

**EMGS  
FOURTH  
QUARTER  
2019.**

# Highlights in the Fourth Quarter.

## Operational highlights

- Completed USD 23.9 million proprietary acquisition in South East Asia
- Continuation of the Pemex contract in Mexico
- Backlog at end Q4 of USD 58.0 million, whereof USD 14.3 million is firm

## Financial highlights

- Revenues of USD 37.2 million
- EBITDA of USD 24.8 million
- Adjusted EBITDA of USD 20.9 million
- Payment delay in connection with on-going acquisition contract continues

## Subsequent events

- Call-off (work order) received for additional work (USD 3.4 million) under existing multi-year acquisition contract
- Discussions, modelling and survey-planning for additional acquisition work under existing multi-year acquisition contract on-going

## Key financial figures

|   | Q4 2019     | Q4 2018     | 2019        | 2018         | Q3 2019     |
|---|-------------|-------------|-------------|--------------|-------------|
| Amounts in USD million (except per share data)      | Unaudited   | Unaudited   | Unaudited   | Audited      | Unaudited   |
| Contract sales                                      | 21.6        | 6.3         | 54.4        | 7.2          | 20.5        |
| Multi-client sales                                  | 9.0         | 6.4         | 26.1        | 21.6         | 5.7         |
| Other revenue                                       | 6.6         | 0.7         | 8.8         | 2.8          | 0.8         |
| <b>Total revenues</b>                               | <b>37.2</b> | <b>13.4</b> | <b>89.4</b> | <b>31.5</b>  | <b>26.9</b> |
| Operating profit/ (loss)                            | 18.6        | -6.3        | 22.5        | -31.7        | 7.5         |
| Income/ (loss) before income taxes                  | 18.5        | -7.3        | 16.7        | -36.6        | 5.8         |
| Net income/ (loss)                                  | 17.9        | -7.1        | 15.0        | -36.6        | 5.1         |
| Earnings/ (loss) per share                          | 0.14        | -0.05       | 0.11        | -0.31        | 0.04        |
| Average number of shares outstanding (in thousands) | 130,970     | 130,970     | 130,970     | 116,345      | 130,970     |
| <br>  |             |             |             |              |             |
| EBITDA  | 24.8        | 0.6         | 49.9        | -10.6        | 15.7        |
| Multi-client investments                            | 0.0         | 0.4         | 0.8         | 6.2          | 0.0         |
| Vessel and office lease                             | 3.9         | 0.0         | 15.7        | 0.0          | 4.1         |
| <b>Adjusted EBITDA</b>                              | <b>20.9</b> | <b>0.2</b>  | <b>33.3</b> | <b>-16.8</b> | <b>11.6</b> |

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

# Financial Review.

## Revenues and operating expenses

EMGS recorded revenues of USD 37.2 million in the fourth quarter of 2019, up from USD 13.4 million reported for the corresponding quarter of 2018. Contract sales and other revenue totalled USD 28.2 million, of which USD 3.9 million is related to revenue recognition of DeepBlue partner contribution with no cash effect, while multi-client sales amounted to USD 9.0 million. For the fourth quarter of 2018, contract sales and other revenue totalled USD 7.0 million, while multi-client sales amounted to USD 6.4 million.

Revenues for the full year 2019 amounted to USD 89.4 million, compared with USD 31.6 million for the full year 2018.

Charter hire, fuel and crew expenses totalled USD 4.8 million in the fourth quarter this year, compared with USD 7.1 million in the fourth quarter of 2018. Following the implementation of the new accounting standard for leases, IFRS 16, on 1 January 2019, vessel leases are no longer recognised under charter hire, fuel and crew expenses, but as a financial lease. See Accounting Principles for a description of the effects from implementation of IFRS 16. The reclassified vessel lease expenses amounted to USD 3.7 million in the fourth quarter of 2019. The Group used the modified retrospectively approach when adopting IFRS 16, hence the financials for 2018 are not comparable to the financials for 2019. The Company did not capitalise any of the charter hire, fuel and crew expenses as multi-client expenses in the quarter, while USD 0.4 million was capitalised in the fourth quarter of 2018. The charter hire, fuel and crew expenses have increased from USD 7.5 million in the fourth quarter of 2018 to USD 8.5 million in same period this year when adding back the vessel lease expenses and the capitalised multi-client expenses. This is a result of an increased activity level in the fourth quarter of 2019 compared to 2018.

For the full year 2019, the Company has recorded charter hire, fuel and crew expenses of USD 14.6 million, down from USD 18.8 million in 2018. USD 15.5 million was capitalised as multi-client expenses and vessel lease expenses in the full year 2019, compared with USD 6.2 million capitalised as multi-client expenses in 2018.

