



Magseis ASA

Q1 2018

9th of May 2018

Operational Excellence



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AGENDA

Introduction

Financials

Market development and operations

Summary



Corporate snapshot



Geophysical company founded in 2009 with first operation in 2013



Develop and operate proprietary technology to be applied in seismic acquisition operations



Headquarter in Oslo, Norway with offices in Stockholm, Singapore and Houston

127 employees of which ~50% offshore



OSE:MSEIS

MCAP USD~160 million

Raised USD 37.0 million in FEB 18



Highlights Q1 2018

Operational Excellence

Financial Performance

- Revenue of USD 24.6m and EBITDA of USD 10.4m
- Completed private placement to fund future growth

Operational Performance

- Operational uptime and data recovery rate > 99% with zero safety reported incidents
- Winner of ConocoPhillips 2017 Supplier Recognition Program

Continuous focus on more efficient and cost effective solutions

- Proven robustness of the MASS acquisition system in environments ranging from the Arctic in the Barents Sea, to the soaring heat and warm water of the Red Sea
- Technology champion – nodes, handling systems and source

Further growth, backlog and outlook

- Overall market addressable for Magseis is growing based on active tenders and RFQs
- Sizeable tenders expected to be awarded in Q2 2018 where Magseis is well positioned
- Continued guidance of expected revenue for 2018 of USD 100 million

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First quarter 2018 results

- Comprehensive income

In USD thousands	Q1 2018 (unaudited)	Q1 2017 (unaudited)	Full Year 2017 (audited)
Revenue	24 564	21 076	73 877
Cost of sales	9 691	9 997	35 701
Research and development	560	499	2 002
SG&A and other expenses	3 942	2 250	10 039
EBITDA	10 370	8 329	26 136
Depreciation	3 561	3 219	15 148
Amortisation	191	116	463
Impairment	0	233	233
EBIT	6 618	4 762	10 292
Net interest and fx (gain)/loss	191	462	397
Other finance cost	0	0	0
Net finance costs	191	462	397
EBT	6 427	4 299	9 895
Tax	760	789	3 199
Net income	5 667	3 511	6 696
Currency translation differences	0	0	0
Total comprehensive income	5 667	3 511	6 696

- **Revenue**
 - Improved productivity and utilisation resulted in an increased revenue of USD 24.6m
- **Cost of sales & SG&A**
 - Amortised yard cost of USD 0.8m
- **Depreciation**
 - Increasing capacity of nodes
- **Finance**
 - Primarily interest related to Export Credit Norway and Innovation Norway
- **Tax**
 - Withholding tax in Saudi Arabia

First quarter 2018 results

- Balance sheet

In USD thousands	Q1 2018 (unaudited)	YE 2017 (audited)
Equipment and other intangibles	86 110	54 111
Multi-client library	0	0
Cash and cash equivalents	44 597	54 195
Trade receivables	24 900	12 602
Stock (fuel and batteries)	1 877	1 003
Other current assets	7 548	6 156
TOTAL ASSETS	165 032	128 067
Share capital	545	435
Share premium	178 508	140 963
Retained earnings and other reserves	-41 300	-50 264
TOTAL EQUITY	137 754	91 134
Obligation under finance lease	0	704
Other non-current financial liabilities	12 855	14 063
TOTAL NON-CURRENT LIABILITIES	12 855	14 767
Trade payables	4 978	6 429
Current tax liability	1 473	2 875
Other current liabilities	7 973	12 862
TOTAL CURRENT LIABILITIES	14 424	22 166
TOTAL LIABILITIES	27 278	36 933
TOTAL EQUITY AND LIABILITIES	165 032	128 067

- **Trade receivables comprising BGP/Saudi Aramco**
 - 100% of February and March production
- **Other current assets**
 - Prepayments of USD 4.3m
 - Yard cost of USD 1.4m
- **Equity ratio of 83.5%**
 - In compliance with all covenants
- **Liabilities**
 - Senior debt from Export Credit Norway and Innovation Norway of USD 7.4m @ 4.15% interest (split non-current USD 5.5m and USD 1.9m current)
 - Shell Deep Water R&D funding: USD 7.3m (contingent liability)
- **Other current liabilities**
 - Current portion of long-term debt USD 3.0m

