Q4
2017

Magseis ASA

Fourth quarter and full year result

magseis

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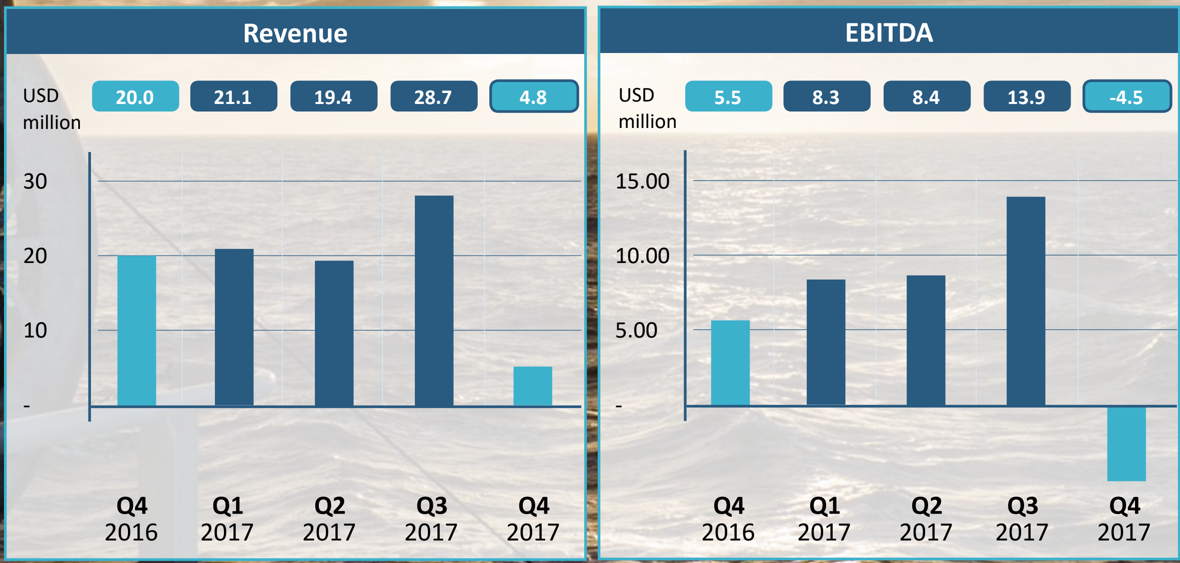
HIGHLIGHTS



FOURTH QUARTER

- ***Per Christian Grytnes appointed new Acting CEO***
- ***Successful completion of the first extension of the Red Sea S-78 project***
- ***Awarded a second extension of the Red Sea S-78 project***
- ***Revenues of USD 4.8 million compared to USD 20.0 million in 2016***
- ***EBITDA of USD -4.5 million compared to USD 5.5 million in 2016***
- ***Net profit of USD -9.8 million compared to USD 0.1 million in 2016***

FULL YEAR 2017

- ***Revenues of USD 73.9 million compared to USD 58.9 million in 2016***
- ***EBITDA of USD 26.1 million compared to USD 8.5 million in 2016***
- ***Net profit of USD 6.7 million compared to USD -16.7 million in 2016***

SUBSEQUENT EVENT

- ***Successfully raised MNOK 300 in new equity***
- ***Awarded contract for leasing of MASS nodes in South East Asia***
- ***Letter of intent for node release contract in NE Asia (MASS Modular)***
- ***Strengthening the team with CFO and SVP Sales***

CEO STATEMENTS

The fourth quarter is reflecting transition between two contracts for Saudi Aramco in the Red Sea. Revenue and result were as forecasted lower than previous periods due to restrictions on start-up of activities. The good performance for 2017 comes as a result of two simultaneous and efficient operations in the Red Sea and in the North Sea. Magseis has through 2017 proven the business models for both large scale cable operations and flexible modularised ROV operations.

The safe and efficient operation in the Red Sea continued throughout the quarter and the shooting performance delivered by our partnership remains stable and above our initial projections.

We are continuing to challenge the business models within the OBS market to reduce the cost. Reduced cost will increase the addressable market and capture market shares from the high-end streamer and production monitoring market.

Magseis is still firm in our outlook for the total OBS market for 2018. The tendering activities continued to increase beyond previous expectations through third and fourth quarter in 2017. The tendering activities adds visibility into the opportunity pipeline in 2018 and 2019. Although we have seen that some of the jobs announced next year have been postponed, we see a steady inflow of new tender opportunities.