Employee expenses amounted to USD 5.8 million in the fourth quarter of 2019, up from USD 4.0 million in the same quarter in 2018. Employee expenses for the full year were USD 19.7 million in 2019, compared with USD 17.5 million in 2018.

Other operating expenses totalled USD 1.8 million in the fourth quarter this year. In accordance with IFRS 16, the office leases are no longer recognised under other operating expenses. The reclassified office lease expenses amounted to USD 0.2 million in the fourth quarter of 2019. Other operating expenses have increased from USD 1.7 million in the fourth quarter of 2018 to USD 2.0 million in the fourth quarter 2019 when adding back the office lease expenses. For the full year 2019, other operating expenses amounted to USD 5.2 million, down from USD 5.9 million in the same period last year.

## Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.5 million in the fourth quarter of 2019, down from USD 1.7 million in the fourth quarter of 2018. Depreciation right-of-use assets, vessel leases and office leases totalled USD 3.4 million in the fourth quarter of 2019 due to the adoption of IFRS 16 in 2019.

Depreciation and ordinary amortisation decreased from USD 7.6 million for the full year 2018 to USD 6.2 million in 2019. Depreciation right-of-use assets, vessel leases and office leases for the full year 2019 were USD 13.2 million due to the adoption of IFRS 16 in 2019. The Company capitalised USD 0.5 million of the depreciation of the right-of-use asset as multi-client expenses in 2019.

Multi-client amortisation amounted to USD 1.3 million this quarter, compared with USD 2.6 million in the fourth quarter of 2018. The Company uses straight-line amortisation for its completed multi-client projects, assigned over

the useful lifetime of four (4) years.

Multi-client amortisation totalled USD 7.8 million for the full year 2019, down from USD 10.9 million in 2018.

There were no impairments of long-term assets this quarter. Impairment of long-term assets in the amount of USD 2.5MUSD was recorded in the corresponding quarter last year.

### Net financial items

Net financial items ended at negative USD 0.1 million in the fourth quarter of 2019, compared with a negative USD 1.0 million in the corresponding quarter last year. In the fourth quarter of 2019, the Group recorded an interest expense of USD 1.8 million compared with an interest expense of USD 1.5 million in the fourth quarter of 2018. The increase is mainly caused by the adoption of IFRS 16 in 2019. In the fourth quarter of 2019, the Company recorded a net currency loss of USD 17,000, compared with a currency gain of USD 0.5 million in the fourth quarter of 2018.

Interest income amounted to USD 1.7 million in this quarter compared to USD 0.1 million in the corresponding quarter in 2018. The increase in interest income is due to funds released from a judicial escrow account held in Brazil as part of the Municipal Services Tax (ISS) verdict announced 28 October 2019.

For the full year 2019, net financial items were negative USD 5.8 million, compared to negative USD 5.0 million in 2018.

### Income/(loss) before income taxes

Profit before income taxes amounted to USD 18.5 million in the fourth quarter 2019, compared with a loss before income taxes of USD 7.3 million in the corresponding quarter in 2018.

Profit before income taxes for the full year 2019 amounted to USD 16.7 million, compared with a loss before income taxes of USD 36.7 million in the same period last year.

### Income tax expenses

Income tax expenses of USD 0.5 million were recorded in the fourth quarter of 2019, compared with an income tax expense of negative USD 0.2 million in the fourth quarter of 2018.

Income tax expenses for the full year 2019 were USD 1.7 million, compared with negative USD 0.1 million in the same period in 2018.

### Net income for the period

Profit for the fourth quarter of 2019 amounted to USD 17.9 million, up from a loss of USD 7.1 million in the same period last year.

Profit for the full year 2019 was USD 15.0 million, up from a loss of USD 36.6 million in the same period last year.

### Cash flow and balance sheet

In the fourth quarter 2019, net cash flow from operating activities was USD 20.7 million, compared with a negative net cash flow of USD 1.4 million in the fourth quarter of 2018. The cash flow from operating activities this quarter was mainly affected by a positive EBITDA of USD 24.8 million.

For the full year 2019, net cash flow from operating activities was USD 32.7 million, compared with a negative USD 11.7 million in the same period last year.

EMGS applied USD 0.4 million in investing activities in the fourth quarter this year, compared with USD 0.9 million in the fourth quarter of last year. The Company invested USD 0.4 million in equipment in the fourth quarter 2019.

Cash flow from investing activities for the full year 2019 amounted to a negative USD 3.2 million, compared with a negative USD 7.8 million in the same period last year. The Company invested USD 1.8 million in equipment and USD 1.3 million in the multi-client library in 2019.