First quarter 2018 results

- Cash flow

In USD thousands	Q1 2018 (unaudited)	Q1 2017 (unaudited)	Full Year 2017 (audited)
Earnings before tax	6 427	4 299	9 895
Depr, Amor, Impair, Finance, etc.	3 519	4 178	12 555
Net working capital adjustments	-16 190	1 597	1 708
Net cash flow from operating activities	-6 245	10 074	24 157
Net cash flow from investing activities	-14 852	-9 449	-44 557
Net cash flow from financing activities	35 917	34 596	31 201
Net change in cash and cash equivalents	14 821	35 221	10 802
Cash balance at the beginning of the period	29 776	18 974	18 974
Cash balance at period end	44 597	54 195	29 776

- **Cash flow from operations**

- Changes in working capital during Q1:
 - Increase in trade receivables with USD 15.8m due to increased revenue sequentially

- **Cash flow from investments**

- CAPEX for new nodes and securing long lead items for new nodes according to growth plan

- **Cash flow from financing**

- New equity raise of USD 37.0m to fund future growth
- Instalments of USD 0.9m during the quarter

Completed private placement Q1 2018

Equity issue

- New shares 16,666,667
- Price per share NOK 18.0
- Gross proceeds NOK 300.0 million
- Purpose New investments
- Shares outstanding 77,559,058



