,328	-3,950	-31,668	-17,806
Depreciation and ord. amortisation	1,738	2,072	7,595	6,777
Multi-client amortisation	2,647	2,664	10,914	10,345
Impairment of long term assets	2,544	460	2,544	3,630
EBITDA	**600**	**1,246**	**-10,616**	**2,946**

*** 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	Q4 2018 Unaudited	Q4 2017 Unaudited	2018 Unaudited	2017 Unaudited
Pre-funding revenues using current interpretation of IFRS 15	2,497	2,297	8,804	11,296
IFRS 15 adjustments	-1,895	490	-2,540	1,961
Pre-funding revenues based on POC principle	**602**	**2,787**	**6,264**	**13,256**

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