EMGS SECOND QUARTER 2019.

Highlights in the Second Quarter.

Operational highlights

- Ongoing USD 24 million proprietary acquisition in South East Asia
- Two fully pre-funded multi-client surveys in Norway
- Acquisition contract awarded by Pemex with a contract value of USD 73 million and a minimum value of USD 29 million
- Proprietary acquisition contract of USD 6 million from BP awarded
- Backlog of USD 97 million at the end of the quarter

Financial highlights

- Revenues of USD 14.5 million
- EBITDA of USD 6.8 million
- Adjusted EBITDA of USD 2.1 million

Subsequent events

- The Atlantic Guardian arrived in Mexico on 22 July and data acquisition on the Pemex contract is expected to start on 25 July

Key financial figures

Amounts in USD million (except per share data)	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited	Q1 2019 Unaudited
Contract sales	**9.3**	0.2	12.4	0.3	7.2	3.1
Multi-client sales	**4.5**	7.0	11.4	10.5	21.6	6.9
Other revenue	**0.7**	0.7	1.5	1.4	2.8	0.7
Total revenues	**14.5**	7.9	25.3	12.2	31.5	10.8
Operating profit/ (loss)	**0.8**	-4.4	-3.6	-15.7	-31.7	-4.4
Income/ (loss) before income taxes	**-1.6**	-6.1	-7.0	-18.1	-36.6	-5.5
Net income/ (loss)	**-2.0**	-6.2	-7.5	-18.2	-36.6	-5.5
Earnings/ (loss) per share	**-0.02**	-0.06	-0.06	-0.56	-0.31	-0.04
Average number of shares outstanding (in thousands)	**130,970**	111,417	130,970	32,794	116,345	130,970
EBITDA	**6.8**	-0.8	9.4	-7.2	-10.6	2.6
Multi-client investments	**0.8**	2.2	0.8	3.9	6.2	0.0
Vessel and office lease	**3.9**	0.0	7.7	0.0	0.0	3.8
Adjusted EBITDA	**2.1**	-3.0	0.9	-11.1	-16.8	-1.2

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 14.5 million in the second quarter of 2019, up from USD 7.9 million reported for the corresponding quarter of 2018. Contract and other sales totalled USD 10.0 million, while multi-client sales amounted to USD 4.5 million. For the second quarter of 2018, contract and other sales totalled USD 0.9 million, while multi-client sales amounted to USD 7.0 million, net of an adjustment for a share of revenues from joint projects between EMGS and TGS.

Revenues for the first half of 2019 amounted to USD 25.3 million, compared with USD 12.2 million for the first half of 2018.

Charter hire, fuel and crew expenses totalled USD 2.4 million in the second quarter this year, compared with USD 3.5 million in the second 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 second 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 capitalised USD 0.8 million of the charter hire, fuel and crew expenses as multi-client expenses in the quarter, while USD 2.2 million was capitalised in the second quarter of 2018. The charter hire, fuel and crew expenses have increased from USD 5.7 million in the second quarter of 2018 to USD 6.9 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 second quarter of 2019 compared to 2018.

For the first half of 2019, charter hire, fuel and crew expenses totalled USD 4.8 million, down from USD 7.8 million in 2018. USD 8.6 million was capitalised as multi-client expenses and vessel lease expenses in the first half of 2019, compared with USD 3.9 million capitalised as multi-client expenses during the same period last year.

Employee expenses amounted to USD 4.0 million in the second quarter of 2019, up from USD 3.7 million in the same quarter in 2018.

Employee expenses for the first half of 2019 were USD 8.7 million, compared with USD 8.8 million in 2018.

Other operating expenses totalled USD 1.3 million in the second 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 second quarter of 2019. Other operating expenses of USD 1.5 million in the second quarter of 2018 was equal to USD 1.5 million in the second quarter 2019 when adding back the office lease expenses in the second quarter this year.

For the first half of 2019, other operating expenses amounted to USD 2.3 million, down from USD 2.9 million in the same period last year.