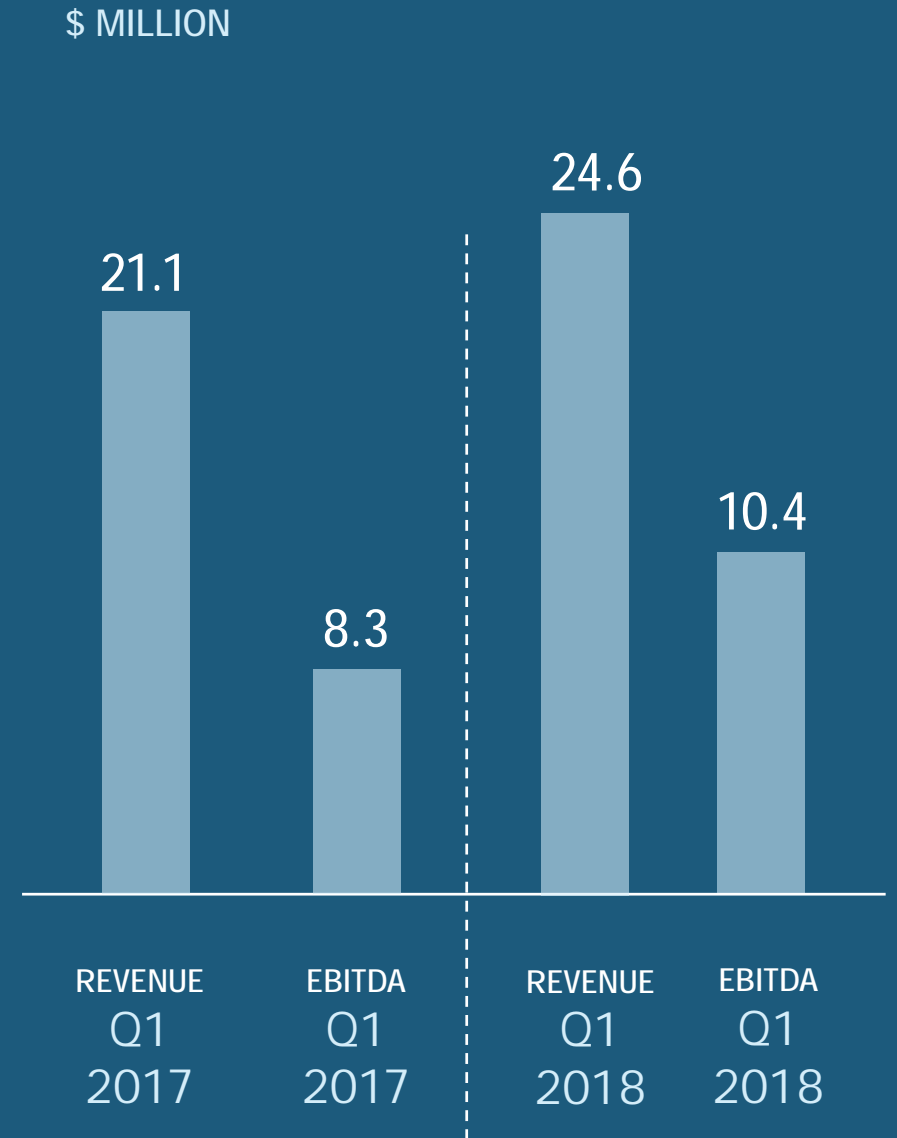
KEY FIGURES Q1 2018

REVENUE
24.6
\$ MILLION

EBITDA
10.4
\$ MILLION

NET PROFIT
5.7
\$ MILLION

CASH BALANCE
44.6
\$ MILLION



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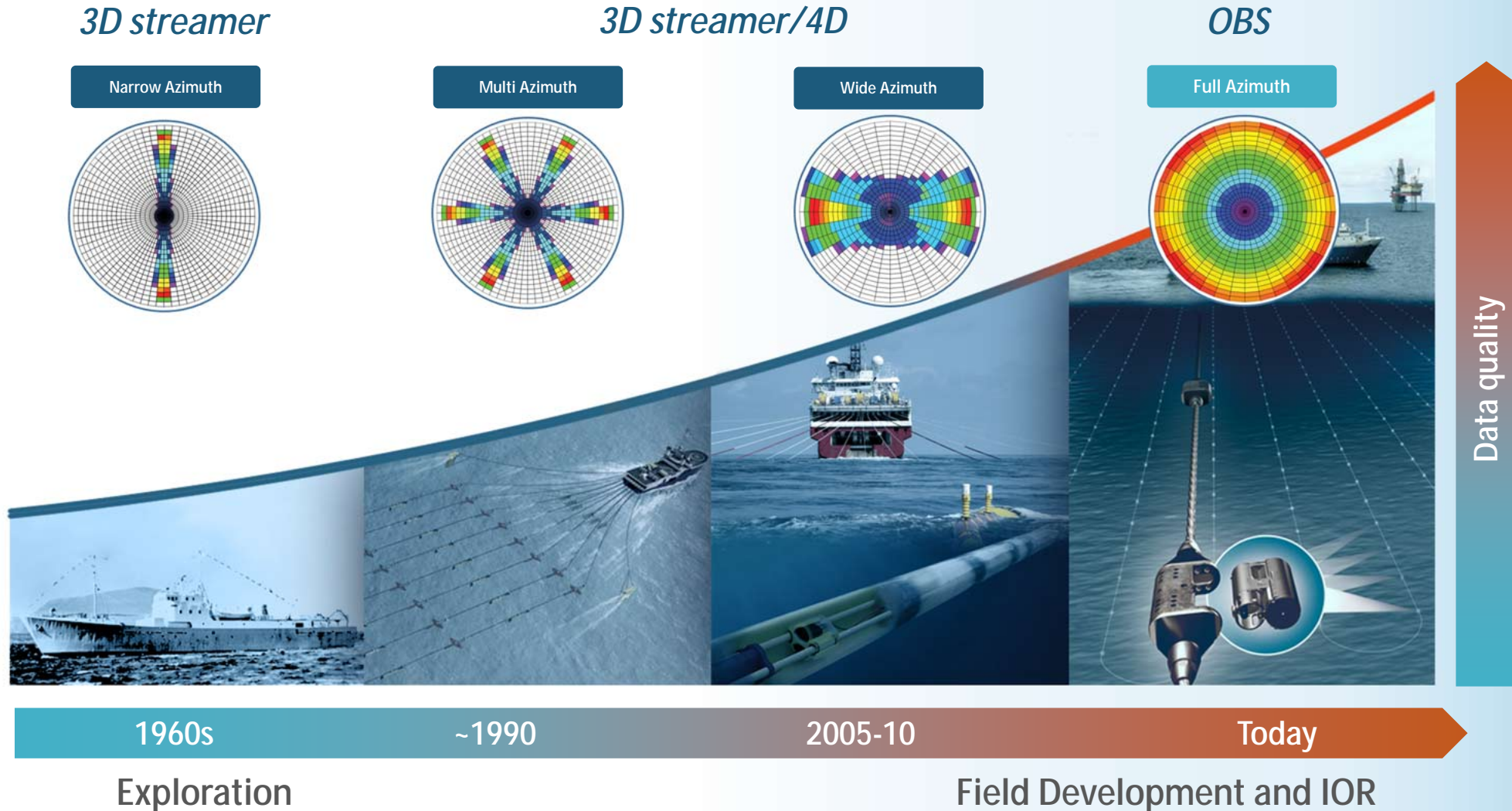
Market development and operations