The carrying value of the multi-client library was USD 6.0 million at 31 December 2019, down from USD 7.3 million at 30 September 2019 and USD 12.6 million at 31 December 2018.

Cash flow from financial activities was negative USD 4.3 million in the fourth quarter of 2019, compared with a negative cash flow of USD 0.8 million in the same quarter last year. The negative cash flow from financial activities this year included a USD 3.9 million payment of vessel and office leases recognised as financial leases following the implementation of IFRS 16.

Cash flow from financial activities for the full year 2019 amounted to negative USD 16.3 million, compared with a positive USD 9.4 million in the same period of 2018.

The Company had a net increase in cash, excluding restricted cash, of USD 16.0 million during the fourth quarter of 2019. At 31 December 2019, cash and cash equivalents totalled USD 19.7 million.

### Financing

Total borrowings were USD 31.2 million at 31 December 2019, up from USD 31.1 million at 30 September 2019 and up from USD 30.8 million at 31 December 2018. This includes the Company's convertible bond loan, which has a carrying value of USD 31.2 million recorded as non-current borrowings and USD 1.9 million recorded as equity at the inception of the convertible bond loan in 2018, in accordance with IFRS.

The convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the convertible bond agreement has restrictions regarding the Company's ability to sell or otherwise dispose of the multi-client library, declare or make dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 31 December 2019, the free cash and cash equivalents totalled USD 19.7 million.

# Operational Review.

|                          | Q4 2019    | Q3 2019    | Q2 2019    | Q1 2019    | Q4 2018    |
|--------------------------|------------|------------|------------|------------|------------|
| Proprietary work         | 80%        | 73%        | 45%        | 11%        | 32%        |
| Multi-client projects    | 0%         | 0%         | 28%        | 0%         | 0%         |
| <b>Total utilisation</b> | <b>80%</b> | <b>73%</b> | <b>73%</b> | <b>11%</b> | <b>32%</b> |

## Vessel utilisation and fleet allocation

The vessel utilisation for the fourth quarter 2019 was 80% compared with 32% in the corresponding quarter in 2018. For the full year 2019, the vessel utilisation was 59% compared with 33% for the same period last year.

In the fourth quarter of 2019, the Company's vessels were allocated 80% to proprietary work and no time was spent on multi-client projects. In the comparable quarter of 2018, the vessels were allocated 32% to proprietary work and no time was spent on multi-client projects.

EMGS had two vessels on charter and recorded 5.9 vessel months in the quarter. In the fourth quarter 2018, the Company also had two vessels on charter.

## Vessel activity in the fourth quarter

|                   | Utilisation Q4 2019 | Status Q4 2019 | Firm charter period | Remaining option periods   |
|-------------------|---------------------|----------------|---------------------|----------------------------|
| Petrel Explorer   | 67%                 | In operation   | 31 March 2020       | 6 x 1 month + 1 x 6 months |
| Atlantic Guardian | 92%                 | In operation   | 30 September 2021   | 5 x 12 months              |

### Atlantic Guardian

The Atlantic Guardian commenced a proprietary survey for Pemex in Mexico on 25 July 2019 as of 31 December 2019 the survey is still ongoing.

### Petrel Explorer

The Petrel Explorer completed acquisition of EM data for Petronas in South-East Asia 6 December 2019. On 12 December 2019 the vessel started transit towards the Atlantic.

## Backlog

As of 31 December 2019, EMGS' backlog was USD 58.0 million, whereof USD 14.3 million is firm and the majority of the remaining USD 43.7 million is the non-committed part of the Pemex proprietary acquisition contract. This compares with a backlog of USD 3.3 million at the end of the fourth quarter 2018 (all firm).

Of the total USD 58.0 million backlog as of 31 December, USD 53.2 million is related to proprietary projects, USD 3.5 million to pre-funding and late sales, and the remaining USD 1.2 million is related to processing, interpretation and other projects.

## Events during the Fourth quarter of 2019

### New multi-client contract

On 28 October, EMGS announced a USD 8.0 million multi-client contract with an undisclosed customer. The contract included certain data licenses, settlement of future potential uplift obligations, a number of licenses to the Company's proprietary EMU and SBLwiz software as well as prepayment for consulting services.

### Change of CFO

On 2 December, EMGS announced that Hege Veiseth had resigned her position as CFO. Anders Eimstad was appointed interim CFO.

## Subsequent events

### Update on multi-year acquisition contract

On 22 January, EMGS announced that the Company received a call-off for additional acquisition work for Pemex. The additional acquisition work has a total value of approximately USD 3.4 million.

## Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the fourth quarter 2019, the EMGS share was traded between NOK 1.75 and NOK 2.58 per share. The last closing price before 31 December 2019 was NOK 2.09.

