

Q3 2017

Magseis ASA

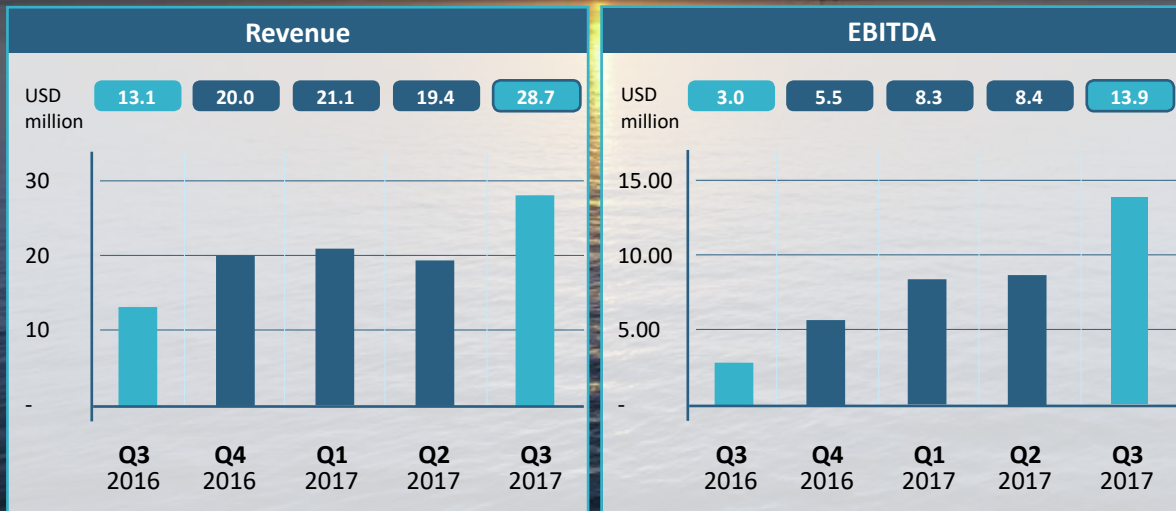
Third quarter and first nine months



magseis

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HIGHLIGHTS



THIRD QUARTER 2017

- Completion of ConocoPhillips’ Eldfisk 4D survey using our new modular ROV crew
- Full utilisation and continued strong production on S-78 extension in the Red Sea
- Field test of Seismic Apparition’s Source Isolation technology
- Revenue of USD 28.7 million compared to USD 13.1 million in 2016
- EBITDA of USD 13.9 million compared to USD 3.0 million in 2016
- Net Profit of USD 9.7 million compared to USD -8.8 million in 2016

FIRST NINE MONTHS

- Revenue of USD 69.1 million compared to USD 38.9 million in 2016
- EBITDA of USD 30.7 million compared to USD 3.0 million in 2016
- Net Profit of USD 16.5 million compared to USD -16.8 million in 2016

CEO STATEMENTS



The third quarter of 2017 is the best quarter ever for Magseis with revenue of USD 28.7 million, EBITDA of USD 13.9 million and a net profit of USD 9.7 million. The good performance comes as a result of two simultaneous and efficient operations in the Red Sea and in the North Sea. The Mobile ROV operation in the North Sea has been a success and demonstrated the high efficiency that can be achieved by dual ROV operations due to the small size of our nodes. There is large potential to reduce the cost of OBS operations through the use of our modular units and clients are excited about the possibility of using vessels already on charter.

The safe and efficient operation in the Red Sea continued throughout the quarter and the shooting performance

delivered by our partner BGP remains stable and above our initial projections. We are in a good position to continue working for Saudi Aramco in this important region which is estimated to contain as much as 30% of their potential resources.

We are working on the revised design for our next cable vessel and we plan to complete the rigging towards the end of Q2 next year. Operationally the next milestone will be at the end of Q1 next year when we will be operating 14 000 MASS nodes plus another 6 000 nodes by the end of the year.

Earlier this year we signed an exclusive agreement with Seismic Apparition for a new technology for more efficient shooting on OBS projects. Source Isolation™, is applicable for 4D surveys and we performed a field test in the North Sea during the 3rd quarter. The results are very encouraging and have already been presented at geophysical conferences and client meetings. The plan is to commercialize this technology during 2018, potentially reducing project cost by 30-50%.

Although we have seen that some of the jobs announced in the North Sea next year have been postponed, we see a steady increase in other regions and our estimates for the total market in 2018 still remains at above USD 1.2 billion.

