

**EMGS
FIRST
QUARTER
2021.**

Highlights in the First Quarter.

Operational highlights

- Successful mobilisation of the Atlantic Guardian after extended period in cold-stack
- Release of USD 7.3 million held in pledged account
- Payment of all past due invoices related to Pemex project received
- Contract award for proprietary survey in Southeast Asia

Financial highlights

- Revenues of USD 1.6 million
- EBITDA of negative USD 58 thousand
- Adjusted EBITDA negative USD 1.5 million

Subsequent events

- Completion of multi-client project in Mexico
- Commencement of transit to Southeast Asia

Key financial figures

	Q1 2021	Q1 2020	2020	Q4 2020
Amounts in USD million (except per share data)	Unaudited	Unaudited	Audited	Unaudited
Contract sales	0.1	9.6	11.5	0.4
Multi-client sales	0.1	0.3	7.8	2.3
Other revenue	1.4	1.4	5.6	1.4
Total revenues	1.6	11.3	24.9	4.0
Operating profit/ (loss)	-2.5	-8.5	-17.7	-1.4
Income/ (loss) before income taxes	-3.5	-9.6	-22.7	-2.4
Net income/ (loss)	-3.6	-9.6	-23.4	-3.0
Earnings/ (loss) per share	-0.03	-0.07	-0.18	-0.02
Average number of shares outstanding (in thousands)	130,970	130,970	130,970	130,970
EBITDA	-0.1	3.1	6.1	1.63
Multi-client investments	0.0	0.1	0.6	0.00
Vessel and office lease	1.4	3.9	8.8	0.91
Adjusted EBITDA	-1.5	-0.8	-3.3	0.7

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 1.6 million in the first quarter of 2021, down from USD 11.3 million reported for the corresponding quarter of 2020. Contract and other sales totalled USD 1.5 million, while multi-client sales amounted to USD 0.1 million. For the first quarter of 2020, contract and other revenue totalled USD 11.0 million, while multi-client sales amounted to USD 0.3 million.

Charter hire, fuel and crew expenses totalled USD 41 thousand in the first quarter this year, compared with USD 3.9 million in the first quarter of 2020. The Company did not capitalise any multi-client expenses in the first quarter of 2021, while USD 0.1 million of multi-client expenses was capitalised in the first quarter of 2020. The charter hire, fuel and crew expenses totalled USD 1.3 million in the first quarter of 2021 compared with USD 7.7 million in the first quarter of 2020 when adding back the vessel lease expenses in the first quarter of 2021 and vessel lease expenses and multi-client investments in the first quarter of 2020.

Employee expenses amounted to USD 0.8 million in the first quarter of 2021, down from USD 3.2 million in the same quarter in 2020.

Other operating expenses totalled USD 1.0 million in the first quarter this year, down from USD 1.3 million in the same quarter of 2020 when adding back the office lease expenses.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.1 million in the first quarter of 2021, down from USD 1.5 million in the first quarter of 2020. Depreciation of right-of-use assets, vessel leases and office leases totalled USD 0.9 million in the first quarter of 2021 compared to USD 3.3 million in the first quarter of 2020.

Multi-client amortisation amounted to USD 0.5 million this quarter, compared with USD 1.0 million in the first quarter of 2020. The decrease is a result of some of the multi-client projects with a carrying value in the first quarter last year being fully amortised this year. The Group uses straight-line amortisation for its completed multi-client projects, assigned over the useful lifetime of four years.

No impairment of long-term assets was made in the first quarter of 2021, while USD 5.8 million was impaired in the corresponding quarter in 2020. The impairment in the first quarter of 2020 included impairment of the DeepBlue in the amount of USD 5.0 million and USD 0.8 million impairment to the multi-client library.

Net financial items

Net financial items ended at negative USD 1.1 million in the first quarter of 2021, compared with negative USD 1.1 million in the corresponding quarter last year. In the first quarter of 2021, the Group recorded a net currency loss of USD 33 thousand, compared with a currency income of USD 0.5 million in the first quarter of 2020. In the first quarter of 2021, the Group recorded an interest expense of USD 1.0 million compared with an interest expense of USD 1.7 million in the first quarter of 2020.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 3.5 million in the first quarter 2021, compared with a loss before income taxes of USD 9.6 million in the corresponding quarter in 2020.

