

**EMGS
THIRD
QUARTER
2018.**

Highlights in the Third Quarter.

Operational highlights

- Multi-client investments of USD 1.9 million in the Norwegian Sea and in the North Sea
- Continuous upward momentum regarding international opportunities

Financial highlights

- Revenues of USD 6.0 million
- EBITDA of negative USD 5.4 million

Recent events

- Bjørn Petter Lindhom appointed as interim CEO effective from 1 December 2018
- Letter of award received for acquisition in South America – value up to USD 8 million

Key financial figures

	Q3 2018	Q3 2017	YTD 2018	YTD 2017	2017	Q2 2018
Amounts in USD million (except per share data)	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
		Restated*		Restated*	Restated*	
Contract sales	0.6	0.4	0.9	1.6	2.6	0.2
Multi-client sales	4.7	10.0	15.2	21.3	30.4	7.0
Other revenue	0.7	0.2	2.1	0.2	0.9	0.7
Total revenues	6.0	10.7	18.2	23.1	33.9	7.9
Operating profit/ (loss)	-9.7	0.2	-25.3	-13.9	-17.8	-4.4
Income/ (loss) before income taxes	-11.1	-0.6	-29.3	-16.7	-22.9	-6.1
Net income/ (loss)	-11.2	-0.4	-29.4	-16.6	-23.2	-6.2
Earnings/ (loss) per share	-0.09	0.00	-0.26	-0.20	-0.39	-0.06
Average number of shares outstanding (in thousands)	130,970	81,232	111,417	81,232	59,782	111,417
EBITDA	-4.0	4.9	-11.2	1.7	2.9	-0.8
Multi-client and JIP test investments	1.9	3.4	5.8	7.6	9.6	2.2
Adjusted EBITDA	-5.9	1.5	-17.0	-5.9	-6.6	-3.0

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 6.0 million in the third quarter of 2018, down from USD 10.7 million reported for the corresponding quarter of 2017. Contract sales and other sales totalled USD 1.3 million, while multi-client sales amounted to USD 4.7 million. For the third quarter of 2017, contract sales and other sales totalled USD 0.7 million, while multi-client sales amounted to USD 10.0 million.

Revenues for the first nine months of 2018 amounted to USD 18.2 million, compared with USD 23.1 million in the corresponding period in 2017.

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

Charter hire, fuel and crew expenses totalled USD 3.9 million in the third quarter this year, compared with USD 12 thousand in the third quarter of 2017. The Company capitalised USD 1.9 million in multi-client expenses in the quarter, while USD 3.4 million was capitalised in multi-client and JIP expenses in the third quarter of 2017. The charter hire, fuel and crew expenses have increased from USD 3.4 million in the third quarter of 2017 to USD 5.8 million in same period this year when adding back the capitalised multi-client expenses. The main reason for the increased expenses is that BOA Thalassa was off-hire in the third quarter of 2017.

So far this year, the Company has recorded charter hire, fuel and crew expenses of USD 11.6 million, up from USD 3.5 million in 2017. The Company capitalised USD 5.8 million in multi-client expenses in the first nine months of 2018, as opposed to USD 7.6 million in multi-client and JIP expenses during the same period last year. The charter hire, fuel and crew expenses have increased from USD 11.1 million in the first nine month of of 2017 to USD 17.4 million in same period this year when adding back the capitalised multi-client expenses.

Employee expenses amounted to USD 4.7 million in the third quarter of 2018, up from USD 4.3 million in the same quarter in 2017. Employee expenses for the first nine months were USD 13.5 million in 2018, compared with USD 13.0 million in 2017.

Other operating expenses totalled USD 1.3 million in the third quarter this year. In the third quarter last year, other operating expenses amounted to USD 1.4 million. For the first nine months of 2018, other operating expenses amounted to USD 4.2 million, down from USD 5.0 million in the same period last year.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 1.8 million in the third quarter of 2018, the same as in the third quarter of 2017.

Depreciation and ordinary amortisation increased from USD 4.7 million in the first nine months of 2017 to USD 5.9 million in 2018.