Idar Horstad - CEO Magseis

KEY FINANCIALS

In thousands of USD

Profit and loss	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2016
Revenues	28 650	13 094	69 125	38 881	58 905
Cost of sales	11 590	7 660	30 246	27 193	39 038
EBITDA	13 923	2 993	30 650	2 973	8 506
EBIT	8 845	-6 975	18 317	-13 009	-11 114
Net profit	9 660	-8 841	16 484	-16 754	-16 695
Basic earnings per share	0.16	-0.23	0.27	-0.44	-0.44
Financial position					
Total assets			129 927	87 213	86 665
Total liabilities			25 152	38 304	37 620
Total equity			104 775	48 909	49 045
Equity ratio			80.6%	56.1%	56.6%
Cash flow					
Net cash flow from operating activities			21 777	-10 755	-2 117

OPERATIONAL COMMENTS

A very good quarter lies behind us. The performance on both our operation in the Red Sea as well as our ROV based project in the North Sea has been over and above our expectations, both in terms of production figures and technical performance.

Being our first, large scale ROV operation as well as our first full scale operation of the Modular MASS we are pleased with the functionality and performance delivered on the ConocoPhillips Eldfisk project. The small dimension and weight of our MASS nodes enable us to deliver a step-change in efficiency even when utilising industry standard Work Class ROVs ("ROV"). With a purpose-built skid, designed for an easy interface to most standard ROVs, Magseis is capable of carrying and deploying up to 40 nodes from a standard, unmodified ROV. The high capacity and limited need for customisation allows us to provide an offering with limited operational

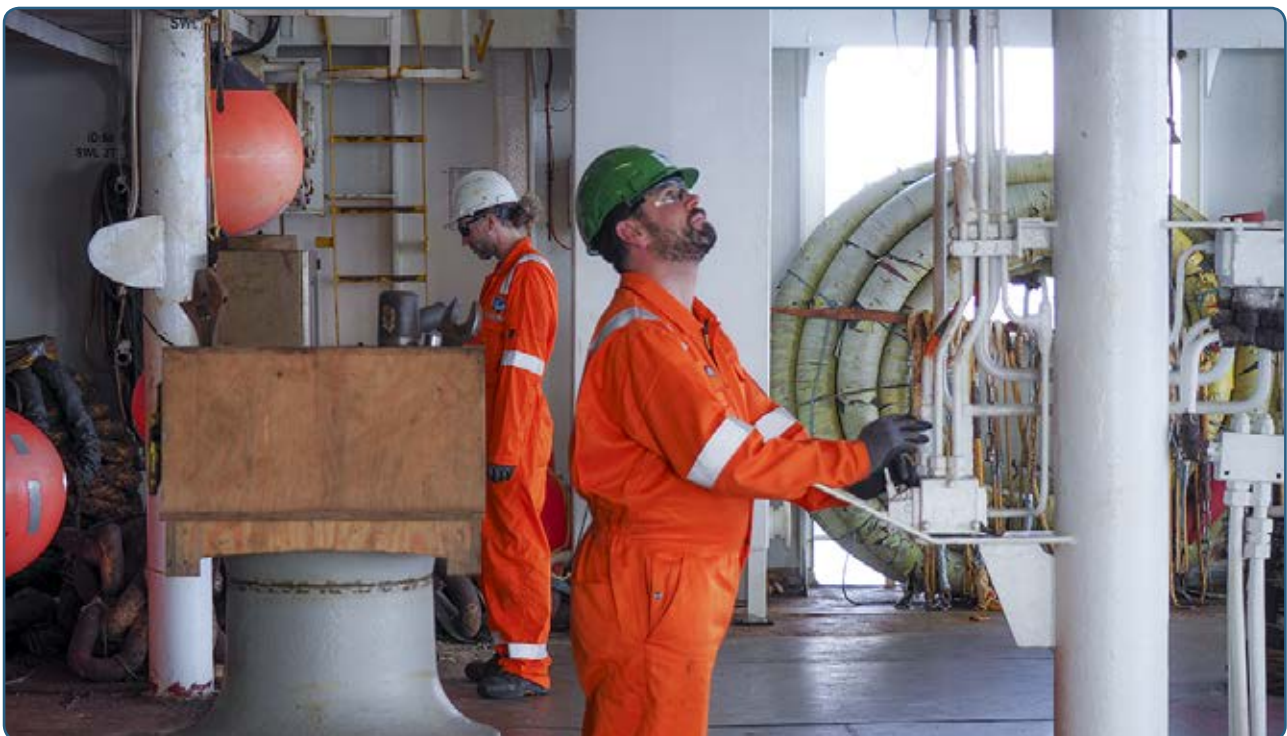
overhead, rapid mobilisation and easy integration with existing facilities and vessels of opportunity.

