

Q2 2017



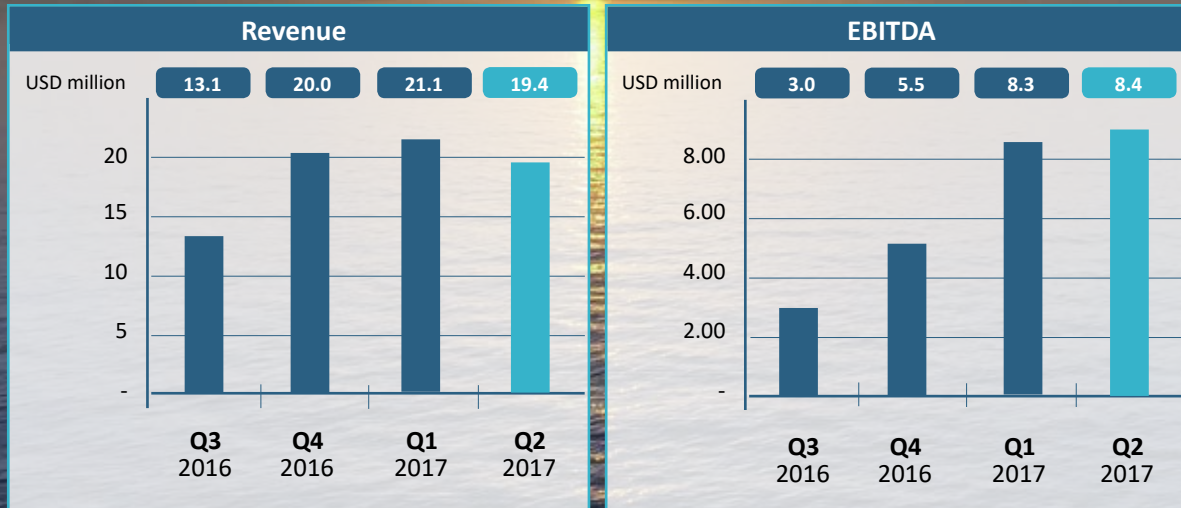
Magseis ASA

Second quarter and first half



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HIGHLIGHTS



SECOND QUARTER 2017

- Successful launch of our mobile ROV crew on the ConocoPhillips “Eldfisk” project
- Continued strong performance in the Red Sea
- Preparations for our second cable-based crew well underway
- Revenue of USD 19.4 million compared to USD 7.7 million in 2016
- EBITDA of USD 8.4 million compared to USD -1.6 million in 2016
- Net Income of USD 3.3 million compared to USD -4.0 million in 2016

FIRST HALF 2017

- Revenue of USD 40.5 million compared to USD 25.8 million in 2016
- EBITDA of USD 16.7 million compared to USD -0.02 million in 2016
- Net Income of USD 6.8 million compared to USD -7.9 million in 2016

CEO STATEMENTS



“The second quarter of 2017 in Magseis was marked by outstanding performance. Operational performance of the Artemis Athene crew improved further and, together with our partner BGP, continued to deliver above expectations. This crew has now worked more than a

year in the Red Sea on a challenging survey, with large variations in water depth and a comprehensive scope, and managed to not only deliver a high-quality operation but also excellent QHSE performance.

Closer to home, the ConocoPhillips Ocean Bottom Seismic (OBS) 4D project is well underway. Experience with this technology has been growing steadily over the past few months on this project, we are performing per plan and have a very satisfied client. With this being our second large-scale ROV-based project, we have already identified several areas for continued improvement and we are looking forward to offering this promising technology to other clients.

Discussions regarding the charter of the new vessel are ongoing. The production of the 6,000 new MASS nodes is well underway and will be ready by Q1 2018. With a total of 14,000 MASS nodes Magseis will be one of the two largest suppliers of OBS node technology. Although the quarter’s financial performance was impacted by an extended yard stay and transit period between the two Red Sea surveys, strong operational performance on both the ConocoPhillips survey and the Red Sea survey has resulted in a stronger than expected financial performance with USD 19.4 million of Revenue and a record USD 8.4 million in EBITDA.”