Per Christian Grytnes - **CEO Magseis**

KEY FINANCIALS

In thousands of USD

Profit and loss	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Revenues	4 752	20 024	73 877	58 905
Cost of sales	5 454	11 846	35 700	39 038
EBITDA	-4 514	5 532	26 136	8 506
EBIT	-8 025	1 894	10 292	-11 114
Net profit/loss	-9 787	58	6 696	-16 695
Basic earnings per share	-0.16	0.00	0.11	-0.48
Financial position				
Total assets			123 549	86 665
Total liabilities			28 509	37 620
Total equity			95 040	49 045
Equity ratio			76.9%	56.6%
Cash flow				
Net cash flow from operating activities			24 157	-2 117

OPERATIONAL COMMENTS

The Artemis Athene continues to deliver performance figures in line with the now well-established expectations for our Red Sea Operation. That said, the production in the fourth quarter of 2017 was significantly affected by two major events. The first half of October was spent on standby due to other marine activities making the survey area unavailable for seismic operations. The other event was a consequence of finalising the first extension of the S-78 project. The acquisition was completed on November 20th and for reasons outside Magseis control, the operation could not start on the second extension until late December.

Despite these challenges and prolonged periods of standby time, the first extension to the S-78 project was finalised in accordance with the agreed schedule. The time spent in between the first and the second extension was utilised to bring the Artemis Athene alongside for maintenance and upgrades. This will allow her to continue conducting high performance, uninterrupted operations for the upcoming extension and potential other work that may materialise in the region, following a successful completion of the current job.

Magseis also continues to pursue our MASS Modular concept. New systems are currently under construction and will be utilised in the coming season to support operations around the globe. This highly flexible and scalable system is designed to support everything from full scale operations handling thousands of nodes, to smaller jobs requiring only a few hundred nodes.

The intention behind the system is to have a platform that can be shipped anywhere in the world and support operations utilising ROVs.

QHSE COMMENTS

The stability of the Red Sea operation with Artemis Athene, and the extensive planning and smooth execution of the mobile operation can be seen in the good QHSE performance throughout the year, with all key KPI's being achieved. Just one external audit form the annual Audit plan was not completed and is now rolled over to the 2018 plan. All scheduled internal audits were completed, giving us the best year to date with regards to internal monitoring and increased focus on supply chain management. With ISO9001:2015 certification achieved, work towards the new ISO45001 occupational health and safety certificate began late in the year, with a view to becoming certified in 2018.

BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the fourth quarter of 2017 were USD 4.8 million. The revenues were related to the Saudi Aramco survey which the survey finished in November. In comparison, the revenues for the fourth quarter of 2016 were USD 20.0 million with full months production reflected the Red Sea project, Phase I for Saudi Aramco.

Revenues for the full year of 2017 was USD 73.9 million compared to USD 58.9 million in the full year of 2016.

Operational costs

Cost of sales (COS) in the fourth quarter of 2017 was USD 5.4 million compared to USD 11.8 million in the fourth quarter of 2016. Lower costs are related to production for 1,5 months in Q4 and capitalised yard stay with USD -2.4 million before the Red Sea project extension award received. In comparison to last year where the same quarter had full operations in addition to amortisation of previously capitalised mobilisation and yard stay with USD 2.0 million.

In the full year of 2017, the COS amounted to USD 35.7 million compared to USD 39.0 million during the same period in 2016.

Selling, general and administration expenses (SG&A) and other expenses in the fourth quarter of 2017 amounted to USD 3.3 million, compared to USD 2.2 million in the fourth quarter of 2016. This results from an increase in the organisation and in the new mobile ROV crew.

In the full year of 2017 SG&A and other expenses amounted to USD 10.0 million compared to USD 9.3 million during the same period of 2016.

Research and development

Research and development (R&D) expenses amounted to USD 0.5 million for the fourth quarter of 2017, in line with USD 0.5 million in the fourth quarter of 2016.

R&D for the full year of 2017 was USD 2.0 million compared to USD 2.0 million in the full year of 2016.

Depreciation

Depreciation was USD 3.4 million during the fourth quarter of 2017 compared to depreciation of USD 3.1 million in the fourth quarter of 2016. The increase is due to more equipment in use.

In the full year of 2017 depreciation was USD 15.1 million compared to USD 10.8 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 1.4 million reduction in depreciation. In addition, for 2017, there has been more equipment in use due to two operations instead of one in 2016.

Amortisation

Fourth quarter of 2017 amortisation of USD 0.1 million was related to other intangible assets only. This is comparable to the same period for 2016.