Based on the experience gained on this project we see a significant potential for further enhancements of the MASS Modular and in particular we will explore opportunities with regards to high speed ROVs to further improve the competitiveness of this system. The general trend of high performance also applies to our Red Sea operation. After more or less 15 months of continuous operation in the same area, our crew has gained valuable experience with demanding environment and seabed conditions. Performance continues to improve on a quarterly basis, and our crew, the vessel and our MASS have now proven that they can endure the soaring heat exposure in a Red Sea summer season as well as the freezing cold winters in the Barents Sea, while still delivering world class OBN performance.

QHSE COMMENTS

Q3 has been a good quarter QHSE wise. The first full ROV survey was completed with excellent performance all round, including HSE. The Athene has again continued the smooth operation in the Red Sea, once again exceeding the QHSE targets. ENI completed their stage 2 qualification audit of both the head office and vessel with no findings, demonstrating how effective our efforts have

been over the last 12 months in implementing our QHSE Management system following 9001 certifications. The end of Q3 sees us meeting our key QHSE KPI's, and for the first year exceeding the planned audits of our suppliers and contractors, demonstrating our strong focus on these issues throughout the supply chain.



BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the third quarter were USD 28.7 million. The revenues were related to the Saudi Aramco survey and to the ConocoPhillips "Eldfisk" project. In comparison, the revenues for the third quarter of 2016 were USD 13.1 million which reflected that the first shot on the Red Sea project was fired late July.

Revenue for the first nine months was USD 69.1 million compared to USD 38.9 million in the first nine months of 2016.

Operational costs

Cost of sales (COS) in the third quarter was USD 11.6 million compared to USD 7.7 million in the third quarter of 2016. Higher cost related to increased production and the fact that Magseis now manages two operations with both Athene and the modular ROV crew.

In the first nine months of 2017, the COS amounted to USD 30.2 million compared to USD 27.2 million during the same period in 2016.

Selling, general and administration expenses (SG&A) and other expenses in the third quarter amounted to USD 2.6 million, compared to USD 2.2 million in the third quarter of 2016. This results from an increase in the onshore organisation.

In the first nine months of 2017 SG&A and other expenses amounted to USD 6.7 million compared to USD 7.2 million during the same period of 2016.

Research and development

Research and development (R&D) expenses amounted to USD 0.5 million for the third quarter, compared to USD 0.3 million in the third quarter of 2016 where more cost was capitalised to R&D projects.

R&D for the first nine months of 2017 was USD 1.5 million comparable to USD 1.5 million in the first nine months of 2016.

Depreciation

Depreciation was USD 5.0 million during the third quarter compared to depreciation of USD 3.1 million in the third quarter of 2016. The increase is due to more equipment in use for two operations.

In the first nine months of 2017 depreciation was USD 11.8 million compared to USD 7.7 million during the same period of 2016. During 2017 net depreciation resulting from the yard-stay and original mobilisation increased depreciation by USD 2.0 million. For the same period of 2016 the related capitalisation of the above yard-stay and mobilisation resulted in a USD 1.7 million reduction in depreciation.

Amortisation

Third quarter amortisation of USD 0.1 million was related to other intangible assets only. This is comparable to the same period for 2016.

For the first nine months of 2017 amortisation amounted to USD 0.3 million, related only to other intangible assets. This compares to USD 1.3 million in the first nine months of 2016, where amortisation of multi-client library was USD 0.9 million.

Impairment

Third quarter impairment is zero, compared to USD 6.7 million during the third quarter of 2016 which was related to the impairment of G1 nodes.

For the first nine months of 2017, Impairment amounted to USD 0.2 million, compared to USD 7.0 million for the same period in 2016 due to the factors described above.

EBITDA and EBIT

The EBITDA was USD 13.9 million in the third quarter compared to USD 3.0 million the third quarter of 2016. This increase in EBITDA was driven by the addition of our second crew as well as strong operational performance.

EBIT was USD 8.8 million in the third quarter compared to USD -7.0 million during the same period in 2016. The increase in EBIT relates to the same factors as the increase in EBITDA described above as well as the impairment charge of USD 6.7 million which was related to G1 nodes last year.

EBITDA in the first nine months of 2017 was USD 30.7 million compared to USD 3.0 million for the same period of 2016. EBIT was USD 18.3 million in the first nine months of 2017 compared to USD -13.0 million during the comparable period of 2016, largely due to the factors described above.