Idar Horstad - CEO Magseis

KEY FINANCIALS

In thousands of USD

Profit and loss	Q2 2017	Q2 2016	YTD 2017	YTD 2016	2016
Revenues	19 399	7 671	40 475	25 786	58 905
Cost of sales	8 659	5 903	18 656	19 532	39 038
EBITDA	8 398	-1 578	16 727	-19	8 506
EBIT	4 711	-3 546	9 472	-6 032	-11 114
Net profit	3 313	-3 970	6 823	-7 912	-16 695
Basic earnings per share	0.05	-0.25	0.11	-0.12	-0.44
Financial position					
Total assets			121 023	86 748	86 665
Total liabilities			25 955	29 186	37 620
Total equity			95 069	57 563	49 045
Equity ratio			78.6%	66.4%	56.6%
Cash flow					
Net cash flow from operating activities			592	-3 928	-2 117

OPERATIONAL COMMENTS

The second quarter of 2017 saw us rounding off the S-78 survey in the Red Sea and starting on the extension just north of the S-78. Through good and close cooperation with our partner BGP, the transition was conducted in a manner that caused a minimal disruption to the production. As the MASS cable was cleared off the S-78 prospect in the “roll-out” phase, it was transferred and re-deployed on the extension field using the “sleep” mode of our MASS nodes. This option allows to program the nodes to wake up on a pre-determined time and significantly enhances our ability to handle a variety of survey configurations.

The survey transition also allowed a technical stop for maintenance, after having been in continuous operation for 8 months, in order to ensure that the crew could operate as efficiently as possible on the next project. Including the steaming back and forth to Jeddah the Athene was away from the operation for two weeks, thanks to the “pre-deployment” of nodes when finishing the S-78 survey, the impact on the source acquisition was kept to a minimum.

With the Athene back on site, the operation has been running very smoothly. The experience built up over the last year combined with a careful maintenance plan and somewhat different survey design has enabled an increase in efficiency which we expect to continue into the next quarter as well.

During Q2 Magseis also rolled out its first Modular, ROV based MASS system, put in operation June 1st for a survey covering the Eldfisk field in the North Sea. The Modular MASS system is comprised of a container based, mobile, fully automated MASS node and data handling system, specifically developed to allow operations from vessels of opportunity. The system is flexible and fully scalable in its design. It can be rigged to support operations where nodes are deployed by either ROV or utilising other methods like nodes on a rope etc.

In the configuration utilised for the Eldfisk operation the system was split in two parts, an offshore and an onshore module. This allowed us to utilise ROV infrastructure/ vessels already on site for the node deployment and recovery while performing all data management and download onshore at our client’s base facilities. The Modular MASS system was delivered on time and according to the plan. The performance has been fully in-line with the expectations and has delivered to our client a low-cost alternative to more conventional OBS surveys.

The Magseis MASS OBS system with its miniaturised nodes continues to give us operational benefits and the second quarter of 2017 has clearly allowed us to demonstrate this through the successful operations in the Red Sea and over the Eldfisk field.



QHSE COMMENTS

Q2 was an exciting quarter for Magseis with the new mobile ROV crew coming into operation. Being quite different from the Athene cable crew, the Quality and HSE aspects of both the project and the offshore and onshore operation were important to get in place to ensure success. We are pleased to report that there have been no incidents reported from the mobile ROV crew to

date, a great achievement with a totally new operation. Meanwhile the Athene has continued to deliver a smooth operation in the red sea, exceeding their QHSE targets. Onshore, the successful ISO 9001 certification is just the start with work continuing to improve and embed quality into our everyday activities.

BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the second quarter were USD 19.4 million. The revenues were related to the Saudi Aramco survey and to the ConocoPhillips "Eldfisk" project. In comparison, the revenues for the second quarter of 2016 was USD 7.7 million due to the yard stay and subsequent mobilisation to Saudi Arabia, which commenced mid-May.

Revenue for the first half was USD 40.5 million compared to USD 25.8 million in the first half of 2016.

Operational costs

Cost of sales (COS) in the second quarter was USD 8.7 million compared to USD 5.9 million in the second quarter of 2016. The increase in cost is primarily due to the introduction of our second operation (the mobile ROV crew) which commenced commercial operation at the beginning of June. In addition, a the COS related to a short yard stay for Athene during April was capitalised in comparison with the COS related to the significantly longer yard stay and mobilisation that was capitalised during the second quarter of 2016.

In the first half of 2017, the COS amounted to USD 18.7 million compared to USD 19.5 million during the same period in 2016.

Selling, general and administration expenses (SG&A) and other expenses in the second quarter amounted to USD 1.8 million, compared to USD 2.6 million in the second quarter of 2016.