As of 31 December 2019, the Company had a total of 130,969,690 shares outstanding.

## Risks and uncertainty factors

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. The market for E&P services, and in particular the market for geophysical services including EM services, experienced a sharp decline following the oil price collapse in 2014. Although current customer spending levels remain low compared to pre-2014, the Company is experiencing improvements in the market for EM services.

The Company is continuously evaluating capacity demand. Peaks in demand will be handled through flexible and low fixed-cost solutions with less dependence on vessels on long term charter, inter alia through the development and implementation of mobile equipment sets.

Through comprehensive cost reduction measures, EMGS has reduced the operational cost base from USD 143 million in 2015 down to USD 48 million in 2018. EMGS continued its cost focus in 2019 with a total operational cost base of USD 56 million. The increase from 2018 to 2019 is a result of higher operational activity.

EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Group's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free flow cash forecast. The Company's cash position has improved significantly as compared to 30 September 2019 and the Company continues to have a significant backlog. However, EMGS is still experiencing a delay in payment of several of the Company's invoices under an on-going acquisition contract in the Americas. Furthermore, the Company is experiencing delays in the approval process for several other invoices which are ready for final submittal to the customer. The outstanding amounts as of the balance date have been recorded as part of the trade receivables on the Company's balance sheet included below in this report. Should the payment delays continue, this will have a material detrimental effect on the Company's liquidity and solidity, including the Company's ability to remain compliant with the free cash covenant. The Company's convertible bond loan due in 2023 contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 31 December 2019, the free cash and cash equivalents totaled USD 19.7 million. Based on current cash flow forecasts, the Company expects to remain compliant with the free cash covenant in Q1 2020.

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

## Outlook

The market outlook for oil services is characterised by high uncertainty and the visibility remains low. The company is experiencing increased interest for CSEM acquisition and services.

The Company expects its balance sheet and cash position to strengthen going forward, provided, in particular, that the following two conditions are met. Firstly, that the Company is able to resolve the on-going payment delay situation. Secondly, that the Company, working together with Pemex, is able to convert more of the maximum value of the Pemex contract into committed (fixed) work.

Sales efforts are ongoing to secure backlog in all regions.

Based on the current operational forecast, EMGS expects to continue to operate two vessels in 2020. The Company expects to operate in the Gulf of Mexico, Norway and the Atlantic Margin during the year. EMGS will continue to invest in its multi-client library in selected areas. Capital investment plans are limited to maintenance of existing equipment.

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

Oslo, 5 February 2020  
Board of Directors and CEO



# Consolidated Income Statement.

| Amounts in USD 1 000                                   | Q4 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|--|----------------------|----------------------|-------------------|-----------------|
| <b>Operating revenues</b>                              |                      |                      |                   |                 |
| Contract sales   | 21,583               | 6,296                | 54,444            | 7,176           |
| Multi-client pre-funding                               | 0                    | 2,497                | 4,608             | 8,804           |
| Multi-client late sales                                | 9,040                | 3,887                | 21,518            | 12,781          |
| Other revenue  | 6,571                | 718                  | 8,795             | 2,789           |
| <b>Total revenues</b>                                  | <b>37,194</b>        | <b>13,397</b>        | <b>89,365</b>     | <b>31,550</b>   |
| <b>Operating expenses</b>                              |                      |                      |                   |                 |
| Charter hire, fuel and crew expenses                   | 4,811                | 7,139                | 14,596            | 18,784          |
| Employee expenses                                      | 5,777                | 3,981                | 19,662            | 17,505          |
| Depreciation and ordinary amortisation                 | 1,533                | 1,738                | 6,240             | 7,595           |
| Depreciation right-of-use assets                       | 3,436                | 0                    | 13,189            | 0               |
| Multi-client amortisation                              | 1,259                | 2,647                | 7,785             | 10,914          |
| Impairment of long-term assets                         | 0                    | 2,544                | 152               | 2,544           |
| Other operating expenses                               | 1,795                | 1,677                | 5,215             | 5,877           |
| <b>Total operating expenses</b>                        | <b>18,610</b>        | <b>19,725</b>        | <b>66,839</b>     | <b>63,218</b>   |
| <b>Operating profit/ (loss)</b>                        | <b>18,584</b>        | <b>-6,328</b>        | <b>22,526</b>     | <b>-31,668</b>  |
| <b>Financial income and expenses</b>                   |                      |                      |                   |                 |
| Interest income  | 1,670                | 63                   | 1,830             | 232             |
| Interest expense                                       | -1,364               | -1,518               | -5,449            | -5,251          |
| Interest expense lease liabilities                     | -398                 | 0                    | -1,827            | 0               |
| Net gains/(losses) of financial assets and liabilities | 0                    | 0                    | 2                 | 649             |
| Net foreign currency income/(loss)                     | -17                  | 477                  | -346              | -612            |
| <b>Net financial items</b>                             | <b>-110</b>          | <b>-979</b>          | <b>-5,790</b>     | <b>-4,981</b>   |
| <b>Income/ (loss) before income taxes</b>              | <b>18,474</b>        | <b>-7,307</b>        | <b>16,736</b>     | <b>-36,650</b>  |
| Income tax expense                                     | 525                  | -182                 | 1,697             | -50             |
| <b>Income/ (loss) for the period</b>                   | <b>17,949</b>        | <b>-7,125</b>        | <b>15,039</b>     | <b>-36,599</b>  |