Balance Sheet and Cash Flow

As of 30 September 2017, the Group's equity was USD 104.8 million compared to USD 48.9 million at 30 September 2016. The equity ratio was 80.6% as of end September 2017.

Tangibles and intangible assets amounted to USD 64.2 million as of 30 September 2017, compared to USD 50.2 million at the same date in 2016. The investments comprise seismic equipment on board Artemis Athene and equipment for the mobile ROV crew as well as capitalisation of expenses related to research and development projects per September 2017.

As of 30 September 2017 and 2016, the net value of the multi-client library is zero, due to amortisation of USD 0.9 million during the first quarter of 2016.

As of 30 September 2017, current assets amounted to USD 65.7 million compared to USD 37.1 million as of 30 September 2016. Cash and cash equivalents were USD 45.4 million compared to USD 13.5 million as of 30 September 2016.

Non-current liabilities decreased to USD 13.7 million as of 30 September 2017, compared to USD 14.5 million as of 30 September 2016. The liabilities is mainly related to debt financing from Export Credit Norway and Innovation Norway. In addition, funding of an accumulated amount of USD 7.0 million has been received from Shell Global Solutions related to the cooperation agreement for development of a deep-water solution for seismic operations. This funding is recognised as a finance arrangement in the financial statements. The current portion of long-term debt amounted to USD 3.4 million as of September 2017.

Current liabilities as of 30 September 2017, amounted to USD 11.5 million compared to USD 23.8 million as of

30 September 2016. The reduction is mainly due to the repayment of BGP pre-funding of USD 8.3 million that was provided during 2016. Furthermore, current tax payable is USD 0.5 million higher due to withholding tax for operations in Saudi Arabia.

Cash flow from operating activities was USD 21.7 million in the first nine months of 2017 compared to USD -10.8 million in the same period of 2016. The main reason for the positive cash flow from operations is the positive result before tax compared to the negative result before tax for the same period of 2016 which was heavily impacted by the yard stay and transit ahead of the Red Sea project. This is offset by a USD 5.7 million increase in trade receivables and a USD 0.9 million reduction in trade payables in 2017.

The net cash outflow from investing activities amounted to USD -27.1 million, resulting from investments into the ROV crew as well as production of MASS nodes for our next cable crew, in the first nine months of 2017 compared to USD -16.2 million in the same period of 2016 when the investments in seismic equipment was significantly lower.

Cash flow from finance activities was USD 31.7 million for the first nine months of 2017 compared to USD 29.0 million in the same period of 2016. The proceeds are related to the share capital increase of net USD 39.0 million, the proceeds from the cooperation agreement with Shell Global Solutions of USD 0.8 million, offset by instalments and interest relating to the loans and finance lease totalling USD 7.0 million.

Employees

As of 30 September 2017, Magseis had a total of 102 full-time employees (30 September 2016: 81) including the offshore seismic crew of 46 employees (30 September 2016: 43).

20 LARGEST SHAREHOLDERS 30 SEPTEMBER 2017		
Shareholder	Holdings	
ANFAR INVEST AS	6 030 190	9.9 %
WESTCON GROUP AS	5 661 436	9.3 %
GEO INNOVA AS	4 571 716	7.5 %
AS CLIPPER	3 612 689	5.9 %
JPMORGAN CHASE BANK, N.A., LONDON	2 401 152	3.9 %
BARRUS CAPITAL AS	2 292 351	3.8 %
KLP AKSJENORGE	2 264 615	3.7 %
JPMORGAN CHASE BANK, N.A., LONDON	2 245 638	3.7 %
REDBACK AS	1 833 333	3.0 %
CITY FINANCIAL ABSOLUTE EQUITY FD	1 780 399	2.9 %
VPF NORDEA NORGE VERDI	1 728 453	2.8 %
KOMMUNAL LANDSPENSJONSKASSE	1 548 780	2.5 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 342 591	2.2 %
VPF NORDEA KAPITAL	1 323 265	2.2 %
INVESCO PERP EURAN SMLER COMPS FD	1 098 845	1.8 %
VPF NORDEA AVKASTNING	942 507	1.5 %
STATOIL PENSJON	937 000	1.5 %
GNEIS AS	924 825	1.5 %
ALTITUDE CAPITAL AS	900 000	1.5 %
HAWK INVEST AS	853 723	1.4 %
Total 20 largest shareholders	44 293 508	72.7 %
Other shareholders	16 598 883	27.3 %
Total outstanding shareholders	60 892 391	100.0 %

Outlook

Our Artemis Athene crew continues to deliver a highly efficient operation in the Red Sea. However, due to the standby incurred towards the end of Q3 the expected completion of the project has now been pushed into Q4 2017. Our plans to continue working in the area remain firm and discussions are ongoing for an extension to the current project.