In the first half of 2017 SG&A and other expenses amounted to USD 4.1 million compared to USD 5.0 million during the same period of 2015.

Research and development

Research and development (R&D) expenses amounted to USD 0.5 million for the second quarter, compared to USD 0.8 million in the second quarter of 2016.

R&D for the first half of 2017 was USD 1.0 million compared to USD 1.3 million in the first half of 2016.

Depreciation

Depreciation was USD 3.6 million during the second quarter compared to depreciation of USD 1.6 million in the second quarter of 2016. The increase is due to more

equipment in use.

In the first half of 2017 depreciation was USD 6.8 million compared to USD 4.6 million during the same period of 2016, where net depreciation due to yard stay and mobilisation amounted to USD 0.7 million in 2017 compared to USD -1.4 million last year.

Amortisation

Second 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 half of 2017 amortisation amounted to USD 0.2 million, related only to other intangible assets. This compares to USD 1.1 million in the first half of 2016, where amortisation of multi-client library was USD 0.9 million.

Impairment

Second quarter impairment is zero, compared to USD 0.3 million related to nodes damaged during the second quarter of 2016.

For the first half of 2017, Impairment amounted to USD 0.2 million, compared to USD 0.3 million for the same period in 2016.

EBITDA and EBIT

The EBITDA was USD 8.4 million in the second quarter compared to USD -1.6 million the second quarter of 2016. This increase in EBITDA was driven by the addition of our second crew as well as strong operational performance, compared to only 1,5 months of production and contract revenue in the same period of 2016.

EBIT was USD 4.7 million in the second quarter compared to USD -3.5 million during the same period in 2016. The increase in EBIT relates to the same factors as the increase in EBITDA described above.

EBITDA in the first half of 2017 was USD 16.7 million compared to USD -0.02 million for the same period of 2016. EBIT was USD 9.4 million in the first six months of 2017 compared to USD -6.0 million during the comparable period of 2016.

Balance Sheet and Cash Flow

As of 30 June 2017, the Group's equity was USD 95.1

million compared to USD 57.6 million at 30 June 2016. The equity ratio was 78.6% as of end June 2017.

Tangibles and intangible assets amounted to USD 59.9 million as of 30 June 2017, compared to USD 55.2 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 June 2017.

As of 30 June 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 June 2017, current assets amounted to USD 61.1 million compared to USD 31.5 million as of 30 June 2016. Cash and cash equivalents were USD 33.6 million compared to USD 16.9 million as of 30 June 2016.

Non-current liabilities increased to USD 14.1 million as of 30 June 2017, compared to USD 14.4 million as of 30 June 2016. This is mainly related to debt financing from Export Credit Norway and Innovation Norway. In addition, funding of an accumulated amount of USD 6.8 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 3.2 million as of June 2017.

Current liabilities as of 30 June 2017, amounted to USD

11.6 million compared to USD 14.8 million as of 30 June 2016. The decrease is mainly due to decrease in trade payables of USD 6.0 million. Furthermore, current tax payable is USD 1.3 million higher due to withholding tax for operations in Saudi Arabia.

Cash flow from operating activities was USD 0.6 million in the first half of 2017 compared to USD -3.9 million in the same period of 2016. The main reason for the low cash flow from operations is a reversion to more normalised payment terms on the Saudi Aramco survey combined with working capital requirements for the start-up of our mobile ROV crew. In addition, there are to reduced trade payables with USD 1.9 million from year end 2016.

The net cash outflow from investing activities amounted to USD -18.5 million, resulting primarily from investments into the ROV crew, in the first half of 2017 compared to USD -10.7 million in the same period of 2016 when the investments into new seismic equipment was significantly lower.

Cash flow from finance activities was USD 32.4 million for the first half of 2017 compared to USD 20.1 million in the same period of 2016. The proceeds are related to the share capital increase of net USD 39.1 million, the proceeds from the cooperation agreement with Shell Global Solutions of USD 0.6 million, offset by instalments and interest relating to the loans and finance lease totalling USD 6.3 million.

Employees

As of 30 June 2017, Magseis had a total of 102 full-time employees (30 June 2016: 80) including the offshore seismic crew of 44 employees (30 June 2016: 43).