Depreciation, amortisation and impairment

Depreciation and ordinary amortisation totalled USD 4.3 million in the second quarter of 2019 up from USD 1.9 million in the second quarter of 2018. The increase is a result of depreciation of the right-of-use assets, vessel leases and office leases, due to the adoption of IFRS 16. The Company capitalised USD 0.5 million of the depreciation of the right-of-use asset as multi-client expenses in the second quarter of 2019.

Depreciation and ordinary amortisation increased from USD 4.0 million in the first half of 2018 to USD 9.5 million in 2019.

Multi-client amortisation amounted to USD 1.7 million this quarter, which is the same as in the second quarter of 2018. The Company uses straight-line amortisation for its completed multi-client projects, assigned over the useful life time of 4 years.

Multi-client amortisation totalled USD 3.5 million for the first half of 2019, down from USD 4.4 million in 2018.

Net financial items

Net financial items ended at negative USD 2.4 million in the second quarter of 2019, compared with negative USD 1.7 million in the corresponding quarter last year. In the second quarter of 2019, the Group recorded an interest expense of USD 1.8 million compared with an interest expense of USD 1.2 million in the second quarter of 2018. The increase is mainly caused by the adoption of IFRS 16 in 2019. In the second quarter 2018 the Group recorded a loss of USD 1.5 million on a forward rate agreement, this agreement was settled in 2018. In the second quarter of 2019, the Company recorded a net currency loss of USD 0.7 million, compared with a currency gain of USD 0.9 million in the second quarter of 2018.

In the first half of 2019, net financial items were negative USD 4.0 million, down from a negative USD 2.5 million in the first half of 2018.

Income/(loss) before income taxes

Loss before income taxes amounted to USD 1.6 million in the second quarter 2019, compared with a loss before income taxes of USD 6.1 million in the corresponding quarter in 2018.

Loss before income taxes for the first half of 2019 amounted to USD 7.5 million, compared with a loss before income taxes of USD 18.2 million in the same period last year.

Income tax expenses

Income tax expenses of USD 0.4 million were recorded in the second quarter of 2019, compared with an income tax expense of USD 0.1 million in the second quarter of 2018.

Income tax expenses for the first half of 2019 were USD 0.4 million, compared with USD 0.1 million in the same period in 2018.

Net income for the period

Loss for the second quarter of 2019 amounted to USD 2.0 million, up from a loss of USD 6.2 million in the same period last year.

Losses for the first half of 2019 were USD 8.0 million, up from a loss of USD 18.3 million in the same period last year.

Cash flow and balance sheet

In the second quarter 2019, net cash flow from operating activities was positive USD 2.0 million, compared with negative net cash flow of USD 4.4 million in the second quarter of 2018. The cash flow from operating activities this quarter was mainly affected by a positive EBITDA of USD 6.8 million and a negative change in trade receivables of USD 5.7 million.

In the first half of 2019, net cash flow from operating activities was positive USD 9.5 million, compared with a negative USD 7.3 million in the same period last year.

EMGS applied USD 2.2 million in investing activities in the second quarter this year, compared with USD 2.7 million in the second quarter of last year. The Company invested USD 0.9 million in equipment and USD 1.3 million in the multi-client library in the second quarter 2019.

Cash flow from investing activities in the first half of this year amounted to a negative USD 2.5 million, compared with a negative USD 4.7 million in the same period last year. The Company invested USD 1.2 million in equipment and USD 1.3 million in the multi-client library in the first half of 2019.

The carrying value of the multi-client library was USD 10.4 million at 30 June 2019, down from USD 12.6 million at 31 December 2018 and USD 16.8 million at 30 June 2018.

Cash flow from financial activities was negative USD 3.6 million in the second quarter of 2019, compared with a positive cash flow of USD 10.7 million in the same quarter last year. The negative cash flow this year included payment of vessel and office leases recognised as financial leases following the implementation of IFRS 16 of USD 3.7 million. The positive cash flow last year included net proceeds from the USD 12.5 million rights issue of total USD 11.7 million and net proceeds from the issuance of the USD 32.5 million convertible bond of total USD 32.1 million. The Company used USD 32.6 million to repay the NOK 246 million bond at 103% of par value, unwind the forward rate contract and repay a short-term loan from Siem Investments Inc. in the second quarter of 2018.

Cash flow from financial activities for the first half of 2019 amounted to negative USD 7.7 million, compared with a positive USD 10.8 million in the same period of 2018.