Income tax expenses

Income tax expenses of USD 73 thousand were recorded in the first quarter of 2021, compared with an income tax expense of USD three thousand in the first quarter of 2020.

Net income for the period

Loss for the first quarter of 2021 amounted to USD 3.6 million, compared to a loss of USD 9.6 million in the same period in 2020.

Cash flow and balance sheet

In the first quarter 2021, net cash flow from operating activities was USD 10.3 million, compared with a net cash flow of USD 1.0 million in the first quarter of 2020.

EMGS applied USD 0.2 million in investing activities in the first quarter this year, compared with USD 0.5 million in the first quarter of last year. The Company invested USD 20 thousand in property, plant and equipment and USD 0.2 million in the multi-client library in the first quarter of 2021.

The carrying value of the multi-client library was USD 2.0 million at 31 March 2021, down from USD 2.2 million at 31 December 2020 and USD 4.3 million at 31 March 2020.

Cash flow from financial activities was negative USD 2.1 million in the first quarter of 2021, compared with negative USD 4.2 million in the same quarter last year.

The Company had a net increase in cash, excluding restricted cash, of USD 7.9 million during the first quarter of 2021. At 31 March 2021, cash and cash equivalents totalled USD 12.1 million. The most significant contributor to the increase in cash and cash equivalents was the release of the USD 7.3 million from the pledge account.

Financing

Total borrowings were USD 31.9 million at 31 March 2021, compared to USD 31.8 million at 31 December 2020 and USD 31.4 million at 31 March 2020. This includes the Company's bond loan, which had a carrying value of USD 31.9 million recorded as non-current borrowings and USD 1.9 million recorded as equity in accordance with IFRS.

The convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the convertible bond agreement has restrictions regarding the Company's ability to sell or otherwise dispose of the multi-client library, declare or make dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 31 March 2021, the free cash and cash equivalents totalled USD 12.1 million.

Operational Review.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Proprietary work	0%	0%	0%	0%	20%
Multi-client projects	6%	0%	0%	23%	6%
Total utilisation	6%	0%	0%	23%	26%

Vessel utilisation and fleet allocation

The vessel utilisation for the first quarter 2021 was 6% compared with 26% in the corresponding quarter in 2020.

The vessel was allocated 6% to multi-client projects in the first quarter of 2021 and no time was spent on proprietary work. In the comparable quarter of 2020, the vessels were allocated 20% to proprietary work and 6% on multi-client projects.

EMGS had one vessel on charter and recorded 2.1 vessel months in the quarter. In the first quarter 2020, the Company had two vessels on charter.

Vessel activity in the first quarter

	Utilisation Q1 2021	Status Q1 2021	Firm charter period	Remaining option periods
Atlantic Guardian	6%	In operation	20 October 2022	4 x 12 months

Atlantic Guardian

The Atlantic Guardian spent the beginning of the first quarter cold-stacked. The Atlantic Guardian underwent a 20-year class and mobilised for a multi-client project in Mexico.

Backlog

As of 31 March 2021, EMGS' backlog was USD 14.3 million compared with a backlog of approximately USD 44.7 million at the end of the first quarter 2020.

Events during the first quarter of 2021

Pledged Depot deposit (New Facility)

In February 2021, USD 7.3 million held in the Pledge Depot was released due to the expiry of the guarantee it provided security for. Upon release, available cash increased by USD 7.3 million.

Contract Awarded

In March 2021, Electromagnetic Geoservices ASA was awarded a 3D CSEM contract in Southeast Asia. The expected contract value is between USD 6.0 and 7.0 million.

Subsequent events

Completion of multi-client project in Mexico

At the end of April 2021, EMGS completed the fully funded multi-client survey in Mexico.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the first quarter 2021, the EMGS share was traded between NOK 1.15 and NOK 2.56 per share. The last closing price before 31 March 2021 was NOK1.99.

As of 31 March 2021, 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. Historically, the demand for EM services has been correlated to the oil price, which can be volatile, unpredictable and is subject to upward and downward pressure from economic, environmental, political, and other factors. The Company expects that this correlation will remain going forward. As EM is still considered a niche product to many E&P companies, demand can quickly change as a response to declining oil price.

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 March 2021, the free cash and cash equivalents totalled USD 12.1 million.