For the full year of 2017 amortisation amounted to USD 0.5 million, related only to other intangible assets. This compares to USD 1.4 million in the full year of 2016, where amortisation of multi-client library was USD 0.9 million.

Impairment

Fourth quarter of 2017 impairment is zero, compared to USD 0.4 million during the fourth quarter of 2016 which was related to the impairment of nodes.

For the full year of 2017, Impairment amounted to USD 0.2 million, compared to USD 7.4 million for the same period in 2016 where the G1 nodes were impaired with USD 6.7 million.

EBITDA and EBIT

The EBITDA was USD -4.5 million in the fourth quarter of 2017 compared to USD 5.5 million the fourth quarter of 2016. This decrease in EBITDA was driven by much lower production and revenue this quarter than last year.

EBIT was USD -8.0 million in the fourth quarter of 2017 compared to USD 1.9 million during the same period in 2016. The decrease in EBIT relates to the same factors as the decrease 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 full year of 2017 was USD 26.1 million compared to USD 8.5 million for the same period of 2016. EBIT was USD 10.3 million in the full year of 2017 compared to USD -11.1 million during the comparable period of 2016, largely due to the factors described above.

Balance Sheet and Cash Flow

As of 31 December 2017, the Group's equity was USD 95.0 million compared to USD 49.0 million at 31 December 2016. The equity ratio was 76.9% as of end December 2017.

Tangibles and intangible assets amounted to USD 74.4 million as of 31 December 2017, compared to USD 48.6 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 as of December 2017.

As of 31 December 2017 and 2016, the net value of the multi-client library was zero, due to amortisation of USD 0.9 million during the first quarter of 2016.

As of 31 December 2017, current assets amounted to USD 49.1 million compared to USD 38.1 million as of 31 December 2016. Cash and cash equivalents were USD 29.8 million compared to USD 19.0 million as of 31 December 2016.

Non-current liabilities decreased to USD 13.0 million as of 31 December 2017, compared to USD 15.1 million as of 31 December 2016. The liabilities are mainly related to debt financing from Export Credit Norway and Innovation Norway. In addition, funding of an accumulated amount of USD 0.9 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 December 2017.

Current liabilities as of 31 December 2017, amounted to USD 15.5 million compared to USD 22.5 million as of 31 December 2016. The reduction is mainly due to the repayment of BGP pre-funding and repayment of withholding tax for operations in Saudi Arabia.

Cash flow from operating activities was positive of USD 24.2 million in the full year of 2017 compared to negative USD 2.1 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. In addition, there was negative change in current assets and liabilities of USD 9.4 million in 2016 compared to less positively change of USD 1.7 million in 2017.

The net cash outflow from investing activities amounted to USD -44.5 million in the full year of 2017, resulting from investments into the mobile ROV operations as well as production of MASS nodes for our next cable crew, compared to USD -16.5 million in the same period of 2016 when the investments in seismic equipment was significantly lower.

Cash flow from finance activities was USD 31.2 million for the full year of 2017 compared to USD 26.1 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 0.9 million, offset by instalments and interest relating to the loans and finance lease totalling USD 8.8 million.

Employees

As of 31 December 2017, Magseis had a total of 127 full-time employees (31 December 2016: 83) including the offshore seismic crew of 56 employees (31 December 2016: 42).

Outlook

At the beginning of 2018 our Artemis Athene crew is well underway on the second extension of the Red Sea S-78 project. Being awarded yet another extension to this project shows that our clients BGP and Saudi Aramco are satisfied with our services and, based on the emphasis on further development in this region we believe the prospects for additional work in the region are good.

In parallel to this we are seeing an improving OBS market with a significant increase in tender volume during the last few months of 2017. Several large projects are currently on tender and we may soon enter a phase where the OBS capacity is constrained. In response to this, Magseis, during January, raised NOK 300 million of new equity capital to fund the completion of the Company's ongoing expansion projects. Magseis intends to invest in handling systems to accommodate multiple parallel operations, nodes, node deployment systems and building the organisation to support expanded operations.

The goal is to handle several projects using our modular systems during the spring and summer of 2018.