Summary



True illumination of reservoirs

Improved illumination through large azimuth coverage





*Marine Autonomous
Seismic System*

ONE core technology – multiple applications

Transition
zone



Reservoir
Monitoring
IOR



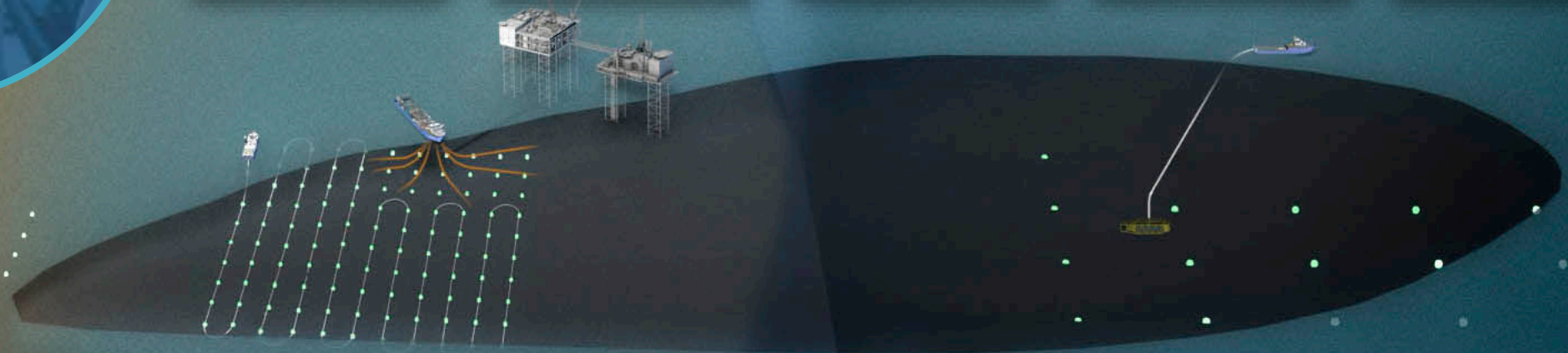
Cable
deployment
for large
coverage



ROV deployment
Infill around
installations and
large coverage



Node deployer
for
ultradeep waters



Water Depth

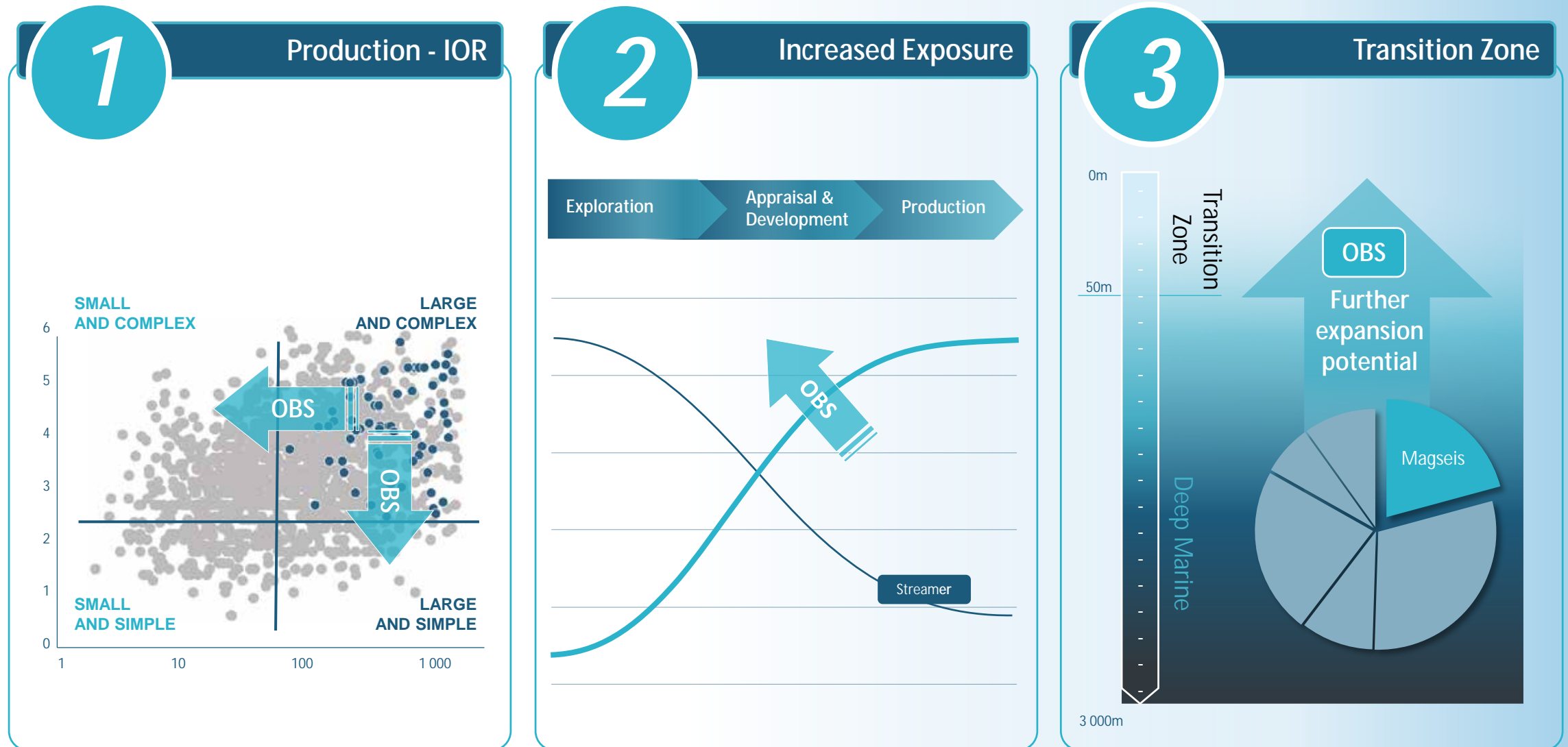
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Growing the addressable market through cost reduction of OBS