With the successful completion of the ConocoPhillips' Eldfisk survey the innovative and cost-effective concept underlying our modular ROV system is now well-proven and we are tendering on a number of projects using this system for Q1 2018 and beyond. In particular, we see that this system will enable Magseis to broaden our international reach and to work with selected strategic partners in regions or with project configurations that are currently outside our own core focus.

During the third quarter, we concluded our review of the design and plans for our next cable vessel and the start of operations for this crew is now planned for Q2 2018. This crew will utilise the benefits of our MASS technology to bring out a cable crew with significantly improved

efficiency compared to existing crews and with the potential to expand this further as market demand requires. Combined with the advances in shooting efficiency that we believe the Source Isolation technology will bring – this crew will bring to fruition our strategic goal of reducing OBS acquisition costs down to \$25/K per square kilometre and thus radically changing the dynamics of the OBS market.

During the third quarter, we have also reviewed our financial guidance for the full year of 2017 to USD 24-26 million of EBITDA. The final result for the year will depend on how quickly we can start operations on the next program in the Red Sea but irrespective of this, 2017 will be by far the best financial year in the Company's history and a result that the entire organisation is very proud of.

As we move towards 2018 we are very excited about the opportunities we see arising from our rapid expansion and the significant acquisition cost reductions that we envisage being achieved during 2018. When held up against a continued recovery of the OBS market and a number of large projects coming up for tender we believe 2018 will be a very exciting year for Magseis.

STATEMENT OF FINANCIAL COMPLIANCE

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 September 2017 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and results of the Group. We also confirm, to the best of our knowledge that the condensed consolidated interim financial statements present a fair view of the development and performance of the business during the period, and together with the 2016 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 02 November 2017



Jan P. Grimnes
Chairman



Jan Gateman
Director and Senior Vice President



Gro Haatvedt
Non-executive Director



On behalf of
Non-executive Director
Bettina R. Bachmann:
Peter Van Giessel



Jan M. Drange
Non-executive Director



Idar Horstad
Chief Executive Officer



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of USD</i>	<i>Note</i>	Q3 2017 <i>(unaudited)</i>	YTD 2017 <i>(unaudited)</i>	Q3 2016 <i>(unaudited)</i>	YTD 2016 <i>(unaudited)</i>	Full Year 2016 <i>(audited)</i>
<i>REVENUE AND OTHER INCOME</i>						
Revenue	4	28 650	69 125	13 094	38 881	58 905
Total revenue and other income		28 650	69 125	13 094	38 881	58 905
<i>OPERATING EXPENSES</i>						
Cost of sales		11 590	30 246	7 660	27 193	39 038
Research and development expenses		494	1 507	268	1 529	2 022
Selling, general and administrative costs		2 608	6 439	1 909	6 144	7 863
Other expenses		35	282	264	1 041	1 475
Depreciation and amortisation	5	4 962	11 753	3 087	7 658	10 769
Amortisation	6,7	116	347	133	1 276	1 409
Impairment	5	0	233	6 748	7 047	7 441
Total operating expenses		19 805	50 808	20 070	51 889	70 018
OPERATING PROFIT (LOSS)		8 845	18 317	-6 975	-13 009	-11 114
<i>FINANCIAL INCOME AND EXPENSES</i>						
Finance income		1 657	2 717	736	1 195	1 593
Finance costs		-348	-2 430	-1 162	-2 215	-2 986
Net finance costs		1 309	287	-426	-1 020	-1 393
NET PROFIT (LOSS) BEFORE TAX		10 154	18 604	-7 401	-14 029	-12 507
Income tax expense		493	2 121	1 440	2 725	4 188
NET PROFIT (LOSS)		9 660	16 484	-8 841	-16 754	-16 695
Basic earnings (loss) per ordinary share		0.16	0.27	-0.23	-0.44	-0.48
Diluted earnings (loss) per ordinary share		0.16	0.27	-0.23	-0.44	-0.48
<i>OTHER COMPREHENSIVE INCOME</i>						
Currency exchange differences		0	0	0	0	0
Total comprehensive income (loss) for the period		9 660	16 484	-8 841	-16 754	-16 695