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 31 December 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, 28 February 2018

Jan P. Grimnes,
Chairman

Jan Gateman,
Director and Senior Vice President

Bettina R. Bachmann,
Non-executive Director

Gro Gunleiksrud Haatvedt,
Non-executive Director

Jan M. Drange,
Non-executive Director

Per Christian Grytnes,
CEO

20 LARGEST SHAREHOLDERS 31 DECEMBER 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 %
VPF NORDEA NORGE VERDI	1 728 453	2.8 %
KOMMUNAL LANDSPENSJONSKASSE	1 548 780	2.5 %
CITY FINANCIAL ABSOLUTE EQUITY FD	1 280 399	2.1 %
VPF NORDEA KAPITAL	1 268 065	2.1 %
INVESCO PERP EURAN SMLER COMPS FD	1 253 660	2.1 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 181 920	1.9 %
STATOIL PENSJON	943 697	1.5 %
VPF NORDEA AVKASTNING	942 507	1.5 %
GNEIS AS	924 825	1.5 %
HAWK INVEST AS	853 723	1.4 %
DANSKE INVEST NORGE VEKST	824 000	1.4 %
Total 20 largest shareholders	**43 663 149**	**71.7 %**
Other shareholders	17 229 242	28.3 %
Total outstanding shareholders	**60 892 391**	**100.0 %**

** Not updated with equity raise in January 2018*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of USD	*Note*	Q4 2017 *(unaudited)*	YTD 2017 *(unaudited)*	Q4 2016 *(unaudited)*	YTD 2016 *(audited)*
REVENUE AND OTHER INCOME					
Revenue	*4*	4 752	73 877	20 024	58 905
Total revenue and other income		**4 752**	**73 877**	**20 024**	**58 905**
OPERATING EXPENSES					
Cost of sales	*6*	5 454	35 700	11 846	39 038
Research and development expenses		494	2 002	493	2 022
Selling, general and administrative costs		3 209	9 648	1 719	7 863
Other expenses		109	391	435	1 475
Depreciation and amortisation	*5*	3 395	15 148	3 111	10 769
Amortisation	*6,7*	116	463	133	1 409
Impairment	*5*	0	233	393	7 441
Total operating expenses		**12 778**	**63 585**	**18 130**	**70 018**
OPERATING PROFIT (LOSS)		**-8 025**	**10 292**	**1 894**	**-11 114**
FINANCIAL INCOME AND EXPENSES					
Finance income		987	3 703	398	1 593
Finance costs		-1 671	-4 101	-771	-2 986
Net finance costs		**-684**	**-397**	**-373**	**-1 393**
NET PROFIT (LOSS) BEFORE TAX		**-8 709**	**9 895**	**1 521**	**-12 507**
Income tax expense		1 078	3 199	1 463	4 188
NET PROFIT (LOSS)		**-9 787**	**6 696**	**58**	**-16 695**
Basic earnings (loss) per ordinary share		-0,16	0,11	0,00	-0,48
Diluted earnings (loss) per ordinary share		-0,16	0,11	0,00	-0,48
OTHER COMPREHENSIVE INCOME					
Currency exchange differences		0	0	0	0
Total comprehensive income (loss) for the period		**-9 787**	**6 696**	**58**	**-16 695**