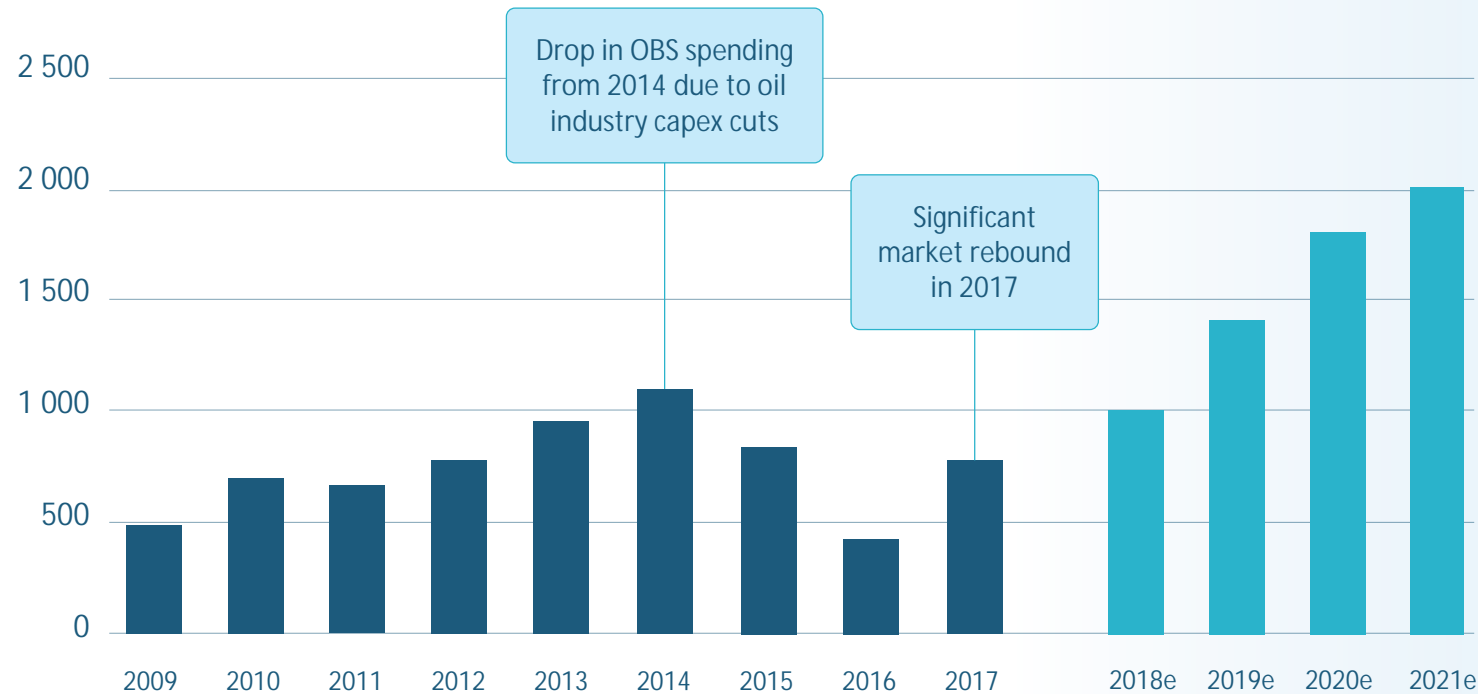
- nodes, handling systems and source



OBS market continues to grow

Growth driven by 4D/IOR focus and further by cost reductions

Market size (USDm)