CONDENSED AND CONSOLIDATED BALANCE SHEET

<i>In thousands of USD</i>	<i>Note</i>	YTD 2017 <i>(unaudited)</i>	YTD 2016 <i>(unaudited)</i>	YE 2016 <i>(audited)</i>
<i>ASSETS</i>				
<i>Non-current assets</i>				
Equipment	5	58 858	44 672	42 991
Multi-client library	6	0	0	0
Other intangible assets	7	5 376	5 481	5 583
Total non-current assets		64 234	50 153	48 574
<i>Current assets</i>				
Cash and cash equivalents		45 427	13 471	18 974
Trade receivables		16 394	12 909	10 681
Other current assets		3 872	10 679	8 436
Total current assets		65 693	37 060	38 092
TOTAL ASSETS		129 927	87 213	86 665
<i>EQUITY AND LIABILITIES</i>				
<i>Shareholders' equity</i>				
Share capital	8	438	303	303
Share premium	8	141 486	102 594	102 594
Other equity		3 232	2 933	3 012
Retained earnings		-35 256	-51 798	-51 740
Currency translation reserve		-5 124	-5 124	-5 124
Total equity attributable to equity holders of the Company		104 775	48 909	49 045
TOTAL EQUITY		104 775	48 909	49 045
<i>LIABILITIES</i>				
<i>Non-current liabilities</i>				
Obligation under finance lease	10	181	1 197	951
Other non-current financial liabilities		13 482	13 293	14 188
Total non-current liabilities		13 662	14 490	15 139
<i>Current liabilities</i>				
Trade payables		4 965	6 976	5 870
Current tax payable		721	189	2 841
Short-term debt and current portion of long-term debt	10	3 354	10 885	7 881
Other current liabilities		2 450	5 764	5 890
Total current liabilities		11 490	23 814	22 481
TOTAL LIABILITIES		25 152	38 304	37 620
TOTAL EQUITY AND LIABILITIES		129 927	87 213	86 665

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of USD</i>	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2016	254	90 945	2 630	-35 045	-5 124	53 660
Profit / (loss) for the period	0	0	0	-16 754	0	-16 754
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-16 754	0	-16 754
Share issuance	49	12 134	0	0	0	12 183
Expenses related to share issuance	0	-485	0	0	0	-485
Share-based payments (options)	0	0	303	0	0	303
Balance at 30 September 2016	303	102 594	2 933	-51 799	-5 124	48 908
Balance at 1 January 2017	303	102 594	3 012	-51 740	-5 124	49 045
Profit / (loss) for the period	0	0	0	16 484	0	16 484
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	16 484	0	16 484
Share issuance	135	40 376	0	0	0	40 511
Expenses related to share issuance	0	-1 485	0	0	0	-1 485
Share-based payments (options)	0	0	220	0	0	220
Balance at 30 September 2017	438	141 486	3 232	-35 256	-5 124	104 775

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW						
<i>In thousands of USD</i>	<i>Note</i>	Q3 2017 <i>(unaudited)</i>	YTD 2017 <i>(unaudited)</i>	Q3 2016 <i>(unaudited)</i>	YTD 2016 <i>(unaudited)</i>	2016 <i>(audited)</i>
Cash flows from operating activities						
Profit / (Loss) before tax		10 154	18 604	-7 401	-14 029	-12 507
<i>Adjustment for:</i>						
Income tax and withholding tax paid		-1 225	-3 174	0	-37	-1 133
Deferred lease discount amortisation		-119	-352	-119	-352	-470
Depreciation and amortisation	5, 6, 7	5 078	12 100	3 220	8 934	12 179
Impairment	5	0	233	6 748	7 047	7 441
Share based payments expense		66	220	78	303	382
Interest expense		105	1 103	540	899	1 452
Interest income		-2	-5	2	-7	-15
<i>Working capital adjustments:</i>						
(Increase) / decrease in current assets		6 885	-2 607	-9 351	-14 416	-9 395
Increase / (decrease) in trade and other payables and accruals		243	-4 345	-534	901	-51
Net cash from operating activities		21 185	21 777	-6 819	-10 755	-2 117
<i>Cash flows from investing activities</i>						
Interest received		2	5	1	7	15
Acquisition of equipment	5	-8 765	-26 937	-3 656	-13 835	-13 906
Payments for capitalised development and intangibles	7	-32	-141	-1 797	-2 338	-2 572
Multi-client investment	6	0	0	0	0	0
Net cash used in investing activities		-8 796	-27 072	-5 451	-16 165	-16 463
<i>Cash flows from financing activities</i>						
Proceeds from loan		196	817	9 534	18 784	20 306
Payment of finance lease obligation and loan		-691	-6 993	-216	-627	-4 431
Proceeds from issue of share capital		0	40 511	0	12 183	12 183
Expenses related to issue of share capital		-20	-1 485	109	-485	-485
Interest paid		-105	-1 103	-540	-899	-1 452
Net cash from financing activities		-619	31 748	8 886	28 956	26 120
Net change in cash and cash equivalents		11 770	26 453	-3 384	2 036	7 540
Cash and cash equivalents at 1 January		33 657	18 974	16 855	11 435	11 435
Cash and cash equivalents at period end		45 427	45 427	13 471	13 471	18 974