The Company had a net decrease in cash, excluding restricted cash, of USD 3.9 million during the second quarter of 2019. At 30 June 2019, cash and cash equivalents totalled USD 5.8 million.

Financing

Total borrowings were USD 31.0 million at 30 June 2019, up from USD 30.8 million at 31 December 2018 and down from USD 32.5 million at 30 June 2018. This includes the Company's bond loan, which had a carrying value of USD 31.0 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 30 June 2019, the free cash and cash equivalents totalled USD 5.8 million.

Operational Review.

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Contract	**45 %**	11 %	32 %	0 %	0 %
Multi-client	**28 %**	0 %	0 %	29 %	31 %
Total utilisation	**73 %**	**11 %**	**32 %**	**29 %**	**31 %**

Vessel utilisation and fleet allocation

The vessel utilisation for the second quarter of 2019 was 73% compared with 31% in the corresponding quarter of 2018. For the first half of this year, the vessel utilisation was 41% compared with 34% for the same period last year.

In the second quarter of 2019, the Company's vessels were allocated 45% to proprietary work and 28% to multi-client projects. In the comparable quarter of 2018, the vessels were allocated 31% to multi-client projects and no time was spent on proprietary work.

EMGS had two vessels on charter and recorded 6.0 vessel months in the quarter. In the second quarter 2018, the Company also had two vessels on charter.

Vessel activity in the second quarter

	Utilisation Q2 2019	Status Q2 2019	Firm charter period	Remaining option periods
BOA Thalassa	**82 %**	In operation	31 March 2020	2 x 6 months
Atlantic Guardian	**63 %**	In operation	30 September 2021	5 x 12 months

Atlantic Guardian

The Atlantic Guardian began the second quarter acquiring data on a fully pre-funded multi-client acquisition over PL 1031 in the Norwegian Barents Sea. This survey was completed on 5 May 2019. After that, the vessel was idle before she commenced another fully pre-funded multi-client survey in the Barents Sea late May and thereafter acquired data on a non-prefunded multi-client project. The Atlantic Guardian started the transit to Mexico in June. Prior to the departure from Europe, certain vessel maintenance was undertaken in dry-dock in in Brest, France.

BOA Thalassa

The BOA Thalassa commenced a proprietary survey in South-East Asia on 23 March 2019 and this survey is currently ongoing. EMGS exercised the first of three six-months option periods for the BOA Thalassa in the second quarter of 2019, and the vessel is on firm charter until end of the first quarter of 2020.

Backlog

As of 30 June 2019, EMGS' backlog was USD 96.7 million, compared with a backlog of USD 6.7 million at the end of the second quarter 2018. USD 87.3 million of the backlog as of 30 June 2019 is related to proprietary projects, USD 7.9 million to pre-funding and late sales, and the remaining USD 1.5 million is related to processing, interpretation and other projects.

Events during the first half of 2019

Multi-client revenues related to the APA 2018 awards

On 15 January 2019, the Norwegian Ministry of Petroleum and Energy announced the awards of new production licenses through the Awards in Pre-defined Areas (APA 2018) licensing round. Based on the offered awards, EMGS realised net uplift revenues of approximately USD 2 million from data-licensing agreements related to the Company's multi-client library. The uplift revenues were recognised in the first quarter of 2019.

Multi-client sales to Equinor

On 4 March, EMGS announced that EMGS and Equinor had entered into final contracts for a multi-client transaction which included a settlement of certain future uplift payment obligations, a data licensing sale from the Company's existing multi-client library in the Barents Sea, Norwegian Sea and North Sea, as well as prefunding for a new multi-client acquisition in the North Sea. The combined gross contract value is approximately USD 8 million, whereof approx. 5 million has been recognised as of 30 June 2019.

Proprietary data acquisition survey in south-east Asia

On 23 March 2019, the BOA Thalassa commenced acquisition work in South-East Asia under a USD 24 million proprietary contract with an undisclosed client.

Multi-client pre-funding revenues in Norway

On 2 April 2019, the Company announced that it had entered into a fully prefunded multi-client contract with Spirit Energy Norway AS on behalf of the PL1031 license group. The contract value is approximately USD 3.4 million. The vessel Atlantic Guardian acquired data on this survey in April 2019.