Multi-client amortisation amounted to USD 3.9 million this quarter, compared with USD 2.9 million in the third 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.

Multi-client amortisation totalled USD 8.3 million for the first nine months of 2018, up from USD 7.7 million in 2017.

Net financial items

Net financial items ended at negative USD 1.5 million in the third quarter of 2018, compared with a negative USD 0.8 million in the corresponding quarter last year.

In the first nine months of 2018, net financial items were negative USD 3.9 million, down from a negative USD 2.8 million in 2017.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 11.1 million in the third quarter 2018, compared with a loss before income taxes of USD 0.6 million in the corresponding quarter in 2017.

Loss before income taxes for the first nine months of 2018 amounted to USD 29.3 million, compared with a loss before income taxes of USD 16.7 million in the same period last year.

Income tax expenses

Income tax expenses of USD 14 thousand were recorded in the third quarter of 2018, compared with an income tax expense of negative USD 0.2 million in the third quarter of 2017.

Income tax expenses for the first nine months of 2018 were USD 0.1 million, compared with negative USD 0.1 million in the same period in 2017.

Net income for the period

Loss for the third quarter of 2018 amounted to USD 11.2 million, down from a loss of USD 0.4 million in the same period last year.

Losses for the first nine months of 2018 were USD 29.4 million, down from a loss of USD 16.6 million in the same period last year.

Cash flow and balance sheet

In the third quarter 2018, net cash flow from operating activities was negative USD 3.0 million, compared with a positive net cash flow of USD 6.4 million in the third quarter of 2017. The cash flow from operating activities this quarter was mainly affected by a negative EBITDA of USD 6.4 million and a positive change in trade receivables.

In the first nine months of 2018, net cash flow from operating activities was negative USD 10.3 million, compared with a positive USD 4.6 million in the same period last year.

EMGS applied USD 2.3 million in investing activities in the third quarter this year, compared with USD 3.9 million in the third quarter of last year. The Company invested USD 0.3 million in equipment and USD 1.9 million in the multi-client library in the third quarter 2018.

Cash flow from investing activities in the first nine months of this year amounted to a negative USD 6.9 million, compared with a negative USD 9.3 million in the same period last year. The Company invested USD 1.1 million in equipment and USD 5.8 million in the multi-client library in 2018.

The carrying value of the multi-client library was USD 14.9 million at 30 September 2018, down from USD 18.9 million at 30 June 2018 and USD 18.8 million at 30 September 2017.

Cash flow from financial activities was negative USD 0.6 million in the third quarter of 2018, compared with a positive cash flow of USD 8.3 million in the same quarter last year. The positive cash flow in the third quarter last year, included proceeds from the rights issue of USD 17.4 million.

Cash flow from financial activities for the first nine months of 2018 amounted to USD 10.2 million, compared with a USD 13.7 million in the same period of 2017.

The Company had a net increase in cash, excluding restricted cash, of USD 10.9 million during the third quarter of 2018. At 30 September 2018, cash and cash equivalents totalled USD 16.4 million, including 6.9 million in restricted cash.

Financing

Total borrowings were USD 31.3 million at 30 September this year, down from USD 33.1 million at 30 June 2018 and down from USD 31.7 million at 30 September last year. This includes the Company's convertible bond loan, which has a carrying value of USD 30.7 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 30 September 2018, the free cash and cash equivalents totalled USD 9.5 million.

Operational Review.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Contract	0 %	0 %	0 %	0 %	0 %
Multi-client	29 %	31 %	37 %	13 %	72 %
Funded R&D project	0	0 %	0 %	0 %	5 %
Total utilisation	29 %	31 %	37 %	13 %	77 %

Vessel utilisation and fleet allocation

The vessel utilisation for the third quarter 2018 was 29% compared with 77% in the corresponding quarter in 2017. For the first nine months of 2018, the vessel utilisation was 33% compared with 85% for the same period last year.

The vessels were allocated 29% to multi-client projects in the third quarter of 2018. In the comparable quarter of 2017, the vessel was allocated 72% to multi-client projects and 5% to a funded research and development project.