# Consolidated Statement of Comprehensive Income.

| Amounts in USD 1 000  | Q4 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|---|----------------------|----------------------|-------------------|-----------------|
| <b>Income/ (loss) for the period</b>  | <b>17,949</b>        | <b>-7,125</b>        | <b>15,039</b>     | <b>-36,599</b>  |
| <b>Other comprehensive income</b>   |                      |                      |                   |                 |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> |                      |                      |                   |                 |
| Exchange differences on translation of foreign operations                                     | 53                   | 7                    | 52                | 33              |
| Net (loss)/gain on available-for-sale (AFS) financial assets                                  | 0                    | 0                    | 0                 | 0               |
| <b>Other comprehensive income</b>   | <b>53</b>            | <b>7</b>             | <b>52</b>         | <b>33</b>       |
| Actuarial gains/(losses) on defined benefit plans   | 0                    | 0                    | 0                 | 0               |
| <b>Other comprehensive income</b>   | <b>53</b>            | <b>7</b>             | <b>52</b>         | <b>33</b>       |
| <b>Total other comprehensive income/(loss) for the period</b>                                 | <b>18,002</b>        | <b>-7,118</b>        | <b>15,091</b>     | <b>-36,566</b>  |

# Consolidated Statement of Financial Position.

| Amounts in USD 1 000                                       | 31 December 2019<br>Unaudited | 31 December 2018<br>Audited |
|--|-------------------------------|-----------------------------|
| <b>ASSETS</b>  |                               |                             |
| <b>Non-current assets</b>                                  |                               |                             |
| Multi-client library                                       | 5,996                         | 12,596                      |
| Other intangible assets                                    | 1,621                         | 1,388                       |
| Property, plant and equipment                              | 24,624                        | 30,174                      |
| Right-of-use assets  | 15,955                        | 0                           |
| Assets under construction                                  | 1,023                         | 852                         |
| Restricted cash  | 0                             | 3,008                       |
| <b>Total non-current assets</b>                            | <b>49,219</b>                 | <b>48,018</b>               |
| <b>Current assets</b>                                      |                               |                             |
| Spare parts, fuel, anchors and batteries                   | 8,261                         | 7,225                       |
| Trade receivables  | 23,503                        | 4,634                       |
| Other receivables  | 4,213                         | 4,855                       |
| Cash and cash equivalents                                  | 19,731                        | 6,487                       |
| Restricted cash  | 618                           | 3,609                       |
| <b>Total current assets</b>                                | <b>56,326</b>                 | <b>26,811</b>               |
| <b>Total assets</b>  | <b>105,545</b>                | <b>74,829</b>               |
| <b>EQUITY</b>  |                               |                             |
| <b>Capital and reserves attributable to equity holders</b> |                               |                             |
| Share capital, share premium and other paid-in equity      | 71,490                        | 71,490                      |
| Other reserves   | -1,531                        | -1,584                      |
| Retained earnings  | -53,986                       | -66,576                     |
| <b>Total equity</b>  | <b>15,971</b>                 | <b>3,328</b>                |
| <b>LIABILITIES</b>   |                               |                             |
| <b>Non-current liabilities</b>                             |                               |                             |
| Provisions   | 14,437                        | 19,250                      |
| Borrowings   | 31,199                        | 30,808                      |
| Non-current leasing liabilities                            | 7,915                         | 238                         |
| <b>Total non-current liabilities</b>                       | <b>53,552</b>                 | <b>50,296</b>               |
| <b>Current liabilities</b>                                 |                               |                             |
| Trade payables   | 8,254                         | 6,819                       |
| Current tax liabilities                                    | 6,549                         | 5,079                       |
| Other short term liabilities                               | 10,807                        | 9,003                       |
| Current leasing liabilities                                | 10,412                        | 303                         |
| <b>Total current liabilities</b>                           | <b>36,022</b>                 | <b>21,204</b>               |
| <b>Total liabilities</b>                                   | <b>89,574</b>                 | <b>71,501</b>               |
| <b>Total equity and liabilities</b>                        | <b>105,545</b>                | <b>74,829</b>               |

