

**EMGS
FIRST
QUARTER
2023.**

Highlights in the First Quarter.

Operational highlights

- Atlantic Guardian warm-stacked for the entire quarter

Financial highlights for the quarter

- Revenues of USD 5.0 million
- EBITDA of USD 3.1 million and adjusted EBITDA of USD 2.4 million
- Quarter end free cash balance of USD 14.2 million

Key financial figures

	Q1 2023	Q1 2022	2022	Q4 2022
Amounts in USD million (except per share data)	Unaudited	Unaudited	Audited	Unaudited
Contract sales	0.2	0.1	13.6	11.6
Multi-client pre-funding	0.0	0.0	4.8	2.0
Multi-client late sales	4.8	4.9	11.9	0.6
Other revenue	0.0	1.3	4.8	1.0
Total revenues	5.0	6.2	35.0	15.2
Operating profit/ (loss)	0.9	2.2	13.1	7.0
Income/ (loss) before income taxes	0.5	1.6	11.1	6.9
Income/ (loss) for the period	0.5	1.6	11.2	6.9
Earnings/ (loss) per share	0.00	0.01	0.09	0.05
Average number of shares outstanding (in thousands)	130,970	130,970	130,970	130,970
EBITDA	3.1	4.5	23.8	10.3
Multiclient investment	0.0	0.0	1.2	0.0
Vessel and office lease	0.7	0.8	6.5	2.1
Adjusted EBITDA	2.4	3.7	16.1	8.2

EBITDA = Operating profit /(loss) + Other depreciation and ordinary amortisation + Depreciation right-of-use assets + Multi-client amortisation + Impairment of long-term assets.

Financial Review.

Revenues and operating expenses

EMGS recorded revenues of USD 5.0 million in the first quarter of 2023 down from USD 6.2 million reported for the corresponding quarter of 2022. Contract and other sales totalled USD 0.2 million, while multi-client sales amounted to USD 4.8 million. For the first quarter of 2022, contract and other revenue totalled USD 1.3 million, while multi-client sales amounted to USD 4.9 million.

Charter hire, fuel and crew expenses totalled USD 0.4 million in the first quarter this year, compared with USD 0.2 million in the first quarter of 2022. The Company did not capitalise any multi-client expenses in the first quarter of 2023 or in the first quarter of 2022. When adding back vessel lease expenses to each quarter, charter hire, fuel and crew expenses totalled USD 0.9 million in the first quarter of 2023 compared with USD 0.9 million in the first quarter of 2022.

Employee expenses totalled USD 0.9 million in the first quarter of 2023, compared with USD 0.8 million in the first quarter of 2022.

Other operating expenses, including office lease expenses, remained unchanged at USD 0.8 million in the first quarter of 2023, compared with the first quarter of 2022.

Depreciation, amortisation and impairment

For the first quarter of 2023, other depreciation and amortisation totalled USD 0.8 million, compared with USD 1.1 million in the first quarter of 2022. Depreciation of right-of-use assets, vessel leases and office leases totalled USD 1.3 million in the first quarter of 2023, compared with USD 0.9 million in the first quarter of 2022.

Multi-client amortisation amounted to USD 0.1 million in the first quarter of 2023, compared with USD 0.2 million in the first quarter of 2022. The Group uses straight-line amortisation for its completed multi-client projects, assigned over the useful lifetime of four years.

Net financial items

Net financial items ended at negative USD 0.4 million in the first quarter of 2023, compared with negative USD 0.6 million in the corresponding quarter last year. In the first quarter of 2023, the Group recorded a net currency gain of USD 137 thousand, compared with a currency gain of USD 90 thousand in the first quarter of 2022. In the first quarter of 2023, the Group recorded an interest expense of USD 0.8 million compared with an interest expense of USD 0.6 million in the first quarter of 2022.

Income/(loss) before income taxes

Profit before income taxes amounted to USD 0.5 million in the first quarter 2023, compared with profit before income taxes of USD 1.6 million in the corresponding quarter in 2022.

Income tax expenses

No income tax expense was recorded in the first quarter of 2023, compared with an income tax credit of USD 33 thousand in the first quarter of 2022.