EMGS recorded 6.0 vessel months in the quarter. In the third quarter 2017, the Company recorded 3.0 vessel months. For the first nine months of 2018, the Company recorded 18.0 vessel months, compared with 12.0 vessel months in the same period last year.

Vessel activity in the third quarter

	Utilisation Q3 2018	Status Q3 2018	Firm charter period	Period
BOA Thalassa	0 %	Idle	1 October 2019	3 x 6 months
Atlantic Guardian	59 %	In operation	30 September 2021	5 x 12 months

Atlantic Guardian

The Atlantic Guardian acquired data on multi-client surveys in the North Sea in the beginning of the quarter, after which she acquired data on a multi-client survey in the Norwegian Sea until 16 September 2018.

BOA Thalassa

The BOA Thalassa has been idle this quarter.

Backlog

As of 30 September 2018, EMGS' backlog was USD 3.5 million compared with a backlog of USD 3.2 million at the end of the third quarter 2017. USD 2.5 million of the backlog as of 30 September 2018 is related to prefunding and the remaining USD 0.7 million is related to processing, interpretation and other projects.

Events during the third quarter of 2018

CEO resignation

On 28 September, EMGS announced that Christiaan Vermeijden had notified the Board of Directors of his resignation and his last employment date will be 31 December 2018.

Recent events

Appointment of interim CEO

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

Letter of award in South America

On 26 October, EMGS announced that the Company has received a letter of award for a proprietary data acquisition survey in South America with an undisclosed customer. The total contract value is approximately USD 8 million. The Company has commenced mobilising the vessel Atlantic Guardian to South America. Subject to amongst other things final contract award, EMGS expects that the survey will commence in the fourth quarter of 2018.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the third quarter 2018, the EMGS share was traded between NOK 2.49 and NOK 3.36 per share. The last closing price before 30 September 2018 was NOK 2.76.

As of 30 September 2018, the Company had a total of 130,969,690 shares outstanding.

Risks and uncertainty factors

EMGS is subject to a number of risk factors, of which the most important is the demand for EM services. Since 2014, there has been a substantial decline in E&P spending, as a result of a fall in the oil price, and a corresponding sharp deterioration of the market for geophysical services, including EMGS' services.

Through comprehensive cost reduction measures, EMGS has reduced the operational cost base from USD 143 million in 2015 down to USD 42 million in 2017. EMGS continues its cost focus in 2018 and targets a cost base around USD 50 million for 2018, subject to operational activity.

Based on the Company's low backlog and the current market situation, there is material uncertainty related to the expected level of revenues going forward. EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Company's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast. The convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. Based on the Company's low backlog, there is a material uncertainty related to the expected level of revenues going forward. This puts pressure on the Company's cash position and consequently the convertible bond's cash covenant. The Company is dependent upon securing sufficient backlog. Should sufficient additional backlog not be forthcoming, 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 for the remainder of 2018. However, EMGS has noted an increase in commercial activity. In particular, the Company is experiencing increased interest and commercial and technical discussions to more and potentially substantial proprietary acquisitions outside of Norway. Sales efforts are ongoing to secure backlog in all regions.

Based on the current operational forecast, EMGS expects to continue to operate one vessel in 2018. In 2019, the Company is keeping all options open and expects to operate two vessels globally. 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 and the further development of the Deep Blue source.