Key growth drivers

Increased IOR and near field exploration focus from operators

Technological innovation and cost reduction

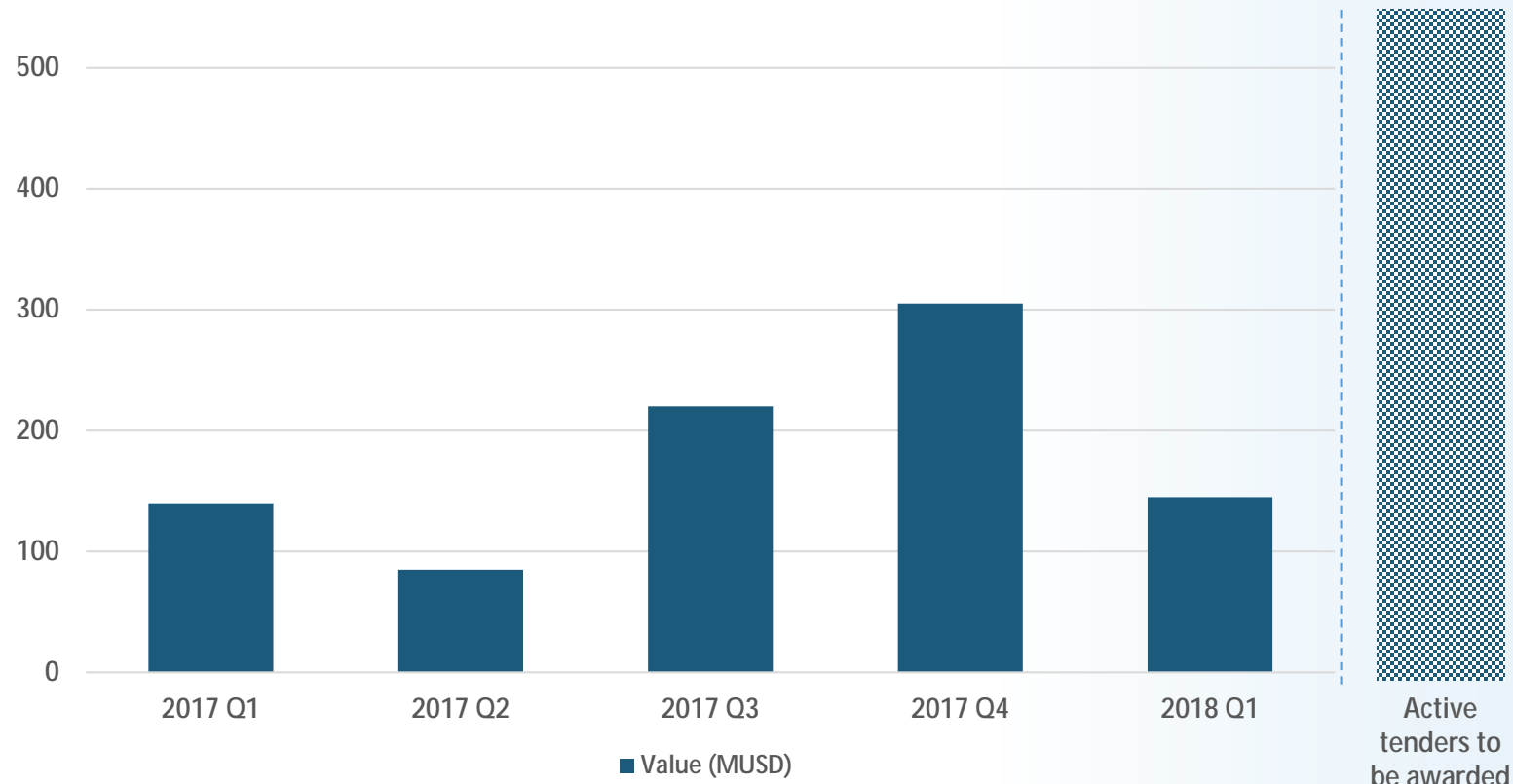
OBS technology – game changer in imaging complex reservoirs.