On 16 May, the Company announced another fully prefunded multi-client survey in Norway with a contract value of USD 1.25 million. Atlantic Guardian acquired the data in the second quarter of 2019.

Revenue from change of control events

On 3 June 2019, the Company announced that it had entered into agreements relating to certain change of control events affecting two of its customers. The agreements entailed combined payments to EMGS of approximately USD 2.7 million, which were recognised in the second quarter of 2019.

Multi-year acquisition contract with Pemex

EMGS has signed a contract with Pemex. The contract has a value of approximately USD 73.3 million over a two year-period, with a minimum value of approximately USD 29.3 million. Based on the current acquisition estimates, the Company expects that all or a substantial part of the minimum contract value will be recognised in 2019. The vessel Atlantic Guardian arrived in Mexico on 22 July and data acquisition is expected to start on 25 July.

New guarantee facility

EMGS has secured a second guarantee facility to supplement the Company's existing USD 10 million guarantee facility. The new guarantee facility (the "New Facility") has a maximum limit of USD 7.5 million and is limited in scope to providing certain performance and warranty guarantees required under the two-year acquisition contract above.

The New Facility is provided by the Company's existing bank. The New Facility is fully guaranteed by the Company's three largest shareholders (the "Shareholder Guarantors"). The shareholder guarantees will over time be replaced by a pledged deposit (the "Pledged Deposit") to be built up by the Company, which will serve as security for the New Facility.

A counter guarantee agreement entered into between EMGS and the Shareholder Guarantors regulates the Company's obligations towards the Shareholder Guarantors in connection with the New Facility. The Company will pay the Shareholder Guarantors a guarantee commission of 8% p.a. of the guaranteed amount. As the Pledged Deposit is built up, the guarantee commission will be reduced to 1.5% p.a. for such parts of the New Facility which are covered by the Pledged Deposit, and to 0% as the Shareholder Guarantors are released form their obligations towards the bank. A cash sweep mechanism has been agreed with the Shareholder Guarantors to ensure swift build-up of the Pledged Deposit. Under current estimates, the Company expects that the Pledged Deposit will reach the full USD 7.5 million during the course of the first quarter 2020.

Under certain change of control events, including a sale by a Shareholder Guarantor of its shares in the Company, EMGS will be obligated to, within 30 days, replace the relevant Shareholder Guarantor with a new guarantor (or otherwise ensure the release of such Shareholder Guarantor's obligations towards the bank).

Changes to the board of directors

The Annual General Meeting held on the 13 June 2019 elected Johan Kr Mikkelsen as the new chairman of the board of directors and Alexandra A. Herger as a new, independent director to the board of directors. Eystein Eriksrud and Anne Øian have both stepped down from the board of directors.

In an election by the employees of EMGS, Marte Karlsen and Jon Gunnar Solheim were elected to serve as members of the board of directors, and Adam Robinson and Ellen Fossbakk were elected to serve as alternate board members, all of them for a period of two years.

Bjørn Petter Lindhom appointed as CEO

On 31 May, the Company announced that the board of directors of EMGS had resolved to make the appointment of Bjørn Petter Lindhom as CEO permanent.

Proprietary acquisition for BP

On 28 June, the Company announced that it has been awarded a contract from BP for a proprietary CSEM survey offshore Senegal and Mauritania. The contract has a total value of approximately USD 6 million and acquisition is expected to start in the first quarter of 2020.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the second quarter 2019, the EMGS share was traded between NOK 2.46 and NOK 3.60 per share. The last closing price before 30 June 2019 was NOK 2.74.

As of 30 June 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. 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 48 million in 2018. EMGS continues its cost focus in 2019. Based on current increased operational activity assumptions, the cost level is anticipated to be higher than in 2018. The Company is also pursuing a strategic approach to flexible and low fixed-cost solutions for increased capacity with less dependence on vessels on long term charter, inter alia through the development and implementation of mobile equipment sets. This will bring down the fixed cost and increase vessel utilisation.