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis ASA is a public limited liability company listed on Oslo Axess and incorporated in Bærum, Norway. The address of the Company's registered office is Dicks Vei 10b, 1366 Lysaker. These condensed consolidated interim financial statements comprise Magseis ASA (referred to as the "Company") and its subsidiaries (together referred to as "Magseis" or the "Group"). The Group is primarily involved in marine seismic operations and seismic related activities.

2.1 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as of 31 December 2016.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 2 November 2017.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value, which are recorded through the profit and loss.

(c) Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis.

(d) Functional and presentation currency

The Group's functional and presentation currency has been United States Dollars (USD). All financial information is presented in USD and has been rounded to the nearest thousand unless otherwise stated.

(e) Alternative Performance Measures ("APMs")

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs;

EBITDA

EBITDA means Earnings before interest, taxes, amortisation, depreciation and impairments. Magseis has included EBITDA as a supplemental disclosure because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for Magseis as it provides an indication of the profitability of the operating activities.

The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Backlog

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

2.2 Basis for consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as of 30 September 2017. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The accounting judgements, estimates and assumptions used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2016 annual financial statements.

2.4 Summary of significant accounting policies

The accounting principles used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2016 annual financial statements. There are no new standards effective in 2017 that have had a significant impact to the Group's financial statements.

3. Operating segments

The Group is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

4. Revenues

<i>In thousands of USD</i>	Q3 2017	Q3 2016	YTD 2017	YTD 2016
<i>Revenue and other income</i>				
Contract revenue	28 574	13 094	69 049	37 035
Multi-client revenue	0	0	0	1 845
Other revenues	76	0	76	0
Total revenue and other income	28 650	13 094	69 125	38 881

5. Equipment

<i>In thousands of USD</i>	Office machines	Seismic equipment	Seismic equipment under finance lease	Under construction	Total
<i>Cost</i>					
Balance at 1 January 2016	391	56 131	4 063	4 712	65 297
Asset completed and ready for intended use	0	9 503	0	-9 503	0
Additions	24	1 322	0	12 370	13 716
Disposals	0	0	0	0	0
Impairment	0	-15 943	0	-983	-16 926
Balance at 30 September 2016	415	51 013	4 063	6 596	62 087
Balance at 1 January 2017	419	51 996	4 063	6 648	63 127
Asset completed and ready for intended use	0	20 524	0	-20 524	0
Additions	194	250	0	24 415	24 858
Disposals	0	0	0	0	0
Impairment	0	-1 178	0	1 178	0
Balance at 30 September 2017	613	71 591	4 063	11 717	87 985
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2016	252	15 929	1 769	0	17 951
Depreciation for the year	64	8 689	590	0	9 343
Disposals	0	0	0	0	0
Impairment	0	-9 879	0	0	-9 879
Balance at 30 September 2016	316	14 739	2 359	0	17 415
Balance at 1 January 2017	335	17 245	2 556	0	20 136
Depreciation for the year	64	9 100	590	0	9 754
Reversed depreciation sold/ scrapped capex (Disposals)	0	-762	0	0	-762
Impairment	0	0	0	0	0
Balance at 30 September 2017	399	25 582	3 146	0	29 127
<i>Carrying amounts</i>					
at 1 January 2016	139	40 202	2 294	4 712	47 347
at 30 September 2016	98	36 274	1 704	6 596	44 672
at 1 January 2017	85	34 750	1 507	6 648	42 991
at 30 September 2017	214	46 009	917	11 717	58 858
Depreciation of the year	64	9 100	590	0	9 754
Depreciation capitalised and deferred - net	0	0	1 999	0	1 999
Depreciation charged to expense at					
30 September 2017	64	9 100	2 589	0	11 753

Useful life of equipment

Useful life of seismic equipment and office machines are 3-7 years.

Capitalisation

In 2017 Magseis has capitalised cost relating to the development of the seismic equipment of USD 87 thousands (2016: USD 0.0 million).

Impairment

Magseis has in 2017 recorded an impairment of USD 233 thousands (2016: USD 6 748 thousands).