20 LARGEST SHAREHOLDERS 30 JUNE 2017		
Shareholder	Holdings	
ANFAR INVEST AS	6 030 190	9.9 %
WESTCON GROUP AS	5 328 103	8.8 %
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 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 742 591	2.9 %
VPF NORDEA NORGE VERDI	1 728 453	2.8 %
KOMMUNAL LANDSPENSJONSKASSE	1 548 780	2.5 %
CITY FINANCIAL ABSOLUTE EQUITY FD	1 500 000	2.5 %
VPF NORDEA KAPITAL	1 323 265	2.2 %
INVESCO PERP EURAN SMLER COMPS FD	1 098 845	1.8 %
ALTITUDE CAPITAL AS	1 000 000	1.6 %
VPF NORDEA AVKASTNING	942 507	1.5 %
GNEIS AS	924 825	1.5 %
COSIMO AS	860 000	1.4 %
STATOIL PENSJON	757 000	1.2 %
Total 20 largest shareholders	44 006 053	72.3 %
Other shareholders	16 886 338	27.7 %
Total outstanding shareholders	60 892 391	100.0 %

Outlook

Our Artemis Athene crew continues to deliver a highly efficient operation in the Red Sea and we expect that the current survey may be completed during Q3 2017. As we have stated previously, this region holds significant potential for OBS and we are working closely with our partner BGP towards securing further work in the Red Sea to follow on from the ongoing project.

Our mobile ROV crew is also delivering a strong performance and is expected to complete the project on time and budget. This crew is participating in several tenders for late 2017/2018 and we see that our strategy of working together with our clients to facilitate low-cost OBS across a variety of applications is really attracting interest.

Production of equipment and recruitment of resources for our second, high-capacity cable vessel is ongoing and we hope to conclude the vessel selection process soon.

OBS market tender volumes continues at the higher pace that we have observed since the beginning of 2017. As we expand our capacity into 2018 – growing to a MASS node inventory of more than 14,000 nodes, our industry leading technology and strong operating track record places Magseis in a unique position to capture a substantial share of the OBS market. On this basis, we will work to deliver on our vision to bring down acquisition costs for our clients and re-shape the OBS market as we grow.

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 June 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, 18 August 2017