Increase in oil price allow E&P companies to go for best technology

Strong tender pipeline

Visibility through tender offers/pipeline

Value of tenders received by Magseis (USDm)



Key comments

Current backlog at USD ~30 million

Currently over USD 550m of active tenders outstanding, of which Magseis is bidding for ~60%. Vast majority expected to be awarded during Q2 2018.

High level of requests for 2019 and 2020 season. Clear indication of increase in demand.

Several re-tenders with tuned scope from 2017 portfolio which comes in addition to the Q1 2018 tenders. Value for Q4 2017 tenders has been reduced to reflect change.

Q1 2018 - Operational Excellence in the Red Sea



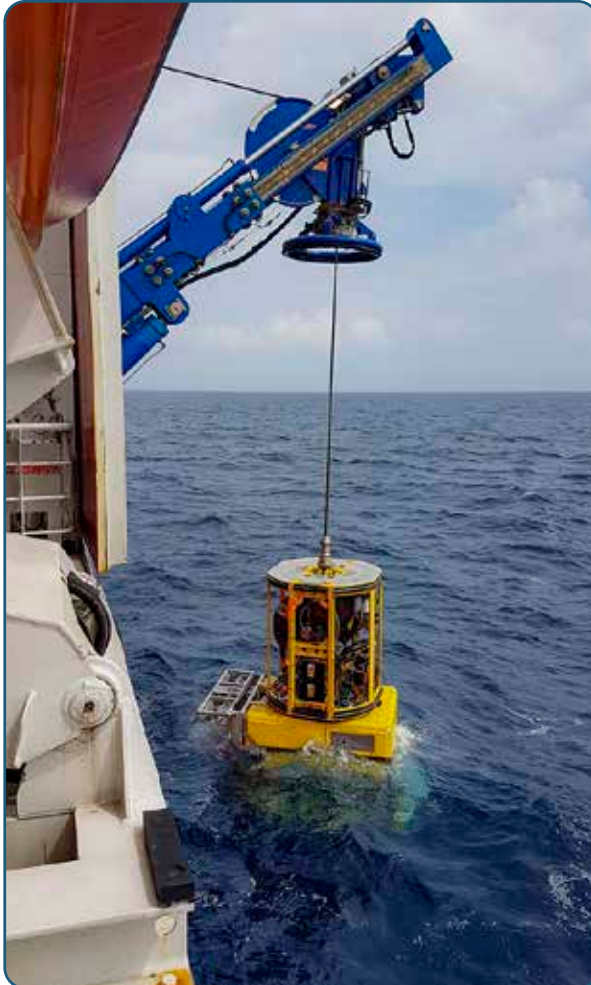
- Magseis and BGP have delivered a highly-efficient, continuous operation for more than 21 months in the region
- Operating a rolling spread of more than 350km of MASS cable
- Covering a complex area of more than 1,500km² with water depths varying from 0 – 1,100m
- Delivering a high-quality data set and excellent HSE performance

- There has been zero reported safety incidents.
- The amount of technical downtime is almost negligible at less than 1%, while our data recovery rate is outstandingly high at 99.8%
- We have consistently shown the robustness of the MASS acquisition system in environments ranging from the high arctic in the Barents Sea during winter time, to the soaring heat and warm water of the Red Sea.
- The MASS nodes continue to deliver high-quality data and our crews are delivering an outstanding service to our clients.
- Magseis is currently preparing for the summer season in the North Sea and we will base the upcoming operation on our proven concept from last summer's success over the Eldfisk field.

Magseis wins supplier award from ConocoPhillips

- Proof of higher efficiency than expected

ConocoPhillips - Eldfisk Ocean Bottom Seismic campaign



"Instead of procuring a traditional turnkey package from a seismic acquisition contractor, WGP Group Ltd. and Magseis Operations AS collaborated to implement a "One Team" approach to conduct the 2017 Eldfisk seismic campaign.

This completely new business model yielded innovative planning, quick troubleshooting and excellent communication with internal and external stakeholders.

The campaign was safely executed, provided high-quality 4D seismic data for reservoir monitoring, and was completed for a significantly lower cost than previous Eldfisk campaigns."