CONDENSED CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	**YE 2017** *(unaudited)*	**YE 2016** *(audited)*
ASSETS			
Non-current assets			
Equipment	*5*	69 083	42 991
Multi-client library	*6*	0	0
Intangible assets	*7*	5 333	5 583
Total non-current assets		**74 416**	**48 574**
Current assets			
Cash and cash equivalents		29 776	18 974
Trade receivables		9 137	10 681
Other current assets		10 220	8 436
Total current assets		**49 133**	**38 092**
TOTAL ASSETS		**123 549**	**86 665**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*8*	438	303
Share premium	*8*	141 486	102 594
Other equity		3 284	3 012
Retained earnings		-45 044	-51 740
Currency translation reserve		-5 124	-5 124
TOTAL EQUITY		**95 040**	**49 045**
LIABILITIES			
Non-current liabilities			
Obligation under finance lease	*10*	0	951
Other non-current financial liabilities		13 049	14 188
Total non-current liabilities		**13 049**	**15 139**
Current liabilities			
Trade payables		6 010	5 870
Current tax payable		1 111	2 841
Short-term debt and current portion of long-term debt	*10*	3 249	7 881
Other current liabilities		5 090	5 890
Total current liabilities		**15 460**	**22 481**
TOTAL LIABILITIES		**28 509**	**37 620**
TOTAL EQUITY AND LIABILITIES		**123 549**	**86 665**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of USD	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency trans-lation 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	-16 695	0	-16 695
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-16 695	0	-16 695
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	382	0	0	382
Balance at 31 December 2016	**303**	**102 594**	**3 012**	**-51 740**	**-5 124**	**49 045**
Balance at 1 January 2017	303	102 594	3 012	-51 740	-5 124	49 045
Profit / (loss) for the period	0	0	0	6 696	0	6 696
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	6 696	0	6 696
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	272	0	0	272
Balance at 31 December 2017	**438**	**141 486**	**3 284**	**-45 044**	**-5 124**	**95 040**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of USD	*Note*	**Q4 2017** *(unaudited)*	**YTD 2017** *(unaudited)*	**Q4 2016** *(unaudited)*	**YTD 2016** *(audited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		-8 709	9 895	1 521	-12 507
Adjustment for:					
Income tax and withholding tax paid		-1 274	-4 447	-1 096	-1 133
Deferred lease discount amortisation		-87	-438	-119	-470
Depreciation and amortisation	*5, 6, 7*	3 511	15 611	3 244	12 179
Impairment	*5*	0	233	393	7 441
Share based payments expense		52	272	78	382
Interest expense		245	1 347	553	1 452
Interest income		-18	-23	-8	-15
Working capital adjustments:					
(Increase) / decrease in current assets		4 975	2 368	5 020	-9 395
Increase / (decrease) in trade and other payables and accruals		3 685	-660	-952	-51
Net cash from operating activities		**2 380**	**24 157**	**8 637**	**-2 117**
Cash flows from investing activities					
Interest received		18	23	8	15
Acquisition of equipment	*5*	-17 430	-44 366	-71	-13 906
Payments for capitalised development and intangibles	*7*	-73	-214	-235	-2 572
Multi-client library investments	*6*	0	0	0	0
Net cash used in investing activities		**-17 485**	**-44 557**	**-298**	**-16 463**
Cash flows from financing activities					
Proceeds from loan		117	934	1 522	20 306
Payment of finance lease obligation and loan		-419	-7 412	-3 804	-4 431
Proceeds from issue of share capital		0	40 511	0	12 183
Expenses related to issue of share capital		0	-1 485	0	-485
Interest paid		-245	-1 347	-553	-1 452
Net cash from financing activities		**-547**	**31 201**	**-2 836**	**26 120**
Net change in cash and cash equivalents		-15 651	10 802	5 503	7 540
Cash and cash equivalents at 1 January		45 427	18 974	13 471	11 435
Cash and cash equivalents at period end		**29 776**	**29 776**	**18 974**	**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.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new revenue recognition standard, IFRS 15 which replaces existing IFRS revenue requirements The standard is effective from 1 January 2018.

The Company's has analysed possible effects from implementing the standard. The standard is not expected to have material effects for revenue recognition on contract acquisition or late sales of completed multi-client data. While not yet concluded, there is a high likelihood that revenue on multi-client prefunding agreements will no longer be recognised under the current percentage of completion method. Instead, pre-funding revenue would be recognised as point in time when the data is delivered to the client. Magseis will work to achieve a consistent practice for such reporting across the industry. Magseis did not have any multi-client operation (prefunding) or late sales on existing multi-client data in 2017.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 28 February 2018

(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 EBIT-

DA 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 31 December 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

In thousands of USD	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Contract revenue	4 285	20 024	73 334	57 059
Multi-client revenue	0	0	0	1 845
Other revenues	468	0	543	0
Total revenue and other income	**4 752**	**20 024**	**73 877**	**58 905**

5. Equipment

In thousands of USD	Office machines	Seismic equipment	Seismic equip-ment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2016	391	56 228	4 063	4 617	65 299
Asset completed and ready for intended use	0	10 327	0	-10 327	0
Additions	29	1 425	0	12 359	13 813
Disposals	0	0	0	0	0
Impairment	0	-15 985	0	0	-15 985
Balance at 31 December 2016	**419**	**51 996**	**4 063**	**6 649**	**63 127**
Balance at 1 January 2017	419	51 996	4 063	6 649	63 127
Additions	261	657	0	38 742	39 660
Disposals	0	0	0	0	0
Impairment	0	-1 178	0	0	-1 178
Reclass asset under construction	0	20 509	0	-20 509	0
Balance at 31 December 2017	**680**	**71 984**	**4 063**	**24 882**	**101 609**
Depreciation and impairment losses					
Balance at 1 January 2016	252	15 931	1 769	0	17 952
Depreciation for the year	82	11 321	786	0	12 190
Disposals	0	0	0	0	0
Impairment	0	-10 007	0	0	-10 007
Balance at 31 December 2016	**335**	**17 245**	**2 556**	**0**	**20 136**
Balance at 1 January 2017	335	17 245	2 556	0	20 136
Depreciation for the year	95	12 272	786	0	13 153
Reversed depreciation sold/scrapped capexDisposals	0	0	0	0	0
Impairment	0	-762	0	0	-762
Balance at 31 December 2017	**430**	**28 754**	**3 342**	**0**	**32 527**
Carrying amounts					
at 1 January 2016	139	40 298	2 294	4 617	47 346
at 31 December 2016	**85**	**34 750**	**1 507**	**6 649**	**42 991**
at 1 January 2017	85	34 750	1 507	6 649	42 991
at 31 December 2017	**250**	**43 229**	**721**	**24 882**	**69 083**
Depreciation of the year	95	12 272	786	0	13 153
Depreciation capitalised and deferred - net	0	1 994	0	0	1 994
Depreciation charged to expense **at 31 December 2017**	95	14 266	786	0	15 147