Net income for the period

Profit for the first quarter of 2023 amounted to USD 0.5 million, compared with a profit of USD 1.6 million in the same period in 2022.

Cash flow and balance sheet

In the first quarter 2023, net cash flow from operating activities was USD 4.2 million, compared with a net cash flow of negative USD 0.4 million in the first quarter of 2022. The cash flow from operating activities in the first quarter of 2023 was positively affected by changes in trade receivables.

EMGS applied USD 152 thousand in investing activities in the first quarter of this year, compared with USD 44 thousand in the first quarter of last year.

The carrying value of the multi-client library was USD 1.4 million as of 31 March 2023, down from USD 1.5 million as of 31 December 2022 and down from USD 2.2 million as of 31 March 2022.

Cash flow from financial activities was negative USD 1.3 million in the first quarter of 2023, compared with negative USD 1.2 million in the same quarter last year.

The Company had a net increase in cash, excluding restricted cash, of USD 2.8 million during the first quarter of 2023. As of 31 March 2023, cash and cash equivalents totalled USD 14.2 million.

Financing

Total borrowings were USD 19.5 million as of 31 March 2023, compared with USD 19.5 million as of 31 December 2022 and USD 24.4 million as of 31 March 2022. This includes the Company's convertible bond, which has a carrying value of USD 19.5 million recorded as non-current borrowings and USD 1.9 million recorded as equity in accordance with IFRS.

The convertible bond 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 2023, the free cash and cash equivalents totalled USD 14.2 million.

Operational Review.

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Proprietary work	0%	46%	12%	0%	0%
Multi-client projects	0%	0	10%	18%	0%
Total utilisation	0%	46%	22%	18%	0%

Vessel utilisation and fleet allocation

The vessel utilisation for the first quarter 2023 was 0% compared with 0% in the corresponding quarter in 2022.

The vessel was warm-stacked for the entire first quarter in 2023 and in the first quarter of 2022.

EMGS had one vessel on charter and recorded 3.0 vessel months in the quarter. In the first quarter 2022, the Company had one vessel on charter and recorded 3.0 vessel months.

Vessel activity in the first quarter

	Utilisation Q1 2023	Status Q1 2023	Firm charter period	Remaining option periods
Atlantic Guardian	0%	Warm-stacked	20 October 2023	3 x 12 months

Atlantic Guardian

The Atlantic Guardian spent the entire first quarter of 2023 warm-stacked.

Backlog

As of 31 March 2023, EMGS' backlog was USD 0.7 million compared with a backlog of approximately USD 0.5 million at the end of the first quarter 2022.

Events during the first quarter of 2023

EMGS secures multi-client revenues in Norway

In January 2023, Electromagnetic Geoservices ASA announced it had secured USD 1.7 million in revenue from late sales related to its existing EM multi-client library in the Barents Sea.

EMGS secures late sales multi-client revenue

In March 2023, Electromagnetic Geoservices ASA announced it had entered into late sales licensing agreements related to its existing EM multi-client library, with a total combined revenue of USD 3.1 million.

Share information

EMGS was listed at the Oslo Stock Exchange in March 2007. During the first quarter of 2023, the EMGS share was traded between NOK 1.62 and NOK 4.03 per share. The last closing price before 31 March 2023 was NOK 3.29.

As of 31 March 2023, the Company had a total of 130,969,690 shares outstanding.

Risks and uncertainty factors

The most important risk factor for EMGS is the demand for EM services. Historically, demand for EM services has been correlated with 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. As EM surveys are considered a niche product to many E&P companies, demand can quickly change in response to changes in the oil price.

The Company's convertible bond loan due in 2025 contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 31 March 2023, the free cash and cash equivalents totalled USD 14.2 million.

Historically, lack of long-term visibility has led to unpredictable and sometimes volatile revenue generation. EMGS has partially addressed the risk of unpredictable revenue generation with a more flexible business model and continuously strives to increase backlog.

Reference is made to the 2022 Annual Report for a further description of other relevant and important risk factors.