Jan P. Grimnes
Chairman



Jan Gateman
Director and Senior Vice President



Gro Haatvedt
Non-executive Director



Bettina R. Bachmann
Non-executive Director



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>	Q2 2017 <i>(unaudited)</i>	YTD 2017 <i>(unaudited)</i>	Q2 2016 <i>(unaudited)</i>	YTD 2016 <i>(unaudited)</i>	Full Year 2016 <i>(audited)</i>
<i>REVENUE AND OTHER INCOME</i>						
Revenue	4	19 399	40 475	7 671	25 786	58 905
Total revenue and other income		19 399	40 475	7 671	25 786	58 905
<i>OPERATING EXPENSES</i>						
Cost of sales		8 659	18 656	5 903	19 532	39 038
Research and development expenses		514	1 013	769	1 261	2 022
Selling, general and administrative costs		1 795	3 831	2 301	4 236	7 863
Other expenses		33	247	277	777	1 475
Depreciation and amortisation	5	3 572	6 791	1 580	4 571	10 769
Amortisation	6,7	116	231	133	1 143	1 409
Impairment	5	0	233	254	300	7 441
Total operating expenses		14 688	31 003	11 217	31 819	70 018
OPERATING PROFIT (LOSS)		4 711	9 472	-3 546	-6 032	-11 114
<i>FINANCIAL INCOME AND EXPENSES</i>						
Finance income		2	4	340	459	1 593
Finance costs		-561	-1 026	-450	-1 053	-2 986
Net finance costs		-560	-1 022	-109	-594	-1 393
NET PROFIT (LOSS) BEFORE TAX		4 151	8 450	-3 655	-6 627	-12 507
Income tax expense		838	1 627	315	1 285	4 188
NET PROFIT (LOSS)		3 313	6 823	-3 970	-7 912	-16 695
Basic earnings (loss) per ordinary share		0.05	0.11	-0.25	-0.12	-0.48
Diluted earnings (loss) per ordinary share		0.05	0.11	-0.25	-0.12	-0.48
<i>OTHER COMPREHENSIVE INCOME</i>						
Currency exchange differences		0	0	0	0	0
Total comprehensive income (loss) for the period		3 313	6 823	-3 970	-7 912	-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	54 470	51 382	42 991
Multi-client library	6	0	0	0
Other intangible assets	7	5 460	3 818	5 583
Total non-current assets		59 930	55 199	48 574
<i>Current assets</i>				
Cash and cash equivalents		33 657	16 855	18 974
Trade receivables		21 404	5 769	10 681
Other current assets		6 032	8 924	8 436
Total current assets		61 093	31 549	38 092
TOTAL ASSETS		121 023	86 748	86 665
<i>EQUITY AND LIABILITIES</i>				
<i>Shareholders' equity</i>				
Share capital	8	438	303	303
Share premium	8	141 506	102 486	102 594
Other equity		3 166	2 855	3 012
Retained earnings		-44 917	-42 957	-51 740
Currency translation reserve		-5 124	-5 124	-5 124
Total equity attributable to equity holders of the Company		95 069	57 563	49 045
TOTAL EQUITY		95 069	57 563	49 045
<i>LIABILITIES</i>				
<i>Non-current liabilities</i>				
Obligation under finance lease	10	447	1 437	951
Other non-current financial liabilities		13 675	12 923	14 188
Total non-current liabilities		14 122	14 360	15 139
<i>Current liabilities</i>				
Trade payables		4 045	10 007	5 870
Current tax payable		1 489	190	2 841
Current portion of obligations under finance lease	10	3 171	1 362	7 881
Other current liabilities		3 127	3 266	5 890
Total current liabilities		11 832	14 825	22 481
TOTAL LIABILITIES		25 955	29 186	37 620
TOTAL EQUITY AND LIABILITIES		121 023	86 748	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	-7 912	0	-7 912
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-7 912	0	-7 912
Share issuance	49	12 134	0	0	0	12 183
Expenses related to share issuance	0	-594	0	0	0	-594
Share-based payments (options)	0	0	225	0	0	225
Balance at 30 June 2016	303	102 486	2 855	-42 957	-5 124	57 563
Balance at 1 January 2017	303	102 594	3 012	-51 740	-5 124	49 045
Profit / (loss) for the period	0	0	0	6 823	0	6 823
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	6 823	0	6 823
Share issuance	135	40 376	0	0	0	40 511
Expenses related to share issuance	0	-1 465	0	0	0	-1 465
Share-based payments (options)	0	0	154	0	0	154
Balance at 30 June 2017	438	141 506	3 166	-44 917	-5 124	95 069

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW						
<i>In thousands of USD</i>	<i>Note</i>	Q2 2017 <i>(unaudited)</i>	YTD 2017 <i>(unaudited)</i>	Q2 2016 <i>(unaudited)</i>	YTD 2016 <i>(unaudited)</i>	2016 <i>(audited)</i>
Cash flows from operating activities						
Profit / (Loss) before tax		4 151	8 450	-3 655	-6 627	-12 507
<i>Adjustment for:</i>						
Income tax and withholding tax paid		-2 063	-1 948	0	-37	-1 133
Deferred lease discount amortisation		-117	-233	-117	-233	-470
Depreciation and amortisation	5, 6,7	3 687	7 022	1 714	5 714	12 179
Impairment	5	0	233	254	300	7 441
Share based payments expense		76	154	118	225	382
Interest expense		462	998	104	366	1 452
Interest income		-2	-4	-1	-5	-15
<i>Working capital adjustments:</i>						
(Increase) / decrease in current assets		-8 849	-9 492	-3 374	-5 065	-9 395
Increase / (decrease) in trade and other payables and accruals		-6 827	-4 588	-503	1 435	-51
Net cash from operating activities		-9 481	592	-5 461	-3 928	-2 117
<i>Cash flows from investing activities</i>						
Interest received		1	4	1	5	15
Acquisition of equipment	5	-8 796	-18 171	-8 211	-10 179	-13 906
Payments for capitalised development and intangibles	7	-33	-109	-189	-541	-2 572
Multi-client investment	6	0	0	0	0	0
Net cash used in investing activities		-8 827	-18 276	-8 399	-10 714	-16 463
<i>Cash flows from financing activities</i>						
Proceeds from loan		193	620	4 220	9 250	20 306
Payment of finance lease obligation and loan		-2 505	-6 302	-208	-411	-4 431
Proceeds from issue of share capital		728	40 511	12 183	12 183	12 183
Expenses related to issue of share capital		-183	-1 465	-594	-594	-485
Interest paid		-462	-998	-104	-366	-1 452
Net cash from financing activities		-2 228	32 367	15 497	20 062	26 120
Net change in cash and cash equivalents		-20 537	14 683	1 637	5 420	7 540
Cash and cash equivalents at 1 January		54 194	18 974	15 218	11 435	11 435
Cash and cash equivalents at period end		33 657	33 657	16 855	16 855	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 17 August 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 June 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>	Q2 2017	Q2 2016	YTD 2017	YTD 2016
<i>Revenue and other income</i>				
Contract revenue	19 399	7 671	40 475	23 941
Multi-client revenue	0	0	0	1 845
Total revenue and other income	19 399	7 671	40 475	25 786