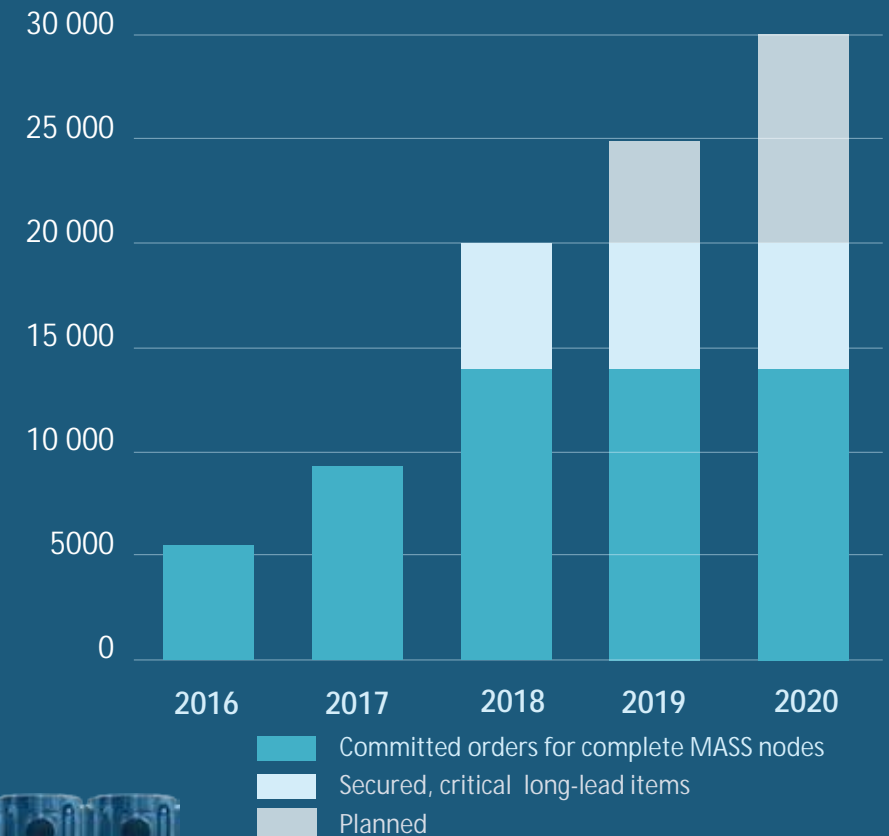
ConocoPhillips press release April 9, 2018



Ramping up capacity to meet market growth

- MASS node inventory growing from 5,000 to 14,000 by Q1 2018
- Critical long-lead components for an additional 6,000 has been secured
- Node pool shared by all crews – focus on high node utilisation and flexibility in deployment methods through multiple crew setups

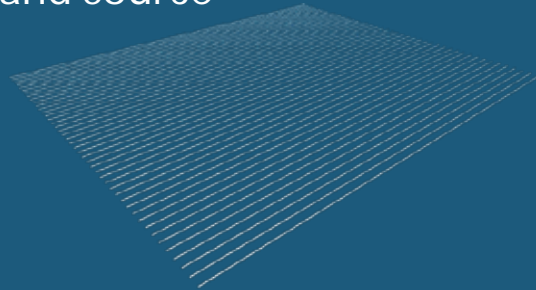
MASS Node Inventory



Long-term growth strategy

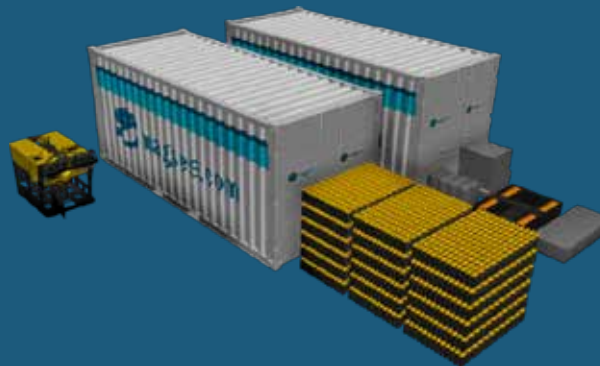
Key goal

- Improve margins
- Increase addressable market, efficiencies & operational excellence
- Technology champion – nodes, handling systems and source



Business model

- Operate multiple deployment capabilities
- Shared pool of nodes across deployment platforms
- Flexible suite of business models



By 2020

- Node pool of >30,000 nodes
- 2-3 high-capacity vessels
- Multiple modular systems

Developing Magseis into the definitive market leader within OBS

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- Profitable growth
- Technology champion



Operational Excellence