2020 was a challenging year for the Company with focus on, and main risks related to, successful cost cutting and liquidity preservation. In 2021, the focus will be sales and project execution, but with the added risks and complexity related to conducting operations during a pandemic. The first project in Mexico, subsequent to mobilising the vessel from cold-stack, was successfully completed ahead of schedule prior to the end of April 2021.

Reference is made to the 2020 Annual Report for a further description of other relevant risk factors.

Outlook

Although the market outlook for oil services is improving and the oil price has stabilized above 60 dollars, the exploration market, and therefore the demand for CSEM services, remains soft. We expect that the demand for CSEM services will slowly improve as the world starts opening again and the activity in oil and gas exploration picks up.

In 2021, the Company is dependent upon keeping the Atlantic Guardian in operation on a series of already secured projects and contracts, as well as securing additional late sales and/or acquisition projects.

The Company continues to have a strong focus on keeping operational costs as low as possible and taking advantage of a more flexible business model. The Company may decide to temporarily cold-stack the Atlantic Guardian during Q4 should it fail to secure sufficient backlog for Q4 2021 and Q1 2022.

In the longer term, the Company believes that its unique CSEM technology could play an important role in the exploration for marine minerals offshore Norway and internationally. CSEM technology can be used to detect the presence of marine mineral deposits (primarily Seabed Massive Sulphides) and EMGS believes that the technology can also be used to estimate the mineral content of such deposits. The Company is undertaking early-stage initiatives to position itself in this future market.

The Company maintains its cutting-edge technological position in the EM market and is well-positioned to be able to capitalise on the expected upturn in the market with a more streamlined and efficient organisation.

Consolidated Income Statement.

Amounts in USD 1 000	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Audited
Operating revenues			
Contract sales	93	9,580	11,503
Multi-client pre-funding	0	0	3,229
Multi-client late sales	120	274	4,542
Other revenue	1,358	1,441	5,642
Total revenues	1,570	11,295	24,916
Operating expenses			
Charter hire, fuel and crew expenses	41	3,901	5,924
Employee expenses	753	3,210	9,818
Depreciation and ordinary amortisation	1,074	1,491	4,462
Depreciation right-of-use assets	892	3,309	7,856
Multi-client amortisation	454	1,032	4,077
Impairment of long-term assets	0	5,825	7,439
Other operating expenses	835	1,050	3,067
Total operating expenses	4,049	19,818	42,644
Operating profit/ (loss)	-2,479	-8,523	-17,728
Financial income and expenses			
Interest income	5	77	208
Interest expense	-790	-1,353	-4,105
Interest expense lease liabilities	-234	-319	-1,111
Net gains/(losses) of financial assets and liabilities	0	0	-3
Net foreign currency income/(loss)	-33	518	25
Net financial items	-1,051	-1,078	-4,987
Income/ (loss) before income taxes	-3,529	-9,602	-22,715
Income tax expense	73	3	671
Income/ (loss) for the period	-3,602	-9,605	-23,385

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Audited
Income/ (loss) for the period	-3,602	-9,605	-23,385
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	0	-13	-13
Other comprehensive income	0	-13	-13
Total other comprehensive income/(loss) for the period	-3,602	-9,618	-23,398

Consolidated Statement of Financial Position.

Amounts in USD 1 000	31 March 2021 Unaudited	31 March 2020 Unaudited	31 December 2020 Audited
ASSETS			
Non-current assets			
Multi-client library	1,984	4,325	2,209
Other intangible assets	807	1,465	939
Property, plant and equipment	15,452	18,419	16,374
Right-of-use assets	7,703	12,439	8,246
Financial lease receivables	137	0	141
Assets under construction	3	1,285	3
Restricted cash	0	0	0
Total non-current assets	26,086	37,933	27,911
Current assets			
Spare parts, fuel, anchors and batteries	4,866	8,334	4,726
Trade receivables	2,413	14,232	6,246
Other receivables	4,101	7,431	3,142
Financial lease receivables	68	0	68
Cash and cash equivalents	12,106	16,017	4,179
Restricted cash	615	3,241	7,995
Total current assets	24,169	49,254	26,357
Total assets	50,255	87,187	54,269
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	71,490	71,490	71,490
Other reserves	-1,544	-1,544	-1,544
Retained earnings	-80,962	-63,581	-77,361
Total equity	-11,018	6,363	-7,417
LIABILITIES			
Non-current liabilities			
Provisions	8,422	13,234	9,625
Borrowings	31,907	31,372	31,816
Non-current leasing liabilities	4,575	5,662	6,501
Total non-current liabilities	44,904	50,268	47,942
Current liabilities			
Trade payables	2,261	5,246	1,461
Current tax liabilities	4,033	6,560	4,035
Other short term liabilities	3,349	9,717	2,774
Current leasing liabilities	6,726	9,033	5,474
Total current liabilities	16,369	30,556	13,744
Total liabilities	61,273	80,824	61,686
Total equity and liabilities	50,255	87,187	54,269