# Consolidated Statement of Cash Flows.

| Amounts in USD 1 000                                 | Q4 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|--|----------------------|----------------------|-------------------|-----------------|
| <b>Net cash flow from operating activities</b>       |                      |                      |                   |                 |
| Income/(loss) before income taxes                    | 18,474               | -7,307               | 16,736            | -36,650         |
| <b>Adjustments for:</b>                              |                      |                      |                   |                 |
| Total taxes paid                                     | 128                  | -107                 | -227              | -1,170          |
| Depreciation and ordinary amortisation               | 1,532                | 1,738                | 6,241             | 7,595           |
| Depreciation right-of-use assets                     | 3,436                | 0                    | 13,189            | 0               |
| Multi-client amortisation and impairment             | 1,259                | 2,647                | 7,785             | 10,914          |
| Impairment of other long term assets                 | 0                    | 2,544                | 152               | 2,544           |
| Cost of share-based payment                          | 0                    | -229                 | 0                 | -167            |
| Change in trade receivables                          | -3,540               | -2,126               | -18,869           | 6,442           |
| Change in inventories                                | -641                 | 298                  | -1,036            | -25             |
| Change in trade payables                             | -572                 | -639                 | 1,435             | -63             |
| Change in other working capital                      | -142                 | 1,001                | 4,206             | -4,124          |
| Amortisation of interest                             | 785                  | 761                  | 3,067             | 2,999           |
| <b>Net cash flow from operating activities</b>       | <b>20,719</b>        | <b>-1,419</b>        | <b>32,679</b>     | <b>-11,705</b>  |
| <b>Investing activities:</b>                         |                      |                      |                   |                 |
| Purchase of property, plant and equipment            | -446                 | -481                 | -1,837            | -1,598          |
| Investment in multi-client library                   | 0                    | -375                 | -1,337            | -6,193          |
| <b>Cash used in investing activities</b>             | <b>-446</b>          | <b>-856</b>          | <b>-3,174</b>     | <b>-7,791</b>   |
| <b>Financial activities:</b>                         |                      |                      |                   |                 |
| Financial lease payments - principal                 | -90                  | -113                 | 183               | -332            |
| Financial lease liabilities                          | -3,145               | 0                    | -11,970           | 0               |
| Interest lease liabilities                           | -406                 | 0                    | -1,796            | 0               |
| Net proceeds from new loan                           | 0                    | 0                    | -18               | 32,103          |
| Repayment/settlement of loan and FRA                 | 0                    | 0                    | 0                 | -31,880         |
| Net proceeds from rights issue                       | 0                    | 0                    | 0                 | 11,736          |
| Net proceed new lease agreement                      | 0                    | 0                    | 0                 | 107             |
| Payment of interest on bonds                         | -659                 | -651                 | -2,660            | -2,299          |
| <b>Cash used in/provided by financial activities</b> | <b>-4,300</b>        | <b>-764</b>          | <b>-16,261</b>    | <b>9,435</b>    |
| <b>Net change in cash</b>                            | <b>15,974</b>        | <b>-3,039</b>        | <b>13,244</b>     | <b>-10,061</b>  |
| Cash balance beginning of period                     | 3,757                | 9,526                | 6,487             | 16,548          |
| Cash balance end of period                           | 19,731               | 6,487                | 19,731            | 6,487           |
| <b>Net change in cash</b>                            | <b>15,974</b>        | <b>-3,039</b>        | <b>13,244</b>     | <b>-10,061</b>  |