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	55 141	4 063	5 618	65 212
Asset completed and ready for intended use	0	0		0	0
Additions	22	3 291	0	7 022	10 335
Disposals	0	0	0	-254	-254
Impairment	0	-46	0	0	-46
Balance at 30 June 2016	413	58 386	4 063	12 386	75 248
Balance at 1 January 2017	419	67 980	4 063	8 112	80 574
Asset completed and ready for intended use	0	5 051	0	-5 051	0
Additions	95	147	0	17 490	17 732
Disposals	0	0	0	-233	-233
Impairment	0	0	0	0	0
Balance at 30 June 2017	514	73 177	4 063	20 318	98 072
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2016	252	15 844	1 769	0	17 866
Depreciation for the year	45	5 561	393	0	6 000
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 June 2016	298	21 405	2 163	0	23 865
Balance at 1 January 2017	335	33 230	2 556	1 463	37 583
Depreciation for the year	39	5 368	393	220	6 019
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 June 2017	373	38 598	2 949	1 683	43 602
<i>Carrying amounts</i>					
at 1 January 2016	139	39 297	2 294	5 618	47 346
at 30 June 2016	115	36 981	1 901	12 386	51 383
at 1 January 2017	85	34 750	1 507	6 649	42 991
at 30 June 2017	141	34 580	1 114	18 635	54 470
Depreciation of the year	39	5 368	393	220	6 019
Depreciation capitalised and deferred - net	0	772	0	0	772
Depreciation charged to expense at 30 June 2017	39	6 140	393	220	6 791

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 46 thousands (2016: USD 0.0 million).

Impairment

Magseis has in 2017 recorded an impairment of USD 233 thousands (2016: USD 46 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 June	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 June	4 383	4 383
<i>Carrying amounts</i>		
at 1 January	0	877
Balance at 30 June	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	109	541
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 June	7 269	5 129
<i>Amortisation</i>		
Balance at 1 January	1 577	1 045
Amortisation for the year	231	266
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 June	1 809	1 311
<i>Carrying amounts</i>		
at 1 January	5 583	3 543
at 30 June	5 460	3 818

Development costs

In the first half of 2017 USD 0.1 million was capitalised, compared to USD 0.5 million in the first half of 2016.

8. Share capital and reserves

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>
			-505
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 June 2016	37 818 014	303	102 486
<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>
			-183
At 30 June 2017	60 892 391	438	141 506

No dividends were paid during the period ended 30 June 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 June 2017	30 June 2016	30 June 2017	30 June 2016
J B Gateman	Consultant costs	(I)	81	84	0	0
Westcon Group	Leases	(II)	9 708	12 430	1 545	48
Westcon Group	Other services	(III)	0	0	0	7
Total			9 790	12 514	1 545	55

- (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 31 March 2017 the remaining time charter lease term is 1 years and 6 months and the sale and leaseback is 1 years and 5 months.*
- (III) *In addition to the leases Westcon Group also delivered other services during 2016.*

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 June 2017	30 June 2016
Less than one year	18 018	17 960
Between one and five years	9 188	26 196
More than five years	0	0
Total	27 206	44 156

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 June 2017		30 June 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	861	1 098	965
Between one and five years	459	576	1 551	1 363
More than five years	0	0	0	0
Total minimum lease payments	1 554	1 437	2 649	2 329
Less amounts representing finance charges	117	0	320	0
Present value of minimum lease payments	1 437	1 437	2 329	2 329

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 June 2017	30 June 2016
<i>Contracted but not yet provided for and payable:</i>		
Within one year	29 308	2 714
One year later and no later than five years	0	0
Later than five years	0	0
Total	29 308	2 714

Capital commitments mainly relates to new nodes