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Audited
Net cash flow from operating activities			
Income/(loss) before income taxes	-3,529	-9,602	-22,715
Adjustments for:			
Withholding tax expenses	0	8	0
Total taxes paid	-73	3	-453
Depreciation and ordinary amortisation	1,074	1,491	4,462
Depreciation right-of-use assets	1,121	3,442	8,362
Multi-client amortisation	454	1,876	4,077
Impairment of other long term assets	0	4,981	7,439
Cost of share-based payment	1	10	10
Change in trade receivables	3,833	9,271	17,257
Change in inventories	-140	-73	3,536
Change in trade payables	800	-3,008	-6,793
Change in other working capital	5,794	-8,138	-21,611
Finance Income	-5	-77	-208
Finance Cost	954	849	4,787
Net cash flow from operating activities	10,284	1,033	-1,850
Investing activities:			
Purchase of property, plant and equipment	-20	-298	-620
Investment in multi-client library	-229	-205	-1,134
Cash used in investing activities	-249	-503	-1,754
Financial activities:			
Financial lease liabilities	-1,252	-3,313	-8,043
Interest lease liabilities	-234	-319	-1,111
Interest paid	-628	-689	-3,001
Interest received	5	77	208
Cash used in/provided by financial activities	-2,109	-4,244	-11,947
Net change in cash	7,927	-3,714	-15,552
Cash balance beginning of period	4,179	19,731	19,731
Cash balance end of period	12,106	16,017	4,179
Net change in cash	7,927	-3,714	-15,552

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Share capital share premium and other paid-in- capital	Foreign currency translation reserves	Retained earnings	Total equity
Balance as of 31 December 2019 (Audited)	71,490	-1,531	-53,986	15,971
Income/(loss) for the period	0	0	-9,605	-9,605
Other comprehensive income	0	-13	0	-13
Total comprehensive income	0	-13	-9,605	-9,618
Cost of share-based payments	0	0	10	10
Balance as of 31 March 2020 (Unaudited)	71,490	-1,544	-63,581	6,363
Income/(loss) for the period	0	0	-6,586	-6,586
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	-6,586	-6,586
Cost of share-based payments	0	0	-5	-5
Balance as of 30 June 2020 (Unaudited)	71,490	-1,544	-70,172	-228
Income/(loss) for the period	0	0	-4,159	-4,159
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	-4,159	-4,159
Cost of share-based payments	0	0	3	3
Balance as of 30 September 2020 (Unaudited)	71,490	-1,544	-74,328	-4,384
Income/(loss) for the period	0	0	-3,035	-3,035
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	-3,035	-3,035
Cost of share-based payments	0	0	2	2
Balance as of 31 December 2020 (Audited)	71,490	-1,544	-77,361	-7,417
Income/(loss) for the period	0	0	-3,602	-3,602
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	-3,602	-3,602
Cost of share-based payments	0	0	1	1
Balance as of 31 March 2021 (Unaudited)	71,490	-1,544	-80,962	-11,018

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 2020, which is available on www.emgs.com.

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	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Audited
Americas	0.0	7.8	8.3
Asia/Pacific	0.1	0.0	0.1
EAME	1.5	3.5	16.5
Total	1.6	11.3	24.9

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	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Unaudited
Opening carrying value	2.2	6.0	6.0
Additions	0.2	0.2	1.1
Amortisation charge	-0.5	-1.0	-4.1
Impairment	0.0	-0.9	-0.8
Closing carrying value	2.0	4.3	2.2

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	Q1 2021 Unaudited	Q1 2020 Unaudited	2020 Unaudited
Operating profit / (loss)	-2,479	-8,523	-17,728
Depreciation and ord. amortisation	1,966	4,799	12,318
Multi-client amortisation	454	1,032	4,077
Impairment of long term assets	0	5,825	7,439
EBITDA	-58	3,133	6,107

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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