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 30 June 2019, the free cash and cash equivalents totaled USD 5.8 million. 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 cash forecast. The Company's improved backlog in 2019 has reduced the uncertainty related to the timing of revenues and the pressure on the Company's cash position and consequently the Company's ability to meet the cash covenant. However, the Company is operating with limited headroom under the free cash covenant. Management considers the likelihood of a breach during the next twelve-month period to be low. However, should the Company experience a material, or a series of non-material, incidents with a negative impact on the Company's cash position and / or timing of cash flow, the Company may nevertheless need to take additional actions to remain compliant with the free cash covenant.

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 limited visibility. However, the recent award of two long term contracts combined with a noticeable increase in commercial activity form the basis for the Company's positive EM market outlook. The Company expects its balance sheet and cash position to strengthen in 2019.

The Company expects late sales from the multi-client library in Norway to be on level with 2018. Otherwise, sales efforts are ongoing to secure backlog in all regions.

Based on the current operational forecast, EMGS expects to operate two vessels in 2019. The Company expects to keep one vessel in Asia in 2019, while the other vessel is expected to operate in the Americas. EMGS will continue to invest in its multi-client library in selected areas. Capital investment plans are limited to maintenance of existing equipment.

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.

Statement of responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2019, which has been prepared in accordance with IAS 34 – Interim Financial Reporting, gives a true and fair view of Electromagnetic Geoservices ASA's consolidated assets, liabilities, financial position and results of operations.

Oslo, 24 July 2019
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Operating revenues					
Contract sales	9,252	197	12,395	312	7,176
Multi-client pre-funding	0	0	0	2,540	8,804
Multi-client late sales	4,478	7,009	11,394	7,971	12,781
Other revenue	741	691	1,470	1,370	2,789
Total revenues	**14,471**	**7,896**	**25,259**	**12,192**	**31,550**
Operating expenses					
Charter hire, fuel and crew expenses	2,384	3,488	4,790	7,784	18,784
Employee expenses	3,996	3,698	8,714	8,783	17,505
Depreciation and ordinary amortisation	1,433	1,919	3,297	4,041	7,595
Depreciation right-of-use assets	2,831	0	6,187	0	0
Multi-client amortisation	1,687	1,680	3,502	4,398	10,914
Impairment of long-term assets	0	0	0	0	2,544
Other operating expenses	1,290	1,530	2,325	2,854	5,877
Total operating expenses	**13,621**	**12,315**	**28,814**	**27,859**	**63,218**
Operating profit/ (loss)	**850**	**-4,418**	**-3,556**	**-15,667**	**-31,668**
Financial income and expenses					
Interest income	65	70	136	162	232
Interest expense	-1,331	-1,194	-2,125	-2,490	-5,251
Interest expense lease liabilities	-461	0	-968	0	0
Net gains/(losses) of financial assets and liabilities	0	-1,477	0	649	649
Net foreign currency income/(loss)	-675	941	-520	-854	-612
Net financial items	**-2,402**	**-1,660**	**-3,476**	**-2,534**	**-4,981**
Income/ (loss) before income taxes	**-1,552**	**-6,079**	**-7,032**	**-18,200**	**-36,650**
Income tax expense	423	115	431	118	-50
Income/ (loss) for the period	**-1,976**	**-6,194**	**-7,463**	**-18,318**	**-36,599**

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Income/ (loss) for the period	**-1,976**	**-6,194**	**-7,970**	**-18,318**	**-36,599**
Oher comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	-1	0	-1	26	33
Net (loss)/gain on available-for-sale (AFS) financial assets	0	0	0	0	0
Oher comprehensive income	**-1**	**0**	**-1**	**26**	**33**
Actuarial gains/(losses) on defined benefit plans	0	0	0	0	0
Other comprehensive income	**-1**	**0**	**-1**	**26**	**33**
Total other comprehensive income/(loss) for the period	**-1,977**	**-6,194**	**-7,971**	**-18,292**	**-36,566**

Consolidated Statement of Financial Position.