6. Multi-client library

<i>In thousands of USD</i>	2017	2016
<i>Cost</i>		
Balance at 1 January	4 383	4 383
Additions	0	0
Disposals	0	0
Balance at 30 September	4 383	4 383
<i>Amortisation</i>		
Balance at 1 January	4 383	3 506
Amortisation for the year	0	877
Disposals	0	0
Impairment	0	0
Balance at 30 September	4 383	4 383
<i>Carrying amounts</i>		
at 1 January	0	877
Balance at 30 September	0	0

7. Other intangible assets

<i>In thousands of USD</i>	2017	2016
<i>Cost</i>		
Balance at 1 January	7 160	4 588
Additions	141	2 338
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	7 301	6 925
<i>Amortisation</i>		
Balance at 1 January	1 577	1 045
Amortisation for the year	347	399
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	1 924	1 444
<i>Carrying amounts</i>		
Balance at 1 January	5 583	3 543
Balance at 30 September	5 376	5 481

Development costs

In the first nine months of 2017 USD 0.1 million was capitalised, compared to USD 2.3 million in the first nine months of 2016.

8. Share capital and reserve

The shares of Magseis are listed on Oslo Axess.

SHARE CAPITAL ISSUED			
	Number of shares	Share capital USD '000	Share premium reserve USD '000
<i>Ordinary shares - Issued and fully paid</i>			
At 1 January 2016	29 818 014	254	90 945
6 May 2016	<i>Private placement of 6,800,000 shares at NOK 12,50 per share</i>	42	10 345
			<i>Capital raising costs</i>
			-397
30 May 2016	<i>Subsequent offering of 1,200,000 shares at NOK 12,50 per share</i>	7	1 789
			<i>Capital raising costs</i>
			-88
At 30 September 2016	37 818 014	303	102 594
<i>Ordinary shares - Issued and fully paid</i>			
At 1 January 2017	37 818 014	303	102 594
At 30 March 2017	<i>Private placement of 22,650,000 shares at NOK 15,00 per share</i>	132	39 651
			<i>Capital raising costs</i>
			-1 282
At 20 April 2017	<i>Private placement of 424,377 shares at NOK 15,00 per share</i>	2	726
			<i>Capital raising costs</i>
			-203
At 30 September 2017	60 892 391	438	141 486

No dividends were paid during the period ended 30 September 2017 (2016: USD 0).

9. Related parties

Key management personnel and director transactions

A number of key management persons and board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons, board members and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions and outstanding balances related to key management personal, board members and entities over which they have control or significant influence were as follows:

RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES:						
<i>In thousands of USD</i>			Transaction value		Balance outstanding	
Name	Transactions	Note	30 Sept 2017	30 Sept 2016	30 Sept 2017	30 Sept 2016
J B Gateman	Consultant costs	(I)	126	127	0	127
Westcon Group	Leases	(II)	14 334	14 991	1 544	3 223
Total			14 461	15 117	1 544	3 350

- (I) *J B Gateman is engaged as an independent consultant as Senior Vice President.*
- (II) *Relates to time charters (TC) for one vessel and a sale and leaseback arrangement. As part of the TC agreement for Artemis Athene, Westcon Group also delivers Marine Management services. As at 30 September 2017 the remaining time charter lease term is 1 years and 3 months and the sale and leaseback is 1 years and 2 months.*

10. Leases

Operating leases

The TC agreements with Westcon Group (related party) is classified as an operating lease. The table below sets out the future minimum lease payments of the arrangement based on full day rates:

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
<i>In thousands of USD</i>	30 September 2017	30 September 2016
Less than one year	18 018	17 117
Between one and five years	4 647	21 709
More than five years	0	0
Total	22 665	38 826

Finance lease

The sale and leaseback arrangement with Westcon Group (related party) is treated as a finance lease. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

FUTURE MINIMUM LEASE PAYMENTS FINANCE LEASES				
<i>In thousands of USD</i>	30 September 2017		30 September 2016	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	1 095	1 026	1 098	978
Between one and five years	183	171	1 275	1 135
More than five years	0	0	0	0
Total minimum lease payments	1 278	1 197	2 373	2 113
Less amounts representing finance charges	81	0	260	0
Present value of minimum lease payments	1 197	1 197	2 113	2 113

Refer to note 9 Related parties for further information about leases with related parties.

11. Capital commitments

Future minimum commitments relating to equipment are as follows:

<i>In thousands of USD</i>	30 September 2017	30 September 2016
<i>Contracted but not yet provided for and payable:</i>		
Within one year	37 560	4 068
One year later and no later than five years	0	0
Later than five years	0	0
Total	37 560	4 068

Capital commitments mainly relates to new nodes