Oslo, 31 October 2018
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q3 2018 Unaudited	Q3 2017 Unaudited	Year to date 2018 Unaudited	Year to date 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Operating revenues					
Contract sales	568	443	880	1,619	2,583
Multi-client pre-funding	3,768	5,933	6,308	8,999	11,295
Multi-client late sales	924	4,078	8,895	12,263	19,132
Other revenue	701	220	2,071	220	886
Total revenues	5,961	10,674	18,153	23,101	33,896
Operating expenses					
Charter hire, fuel and crew expenses	3,861	12	11,645	3,478	7,655
Employee expenses	4,741	4,345	13,524	12,957	16,964
Depreciation and ordinary amortisation	1,816	1,796	5,857	4,705	6,779
Multi-client amortisation	3,870	2,892	8,267	7,681	10,345
Impairment of long-term assets	0	0	0	3,170	3,626
Other operating expenses	1,346	1,436	4,200	4,966	6,334
Total operating expenses	15,634	10,480	43,494	36,955	51,703
Operating profit/ (loss)	-9,673	194	-25,340	-13,854	-17,807
Financial income and expenses					
Interest income	8	58	169	128	193
Interest expense	-1,242	-1,031	-3,664	-3,074	-4,088
Net gains/(losses) of financial assets and liabilities	0	1,551	649	3,287	2,143
Net foreign currency income/(loss)	-234	-1,342	-1,089	-3,179	-3,292
Net financial items	-1,469	-764	-3,935	-2,838	-5,043
Income/ (loss) before income taxes	-11,142	-570	-29,275	-16,692	-22,850
Income tax expense	14	-180	132	-113	356
Income/ (loss) for the period	-11,156	-391	-29,406	-16,580	-23,206

* See Accounting principles under Notes

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q3 2018 Unaudited	Q3 2017 Unaudited	Year to date 2018 Unaudited	Year to date 2017 Unaudited	2017 Unaudited
		Restated*	Restated*	Restated*	Restated*
Income/ (loss) for the period	-11,156	-391	-29,406	-16,580	-23,206
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	0	26	-9	-8
Net (loss)/gain on available-for-sale (AFS) financial assets			0		
Other comprehensive income	0	0	26	-9	-8
Actuarial gains/(losses) on defined benefit plans	0	0			
Other comprehensive income	0	0	26	-9	-8
Total other comprehensive income/(loss) for the period	-11,156	-391	-29,380	-16,589	-23,214

* See Accounting principles under Notes

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 September 2018 Unaudited	30 September 2017 Unaudited Restated*	31 December 2017 Unaudited Restated*
ASSETS			
Non-current assets			
Multi-client library	14,868	18,766	17,317
Other intangible assets	1,362	1,816	1,559
Property, plant and equipment	31,310	33,415	36,281
Assets under construction	3,551	6,726	3,112
Restricted cash	2,910	3,668	3,524
Total non-current assets	54,001	64,391	61,793
Current assets			
Spare parts, fuel, anchors and batteries	7,523	7,251	7,200
Trade receivables	2,508	7,346	11,075
Other receivables	6,407	6,710	5,957
Cash and cash equivalents	9,525	22,986	16,548
Restricted cash	4,004	356	2,997
Total current assets	29,966	44,649	43,778
Total assets	83,967	109,040	105,571
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	350,504	336,740	336,764
Other reserves	-1,591	-1,617	-1,617
Retained earnings	-338,167	-302,137	-308,761
Total equity	10,743	32,986	26,386
LIABILITIES			
Non-current liabilities			
Provisions	19,625	20,994	20,670
Financial liabilities	0	1,849	2,993
Borrowings	31,032	31,367	30,288
Total non-current liabilities	50,657	54,210	53,950
Current liabilities			
Trade payables	7,458	6,037	6,882
Current tax liabilities	5,368	5,859	6,299
Other short term liabilities	9,423	9,655	11,763
Borrowings	317	292	290
Total current liabilities	22,567	21,843	25,234
Total liabilities	73,224	76,053	79,184
Total equity and liabilities	83,967	109,040	105,571