Amounts in USD 1 000	30 June 2019 Unaudited	30 June 2018 Unaudited	31 December 2018 Audited
ASSETS			
Non-current assets			
Multi-client library	10,432	16,808	12,596
Other intangible assets	1,148	1,484	1,388
Property, plant and equipment	27,811	32,897	30,174
Right-of-use assets	19,219	0	0
Assets under construction	1,359	3,319	852
Restricted cash	3,057	3,023	3,008
Total non-current assets	**63,025**	**57,531**	**48,018**
Current assets			
Spare parts, fuel, anchors and batteries	7,104	7,684	7,225
Trade receivables	7,880	10,418	4,634
Other receivables	5,757	6,326	4,855
Cash and cash equivalents	5,777	15,384	6,487
Restricted cash	489	315	3,609
Total current assets	**27,008**	**40,128**	**26,811**
Total assets	**90,033**	**97,658**	**74,829**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	350,274	348,542	350,274
Other reserves	-1,584	-1,591	-1,584
Retained earnings	-355,779	-327,011	-345,360
Total equity	**-7,091**	**19,940**	**3,328**
LIABILITIES			
Non-current liabilities			
Provisions	18,464	19,984	19,250
Borrowings	30,979	32,489	30,808
Non-current leasing liabilities	12,485	326	238
Total non-current liabilities	**61,928**	**52,799**	**50,296**
Current liabilities			
Trade payables	3,923	5,022	6,819
Current tax liabilities	5,528	5,398	5,079
Other short term liabilities	15,642	14,205	9,003
Current leasing liabilities	10,104	295	303
Total current liabilities	**35,196**	**24,919**	**21,204**
Total liabilities	**97,124**	**77,718**	**71,501**
Total equity and liabilities	**90,033**	**97,658**	**74,829**

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Net cash flow from operating activities					
Income/(loss) before income taxes	**-1,553**	**-6,079**	**-7,539**	**-18,132**	**-36,650**
Adjustments for:					
Withholding tax expenses	-71	0	18	0	0
Total taxes paid	0	-875	0	-1,019	-1,170
Depreciation and ordinary amortisation	1,433	1,919	3,297	4,041	7,595
Depreciation right-of-use assets	3,356	0	6,711	0	0
Multi-client amortisation and impairment	1,687	1,680	3,502	4,398	10,914
Impairment of other long term assets	0	0	0	0	2,544
Cost of share-based payment	0	22	0	42	-167
Change in trade receivables	-5,718	-6,897	-3,246	657	6,442
Change in inventories	377	-536	121	-484	-25
Change in trade payables	-1,449	-802	-2,896	-1,860	-63
Change in other working capital	3,138	6,373	8,020	3,599	-4,124
Amortisation of interest	760	782	1,521	1,437	2,999
Net cash flow from operating activities	**1,960**	**-4,413**	**9,509**	**-7,321**	**-11,705**
Investing activities:					
Purchase of property, plant and equipment	-879	-536	-1,201	-774	-1,598
Investment in multi-client library	-1,337	-2,179	-1,337	-3,888	-6,193
Cash used in investing activities	**-2,216**	**-2,715**	**-2,538**	**-4,662**	**-7,791**
Financial activities:					
Financial lease payments - principal	470	-96	398	-146	-332
Financial lease liabilities	-2,960	0	-5,765	0	0
Interest lease liabilities	-457	0	-964	0	0
Net proceeds from new loan	-18	32,103	-18	32,103	32,103
Repayment/settlement of loan and FRA	0	-32,584	0	-31,880	-31,880
Net proceeds from rights issue	0	11,736	0	11,736	11,736
Net proceed new lease agreement	0	0	0	0	107
Payment of interest on bonds	-644	-459	-1,331	-994	-2,299
Cash used in/provided by financial activities	**-3,609**	**10,700**	**-7,680**	**10,819**	**9,435**
Net change in cash	**-3,865**	**3,572**	**-710**	**-1,164**	**-10,061**
Cash balance beginning of period	9,642	11,812	6,487	16,548	16,548
Cash balance end of period	5,777	15,384	5,777	15,384	6,487
Net change in cash	**3,865**	**3,572**	**-710**	**-1,164**	**-10,061**