# Consolidated Statement of Changes in Equity.

| Amounts in USD 1 000                               | Share capital<br>share premium<br>and other paid-in-<br>capital | Foreign currency<br>translation<br>reserves | Available-for-sale<br>reserve | Retained earnings | Total equity   |
|--|---|---|-------------------------------|-------------------|----------------|
| <b>Balance as of 1 January 2018</b>                | <b>336,764</b>  | <b>-1,617</b>                               | <b>0</b>                      | <b>-308,761</b>   | <b>26,386</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -12,124           | -12,124        |
| Other comprehensive income                         | 0   | 26  | 0                             | 0                 | 26             |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>26</b>                                   | <b>0</b>                      | <b>-12,124</b>    | <b>-12,098</b> |
| Cost of share-based payments                       | 20  | 0   | 0                             | 0                 | 20             |
| <b>Balance as of 31 March 2018 (Unaudited)</b>     | <b>336,784</b>  | <b>-1,591</b>                               | <b>0</b>                      | <b>-320,885</b>   | <b>14,307</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -6,194            | -6,194         |
| Other comprehensive income                         | 0   | 0   | 0                             | 0                 | 0              |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>0</b>                                    | <b>0</b>                      | <b>-6,194</b>     | <b>-6,194</b>  |
| Cost of share-based payments                       | 22  | 0   | 0                             | 0                 | 22             |
| Proceeds from shares issued                        | 11,736  | 0   | 0                             | 0                 | 11,736         |
| <b>Balance as of 30 June 2018 (Unaudited)</b>      | <b>348,542</b>  | <b>-1,591</b>                               | <b>0</b>                      | <b>-327,079</b>   | <b>19,872</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -11,156           | -11,156        |
| Other comprehensive income                         | 0   | 0   | 0                             | 0                 | 0              |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>0</b>                                    | <b>0</b>                      | <b>-11,156</b>    | <b>-11,156</b> |
| Cost of share-based payments                       | 21  | 0   | 0                             | 0                 | 21             |
| Equity component of convertible loan               | 1,941   | 0   | 0                             | 0                 | 1,941          |
| <b>Balance as of 30 September 2018 (Unaudited)</b> | <b>350,504</b>  | <b>-1,591</b>                               | <b>0</b>                      | <b>-338,235</b>   | <b>10,675</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -7,125            | -7,125         |
| Other comprehensive income                         | 0   | 7   | 0                             | 0                 | 7              |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>7</b>                                    | <b>0</b>                      | <b>-7,125</b>     | <b>-7,118</b>  |
| Cost of share-based payments                       | -229  | 0   | 0                             | 0                 | -229           |
| Transfer of share premium to retained earnings     | -278,784  | 0   | 0                             | 278,784           | 0              |
| <b>Balance as of 31 December 2018 (Audited)</b>    | <b>71,490</b>   | <b>-1,584</b>                               | <b>0</b>                      | <b>-66,576</b>    | <b>3,328</b>   |
| Effect from implementation of IFRS 16              | 0   | 0   | 0                             | -2,449            | -2,449         |
| <b>Balance as of 1 January 2019 (Unaudited)</b>    | <b>71,490</b>   | <b>-1,584</b>                               | <b>0</b>                      | <b>-69,025</b>    | <b>879</b>     |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -5,994            | -5,994         |
| Other comprehensive income                         | 0   | 0   | 0                             | 0                 | 0              |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>0</b>                                    | <b>0</b>                      | <b>-5,994</b>     | <b>-5,994</b>  |
| Cost of share-based payments                       | 0   | 0   | 0                             | 0                 | 0              |
| <b>Balance as of 31 March 2019 (Unaudited)</b>     | <b>71,490</b>   | <b>-1,584</b>                               | <b>0</b>                      | <b>-75,019</b>    | <b>-5,115</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | -1,976            | -1,976         |
| Other comprehensive income                         | 0   | -1  | 0                             | 0                 | -1             |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>-1</b>                                   | <b>0</b>                      | <b>-1,976</b>     | <b>-1,977</b>  |
| Cost of share-based payments                       | 0   | 0   | 0                             | 0                 | 0              |
| <b>Balance as of 30 June 2019 (Unaudited)</b>      | <b>71,490</b>   | <b>-1,584</b>                               | <b>0</b>                      | <b>-76,995</b>    | <b>-7,091</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | 5,060             | 5,060          |
| Other comprehensive income                         | 0   | 0   | 0                             | 0                 | 0              |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>0</b>                                    | <b>0</b>                      | <b>5,060</b>      | <b>5,060</b>   |
| Cost of share-based payments                       | 0   | 0   | 0                             | 0                 | 0              |
| <b>Balance as of 30 September 2019 (Unaudited)</b> | <b>71,490</b>   | <b>-1,584</b>                               | <b>0</b>                      | <b>-71,935</b>    | <b>-2,031</b>  |
| Income/(loss) for the period                       | 0   | 0   | 0                             | 17,949            | 17,949         |
| Other comprehensive income                         | 0   | 53  | 0                             | 0                 | 53             |
| <b>Total comprehensive income</b>                  | <b>0</b>  | <b>53</b>                                   | <b>0</b>                      | <b>17,949</b>     | <b>18,002</b>  |
| Cost of share-based payments                       | 0   | 0   | 0                             | 0                 | 0              |
| <b>Balance as of 31 December 2019 (Unaudited)</b>  | <b>71,490</b>   | <b>-1,531</b>                               | <b>0</b>                      | <b>-53,986</b>    | <b>15,971</b>  |

# Notes.

## Accounting principles

These interim consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2018, which is available on [www.emgs.com](http://www.emgs.com).