Outlook

The Atlantic Guardian is currently in warm-stack in Norway. While in warm-stack, the lower variable charter rates for the Atlantic Guardian apply. The reduced variable charter rates, together with other reduced costs as a result of the warm-stack, result in significantly lower cash expenses until new backlog is secured. While EMGS is actively and diligently working towards securing backlog, visibility for the remainder of 2023 remains low. EMGS continues to believe that the general market upturn in the oil and gas sector will positively influence the EM market, and that EMGS is well positioned to capitalise on this potential upturn. The Company will also continue its efforts to commercialise EMGS' multi-physics offering towards marine mineral exploration and potentially offshore wind site surveys.

Multi-client late sales have been and are expected to continue to be an important part of EMGS' revenue stream, generating cash in addition to acquisition contracts. Late sales typically have a short sales cycle and are not a predictable revenue stream.

Oslo, 25 May 2023
Board of Directors and CEO

Consolidated Income Statement.

Amounts in USD 1 000	Q1 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Operating revenues			
Contract sales	210	64	13,561
Multi-client pre-funding	0	0	4,793
Multi-client late sales	4,808	4,889	11,874
Other revenue	0	1,273	4,751
Total revenues	5,018	6,226	34,979
Operating expenses			
Charter hire, fuel and crew expenses	381	222	4,241
Employee expenses	876	822	3,884
Depreciation right-of-use assets	1,278	862	4,049
Multi-client amortisation	138	249	2,513
Other depreciation and amortisation	786	1,126	4,159
Other operating expenses	686	701	3,018
Total operating expenses	4,145	3,981	21,864
Operating profit/ (loss)	872	2,245	13,115
Financial income and expenses			
Interest income	299	7	388
Interest expense	-760	-627	-2,516
Interest expense lease liabilities	-98	-111	-504
Gains on financial assets and liabilities	0	0	671
Net foreign currency income/(loss)	137	90	-7
Net financial items	-422	-641	-1,969
Income/ (loss) before income taxes	451	1,604	11,146
Income tax expense	0	-33	-46
Income/ (loss) for the period	451	1,638	11,192

Consolidated Statement of Comprehensive Income.

Amounts in USD 1 000	Q1 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Income/ (loss) for the period	451	1,638	11,192
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	0	0	-5
Other comprehensive income/(loss)	0	0	-5
Total other comprehensive income/(loss) for the period	451	1,638	11,187

Consolidated Statement of Financial Position.

Amounts in USD 1 000	31 March 2023 Unaudited	31 March 2022 Unaudited	31 December 2022 Audited
ASSETS			
Non-current assets			
Multi-client library	1,365	2,163	1,504
Other intangible assets	54	334	106
Property, plant and equipment	8,671	11,754	9,252
Right-of-use assets	3,126	2,459	4,882
Other receivables and prepayments	2,792	0	2,693
Financial lease receivables	0	50	0
Assets under construction	3	3	3
Total non-current assets	16,011	16,763	18,439
Current assets			
Spare parts, fuel, anchors and batteries	4,151	3,824	4,158
Trade receivables and accrued revenues	3,496	4,451	7,898
Other receivables and prepayments	946	4,247	506
Financial lease receivables	25	68	49
Cash and cash equivalents	14,242	8,212	11,434
Restricted cash	142	1,216	196
Total current assets	23,002	22,017	24,241
Total assets	39,013	38,780	42,681
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	-1,575	-1,569	-1,575
Retained earnings	-60,782	-70,794	-61,233
Total equity	9,131	-875	8,681
LIABILITIES			
Non-current liabilities			
Provisions	0	3,609	0
Borrowings	19,512	24,430	19,484
Non-current leasing liabilities	51	429	118
Total non-current liabilities	19,563	28,469	19,601
Current liabilities			
Trade payables	706	1,624	2,928
Current tax liabilities	2,989	3,365	3,025
Other short term liabilities	2,314	1,692	3,104
Current leasing liabilities	4,309	4,505	5,341
Total current liabilities	10,319	11,186	14,398
Total liabilities	29,882	39,655	33,999
Total equity and liabilities	39,013	38,780	42,681

Consolidated Statement of Cash Flows.