* See Accounting principles under Notes

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q3 2018 Unaudited	Q3 2017 Unaudited	Year to date 2018 Unaudited	Year to date 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Net cash flow from operating activities					
Income/(loss) before income taxes	-11,142	-570	-29,275	-16,692	-22,850
Adjustments for:					
Withholding tax expenses	0	0	0	4	-359
Total taxes paid	-44	186	-1,063	115	449
Depreciation and ordinary amortisation	1,816	1,796	5,857	4,705	6,779
Multi-client amortisation and impairment	3,870	2,892	8,267	10,851	10,345
Impairment of other long term assets	0	0	0	0	3,626
Cost of share-based payment	20	31	62	31	55
Change in trade receivables	7,911	2,067	8,568	1,188	-2,541
Change in inventories	161	-288	-323	603	654
Change in trade payables	2,436	1,754	576	-1,299	210
Change in other working capital	-8,795	-2,060	-5,194	4,074	3,524
Financial gain on bond repayment	0	0	0	-836	-836
Amortisation of interest	801	638	2,238	1,843	2,464
Net cash flow from operating activities	-2,966	6,446	-10,287	4,587	1,520
Investing activities:					
Purchase of property, plant and equipment	-343	-424	-1,117	-1,767	-2,521
Investment in multi-client library and JIP test	-1,930	-3,420	-5,818	-7,568	-9,588
Cash used in investing activities	-2,273	-3,844	-6,935	-9,335	-12,109
Financial activities:					
Financial lease payments - principal	-73	-45	-219	-142	-228
Net proceeds from new loan	0	0	32,103	8,500	8,500
Repayment/settlement of loan and FRA		-8,500	-31,880	-10,454	-10,454
Net proceeds from rights issue	0	17,426	11,736	17,426	17,426
Net proceed new lease agreement	107	0	107	0	0
Payment of interest on bonds	-654	-551	-1,648	-1,633	-2,145
Cash used in/provided by financial activities	-620	8,330	10,199	13,697	13,099
Net change in cash	-5,859	10,932	-7,023	8,949	2,510
Cash balance beginning of period	15,384	12,054	16,548	14,038	14,038
Cash balance end of period	9,525	22,986	9,525	22,986	16,548
Net change in cash	-5,859	10,932	-7,023	8,948	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

Amounts in USD 1 000	Share capital share premium and other paid-in-	Foreign currency translation reserves	Available-for-sale reserve	Retained earnings	Total equity
Balance as of 1 January 2018 (Unaudited)(Restated*)	336,764	-1,617	0	-308,761	26,386
Income/(loss) for the period	0	0	0	-12,056	-12,056
Other comprehensive income	0	26	0	0	26
Total comprehensive income	0	26	0	-12,056	-12,030
Cost of share-based payments	20	0	0	0	20
Balance as of 31 March 2018 (Unaudited)	336,784	-1,591	0	-320,817	14,375
Income/(loss) for the period	0	0	0	-6,194	-6,194
Other comprehensive income	0	0	0	0	0
Total comprehensive income	0	0	0	-6,194	-6,194
Cost of share-based payments	22	0	0	0	22
Proceeds from shares issued	11,736	0	0	0	11,736
Balance as of 30 June 2018 (Unaudited)	348,542	-1,591	0	-327,011	19,940
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	-338,167	10,743

* 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 new standard's impact on recognition of multi-client pre-funding revenues has still not been finally concluded. The current interpretation of the new standard within the industry is that multi-client prefunding revenues should be recognised at the point in time when final product is delivered to the customer and not based on the so-called Percentage of Completion (POC) principle, which was used prior to 1 January 2018. As a consequence of the change in POC revenue, the Group has also capitalised multi-client projects with only one customer that were previously expensed as incurred (converted contracts). For these, the full amortisation of the book value is now recorded at the point in time when the revenues are recognised at delivery to the customer.

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

Impact on the statement of Consolidated Income Statement:

Amounts in USD 1 000	Q3 2017 Unaudited	YTD 2017 Unaudited	2017 Unaudited
Movement pre-funding revenues from previous periods	2,713	579	579
Movement pre-funding revenues to subsequent periods	-2,050	-2,050	-2,540
Adjustment on pre-funding revenues in the period	663	-1,471	-1,961
Increased capitalised multi-client expenses	-1,269	-1,454	-2,769
Increased multi-client amortisation	741	926	1,732
Adjustment on Total operating expenses	-528	-528	-1,037
Adjustment on Income/(loss) for the period	1,191	-943	-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*	Amounts in USD 1 000	30 September 2017 Audited	Adjustments IFRS 15	30 September 2017 Unaudited Restated*
ASSETS				ASSETS			
Non-current assets				Non-current assets			
Multi-client library	16,280	1,037	17,317	Multi-client library	18,238	528	18,766
Other	44,476	0	44,476	Other	41,957	0	41,957
Total non-current assets	60,756	1,037	61,793	Total non-current assets	60,195	528	60,723
Total current assets	43,778	0	43,778	Total current assets	48,317	0	48,317
Total assets	104,534	1,037	105,571	Total assets	108,512	528	109,040
EQUITY				EQUITY			
Capital and reserves attributable to equity holders				Capital and reserves attributable to equity holders			
Retained earnings	-336,764	-1,503	-338,267	Retained earnings	-300,615	-1,522	-302,137
Other	364,653	0	364,653	Other	335,123	0	321,151
Total equity	27,889	-1,503	26,386	Total equity	34,508	-1,522	32,986
LIABILITIES				LIABILITIES			
Total non-current liability	53,950	0	53,950	Total non-current liability	54,210	0	54,210
Current liabilities				Current liabilities			
Other short term liability	9,223	2,540	11,763	Other short term liability	7,605	2,050	9,655
Other	13,471	0	13,471	Other	12,188	0	12,188
Total current liabilities	22,694	2,540	25,234	Total current liabilities	19,793	2,050	21,843
Total liabilities	76,644	2,540	79,184	Total liabilities	74,003	2,050	76,053
Total equity and liabilities	104,534	1,037	105,571	Total equity and liabilities	108,512	528	109,040

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	Q3 2018 Unaudited	Q3 2017 Unaudited Restated*	YTD 2018 Unaudited	YTD 2017 Unaudited Restated*	2017 Unaudited Restated*
Americas	0.3	0.1	2.9	0.6	1.2
Asia/Pacific	2.3	0.0	3.2	0.2	0.5
EAME	3.3	10.6	12.0	22.3	32.3
Total	6.0	10.7	18.2	23.1	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 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	Q3 2018 Unaudited	Q3 2017 Unaudited Restated*	YTD 2018 Unaudited	YTD 2017 Unaudited Restated*	2017 Unaudited Restated*
Opening carrying value	16.8	18.9	17.3	24.3	24.3
Additions	1.9	2.7	5.8	6.7	8.3
Amortisation charge	-3.9	-2.9	-8.3	-7.7	-10.3
Impairment	0.0	0.0	0.0	-3.2	-3.6
Cash contribution from partners	0.0	0.0	0.0	-1.4	-1.4
Closing carrying value	14.9	18.8	14.9	18.8	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 30 September 2018 the carrying value of the liability component was estimated to USD 30.7 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.

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

HEGE AASEN VEISETH

CFO

Email: hveiseth@emgs.com

Phone: +47 992 16 74

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	Q3 2018 Unaudited	Q3 2017 Unaudited	YTD 2018 Unaudited	YTD 2017 Unaudited	2017 Unaudited
		Restated*		Restated*	Restated*
Operating profit / (loss)	-9,673	194	-25,340	-13,854	-17,807
Depreciation and ord. amortisation	1,816	1,796	5,857	4,705	6,779
Multi-client amortisation	3,870	2,892	8,267	7,681	10,345
Impairment of long term assets	0.0	0.0	0.0	3,170	3,626
EBITDA	-3,988	4,881	-11,216	1,701	2,943

* See Accounting principles under Notes

Backlog

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

Pre-funding revenues using POC principle

The current interpretation of the new revenue recognition standard within the industry is that multi-client pre-funding 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	Q3 2018 Unaudited	Q3 2017 Unaudited	YTD 2018 Unaudited	YTD 2017 Unaudited	2017 Unaudited
Pre-funding revenues using current interpretation of IFRS 15	3,768	5,933	6,308	8,999	11,295
IFRS 15 adjustments	-2,287	-663	-645	1,471	1,961
Pre-funding revenues based on POC principle	1,481	5,270	5,663	10,470	13,255

EMGS Headquarters

Stiklestadveien 1
N-7041 Trondheim, Norway

Europe, Africa & Middle East

Karenslyst Allè 4 , 4th Floor
N-0278 Oslo, Norway

North & South America

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

Asia Pacific

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

emgs.com
emgs@emgs.com