Useful life of equipment

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

Capitalisation

In 2017 Magseis has capitalised own cost relating to the development of the seismic equipment of USD 150 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

In thousands of USD	2017	2016
Cost		
Balance at 1 January	4 383	4 383
Additions	0	0
Disposals	0	0
Balance at 31 December	**4 383**	**4 383**
Amortisation		
Balance at 1 January	4 383	3 506
Amortisation for the year	0	877
Disposals	0	0
Impairment	0	0
Balance at 31 December	**4 383**	**4 383**
Carrying amounts		
Balance at 1 January	0	877
Balance at 31 December	**0**	**0**

7. Other intangible assets

In thousands of USD	2017	2016
Cost		
Balance at 1 January	7 160	4 588
Additions	214	2 572
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 31 December	**7 373**	**7 160**
Amortisation		
Balance at 1 January	1 577	1 045
Amortisation for the year	463	533
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 31 December	**2 040**	**1 577**
Carrying amounts		
Balance at 1 January	5 583	3 543
Balance at 31 December	**5 333**	**5 583**

Development costs

In 2017 USD 0.2 million was capitalised, compared to USD 2.6 million in 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
Ordinary shares - Issued and fully paid				
At 1 January 2016		29 818 014	254	90 945
6 May 2016	*Private placement of 6,800,000 shares at NOK 12,50 per share*	6 800 000	42	10 345
	Capital raising costs	0	0	-397
30 May 2016	*Subsequent offering of 1,200,000 shares at NOK 12,50 per share*	1 200 000	7	1 789
	Capital raising costs	0	0	-88
At 31 December 2016		**37 818 014**	**303**	**102 594**
Ordinary shares - Issued and fully paid				
At 1 January 2017		37 818 014	303	102 594
30 March 2017	*Private placement of 22,650,000 shares at NOK 15,00 per share*	22 650 000	132	39 651
	Capital raising costs	0	0	-1 282
20 April 2017	*Private placement of 424,377 shares at NOK 15,00 per share*	424 377	2	726
	Capital raising costs	0	0	-203
At 31 December 2017		**60 892 391**	**438**	**141 486**

No dividends were paid during the period ended 31 December 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:

In thousands of USD			Transaction value		Balance outstanding	
Name	Transactions	Note	31 Dec.2017	31 Dec.2016	31 Dec.2017	31 Dec.2016
J B Gateman	Consultant costs	(I)	167	167	0	0
Westcon Group	Leases	(II)	19 783	21 928	1 586	3 470
Westcon Group	Other services	(II)	0	891	0	0
Total			**19 950**	**22 986**	**1 586**	**3 470**

(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 December 2017 the remaining time charter lease term is 1 year and the sale and leaseback is 11 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		
In thousands of USD	**31 December 2017**	**31 December 2016**
Less than one year	18 195	17 497
Between one and five years	443	17 560
More than five years	0	0
Total	**18 638**	**35 057**

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				
	31 December 2017		**31 December 2016**	
In thousands of USD	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	1 002	951	1 095	987
Between one and five years	0	0	1 002	904
More than five years	0	0	0	0
Total minimum lease payments	**1 002**	**951**	**2 097**	**1 891**
Less amounts representing finance charges	51	0	206	0
Present value of minimum lease payments	**951**	**951**	**1 891**	**1 891**

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:

In thousands of USD	31 December 2017	31 December 2016
Contracted but not yet provided for and payable:		
Within one year	33 147	10 987
One year later and no later than five years	0	0
Later than five years	0	0
Total	**33 147**	**10 987**

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