### IFRS 16 Leases, effective from 1 January 2019

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

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

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

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

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

Impact on the statement of financial position:

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

Set out below, are the Group's carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

| Amounts in USD 1 000                              | Right-of-use assets |               |              |               | Lease liabilities |
|---|---------------------|---------------|--------------|---------------|-------------------|
|   | Vessel leases       | Office leases | IT equipment | Total         |                   |
| <b>As at 1 January 2019</b>                       | <b>23,663</b>       | <b>2,267</b>  | <b>214</b>   | <b>26,144</b> | <b>28,920</b>     |
| Additions   | 2,941               | 49            | 533          | 3,524         | 3,524             |
| Depreciation expense                              | -12,259             | -712          | -217         | -13,189       | 0                 |
| Depreciation capitalised as multi-client expenses | -524                | 0             | 0            | -524          | 0                 |
| Interest expense                                  | 0                   | 0             | 0            | 0             | 1,827             |
| Payments  | 0                   | 0             | 0            | 0             | -15,944           |
| <b>As at 31 December 2019</b>                     | <b>13,821</b>       | <b>1,604</b>  | <b>531</b>   | <b>15,955</b> | <b>18,327</b>     |

Set out below, are the amounts recognised in profit or loss:

| Amounts in USD 1 000                              | 2019          |
|---|---------------|
| Depreciation expense of right-of-use assets       | 13,189        |
| Interest expense on lease liabilities             | 1,827         |
| <b>Total amounts recognised in profit or loss</b> | <b>15,016</b> |

## Other revenue

The contribution received from Shell and Equinor when building the DeepBlue source is recorded as a liability in EMGS' balance sheet (provisions of USD 14.4 million as of 31 December 2019). This liability was previously recognised as revenue over an eight-year period, which is the same as the depreciation period for the DeepBlue source asset. In 2019, Shell, Equinor and EMGS signed an amendment to the initial agreement, which changed the liability's revenue recognition period from eight to four years starting from 1 January 2019. The full effect of the change in recognition period was taken in the fourth quarter of 2019. As a result, USD 3.9 million was recorded under Other revenue in the fourth quarter. This consist of both reduction of the liability and interest expenses recorded directly against revenues. This does not have any cash-effects.

As a result of the Municipal Services Tax (ISS) verdict announced 28 October 2019, EMGS recognised USD 2.6 million in other revenue. The Municipal Service Tax was originally booked as a reduction in revenue. Hence, the previously accrued taxes have been reversed and recorded as Other revenue in the fourth quarter 2019.

## 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 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|------------------------|----------------------|----------------------|-------------------|-----------------|
| Americas               | 18.2                 | 6.0                  | 32.5              | 9.1             |
| Asia/Pacific           | 5.9                  | 0.0                  | 23.9              | 2.4             |
| EAME                   | 13.1                 | 7.4                  | 32.9              | 20.1            |
| <b>Total</b>           | <b>37.2</b>          | <b>13.4</b>          | <b>89.4</b>       | <b>31.6</b>     |

## Multi-client library

The multi-client library consists of electromagnetic data acquired through multi-client surveys, i.e., EMGS owns the data. The electromagnetic data can be licensed to customers on a non-exclusive basis. Directly attributable costs associated with multi-client projects such as acquisition costs, processing costs, and other direct project costs are capitalised.

| Amounts in USD million        | Q4 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|-------------------------------|----------------------|----------------------|-------------------|-----------------|
| Opening carrying value        | 7.3                  | 14.9                 | 12.6              | 17.3            |
| Additions                     | 0.0                  | 0.4                  | 1.3               | 6.2             |
| Amortisation charge           | -1.3                 | -2.6                 | -7.8              | -10.9           |
| Impairment                    | 0.0                  | 0.0                  | -0.2              | 0.0             |
| <b>Closing carrying value</b> | <b>6.0</b>           | <b>12.6</b>          | <b>6.0</b>        | <b>12.6</b>     |

## 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 such 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 2019<br>Unaudited | Q4 2018<br>Unaudited | 2019<br>Unaudited | 2018<br>Audited |
|------------------------------------|----------------------|----------------------|-------------------|-----------------|
| Operating profit / (loss)          | 18,584               | -6,328               | 22,526            | -31,668         |
| Depreciation and ord. amortisation | 4,968                | 1,738                | 19,429            | 7,595           |
| Multi-client amortisation          | 1,259                | 2,647                | 7,785             | 10,914          |
| Impairment of long term assets     | 0                    | 2,544                | 152               | 2,544           |
| <b>EBITDA</b>                      | <b>24,811</b>        | <b>600</b>           | <b>49,893</b>     | <b>-10,616</b>  |

## Adjusted EBITDA

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

## Backlog

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

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