Amounts in USD 1 000	Q1 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Net cash flow from operating activities			
Income/ (loss) before income taxes	451	1,604	11,146
Adjustments for:			
Total taxes paid	-17	0	-342
Depreciation right-of-use assets	1,278	862	4,437
Multi-client amortisation	138	249	2,513
Other depreciation and amortisation	786	1,126	4,159
Cost of share-based payment	0	0	4
Change in trade receivables	4,402	-3,184	-6,632
Change in inventories	7	-11	-345
Change in trade payables	-2,222	-357	947
Change in other working capital	-1,270	-1,338	-1,388
Finance Income	0	0	-671
Finance Cost	678	670	2,730
Net cash flow from operating activities	4,230	-379	16,560
Investing activities:			
Purchase of property, plant and equipment	-152	-12	-317
Investment in multi-client library	0	0	-1,602
Purchase of intangible assets	0	-32	-33
Cash used in investing activities	-152	-44	-1,953
Financial activities:			
Principal amount leases	-619	-685	-6,157
Interest lease liabilities	-98	-111	-504
Repayment/settlement of loan	0	0	-4,297
Interest paid	-552	-423	-2,070
Cash used in/provided by financial activities	-1,269	-1,220	-13,027
Net change in cash	2,809	-1,643	1,580
Cash balance beginning of period	11,434	9,855	9,855
Cash balance end of period	14,242	8,212	11,434
Net change in cash	2,809	-1,643	1,580

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Share capital share premium and other paid-in- capital	Other reserves	Retained earnings	Total equity
Balance as of 31 December 2021 (Audited)	71,490	-1,570	-72,433	-2,514
Income/(loss) for the period	0	0	1,638	1,638
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	1,638	1,638
Cost of share-based payments	0	0	1	1
Balance as of 31 March 2022 (Unaudited)	71,490	-1,569	-70,794	-875
Income/(loss) for the period	0	0	1,851	1,851
Other comprehensive income	0	-2	0	-2
Total comprehensive income	0	-2	1,851	1,849
Cost of share-based payments	0	0	2	2
Balance as of 30 June 2022 (Unaudited)	71,490	-1,571	-68,942	976
Income/(loss) for the period	0	0	772	772
Other comprehensive income	0	-1	0	-1
Total comprehensive income	0	-1	772	771
Cost of share-based payments	0	0	2	2
Balance as of 30 September 2022 (Unaudited)	71,490	-1,572	-68,167	1,749
Income/(loss) for the period	0	0	6,931	6,931
Other comprehensive income	0	-3	0	-3
Total comprehensive income	0	-3	6,931	6,928
Cost of share-based payments	0	0	4	4
Balance as of 31 December 2022 (Unaudited)	71,490	-1,575	-61,233	8,681
Income/(loss) for the period	0	0	451	451
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	451	451
Cost of share-based payments	0	0	0	0
Balance as of 31 March 2022 (Unaudited)	71,490	-1,575	-60,782	9,131

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 2021, 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 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Americas	0.3	0.0	14.0
Asia/Pacific	0.0	0.0	0.0
EAME	4.8	6.2	21.0
Total	5.0	6.2	35.0

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 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Opening carrying value	1.5	2.4	2.4
Additions	0.0	0.0	1.6
Amortisation charge	-0.1	-0.2	-2.5
Impairment	0.0	0.0	0.0
Closing carrying value	1.4	2.2	1.5

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 materially. 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 and potential clients 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 could 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 relevant 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. Neither 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 and are not cash-flow items. Also, the measure is useful when comparing the Company's performance to other companies.

Amounts in USD 1 000	Q1 2023 Unaudited	Q1 2022 Unaudited	2022 Audited
Operating profit/ (loss)	872	2,245	13,115
Depreciation right-of-use assets	1,278	862	4,049
Multi-client amortisation	138	249	2,513
Other depreciation and amortisation	786	1,126	4,159
Impairment of long-term assets	0	0	0
EBITDA	3,074	4,481	23,837

Adjusted EBITDA

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

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 of whether the Company is working on a multi-client or a proprietary survey. The Adjusted EBITDA measure 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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