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 2018	**336,764**	**-1,617**	**0**	**-308,761**	**26,386**
Income/(loss) for the period	0	0	0	-12,124	-12,124
Other comprehensive income	0	26	0	0	26
Total comprehensive income	**0**	**26**	**0**	**-12,124**	**-12,098**
Cost of share-based payments	20	0	0	0	20
Balance as of 31 March 2018 (Unaudited)	**336,784**	**-1,591**	**0**	**-320,885**	**14,307**
Income/(loss) for the period	0	0	0	-6,194	-6,194
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-6,194**	**-6,194**
Cost of share-based payments	22	0	0	0	22
Proceeds from shares issued	11,736	0	0	0	11,736
Balance as of 30 June 2018 (Unaudited)	**348,542**	**-1,591**	**0**	**-327,079**	**19,872**
Income/(loss) for the period	0	0	0	-11,156	-11,156
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-11,156**	**-11,156**
Cost of share-based payments	21	0	0	0	21
Equity component of convertible loan	1,941	0	0	0	1,941
Balance as of 30 September 2018 (Unaudited)	**350,504**	**-1,591**	**0**	**-338,235**	**10,675**
Income/(loss) for the period	0	0	0	-7,125	-7,125
Other comprehensive income	0	7	0	0	7
Total comprehensive income	**0**	**7**	**0**	**-7,125**	**-7,118**
Cost of share-based payments	-229	0	0	0	-229
Balance as of 31 December 2018 (Audited)	**350,274**	**-1,584**	**0**	**-345,360**	**3,328**
Effect from implementation of IFRS 16	0	0	0	-2,449	-2,449
Balance as of 1 January 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-347,809**	**879**
Income/(loss) for the period	0	0	0	-5,994	-5,994
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**-5,994**	**-5,994**
Cost of share-based payments	0	0	0	0	0
Balance as of 31 March 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-353,803**	**-5,115**
Income/(loss) for the period	0	0	0	-1,976	-1,976
Other comprehensive income	0	-1	0	0	-1
Total comprehensive income	**0**	**-1**	**0**	**-1,976**	**-1,977**
Cost of share-based payments	0	0	0	0	0
Balance as of 30 June 2019 (Unaudited)	**350,274**	**-1,584**	**0**	**-355,779**	**-7,091**

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.

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:

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

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	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Americas	0.0	0.0	2.1	2.6	9.1
Asia/Pacific	9.2	0.9	10.1	0.9	2.4
EAME	5.3	7.0	13.1	8.7	20.1
Total	**14.5**	**7.9**	**25.3**	**12.2**	**31.6**

Multi-client library

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

Amounts in USD million	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Opening carrying value	10.8	16.3	12.6	17.3	17.3
Additions	1.3	2.2	1.3	3.9	6.2
Amortisation charge	-1.7	-1.7	-3.5	-4.4	-10.9
Closing carrying value	**10.4**	**16.8**	**10.4**	**16.8**	**12.6**

Disclaimer for forward-looking statements

This quarterly report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for EMGS ASA and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words as “expects”, “believes”, “estimates” or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for EMGS’ businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although EMGS ASA believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this report. EMGS ASA nor any other company within the EMGS Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the report, and neither EMGS ASA, any other company within the EMGS Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the report. EMGS ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.

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Definitions – Alternative Performance Measures.

EMGS' financial information is prepared in accordance with IFRS. In addition, EMGS provides alternative performance measures to enhance the understanding of EMGS' performance. The alternative performance measures presented by EMGS may be determined or calculated differently by other companies.

EBITDA

EBITDA means Earnings before interest, taxes, amortisation, depreciation and impairments. EMGS uses EBITDA because it is useful when evaluating operating profitability as it excludes amortisation, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company's performance to other companies.

Amounts in USD 1 000	Q2 2019 Unaudited	Q2 2018 Unaudited	First half year 2019 Unaudited	First half year 2018 Unaudited	2018 Audited
Operating profit / (loss)	850	-4,418	-3,556	-15,667	-31,668
Depreciation and ord. amortisation	4,265	1,919	9,484	4,041	7,595
Multi-client amortisation	1,687	1,680	3,502	4,398	10,914
Impairment of long term assets	0	0	0	0	2,544
EBITDA	**6,801**	**-819**	**9,430**	**-7,228**	**-10,616**

Adjusted EBITDA

Adjusted EBITDA means EBITDA (see above) less multi-client investment (capitalisation) and less the cost of vessel and office lease.

Backlog

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

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