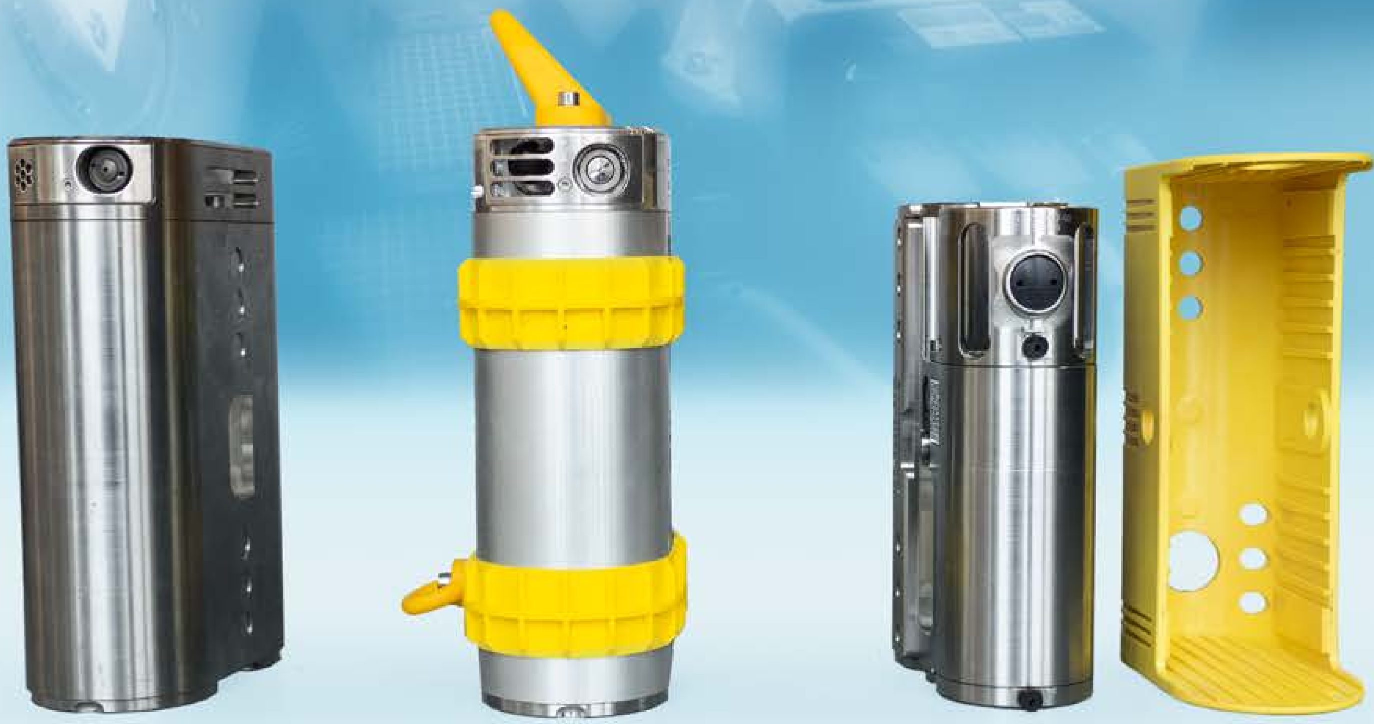
Q3
2018
Magseis ASA - Third Quarter

Transformative technology deal



magseis

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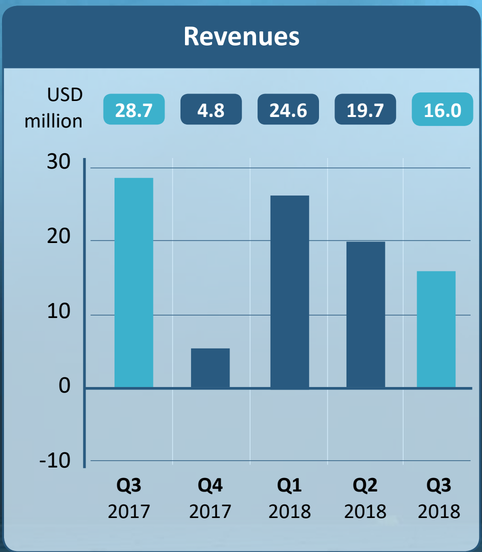
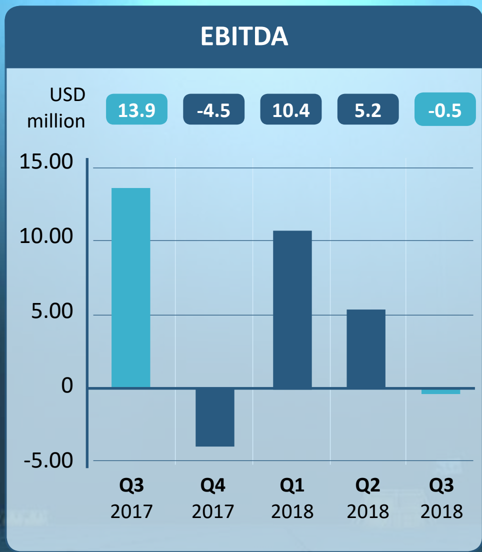
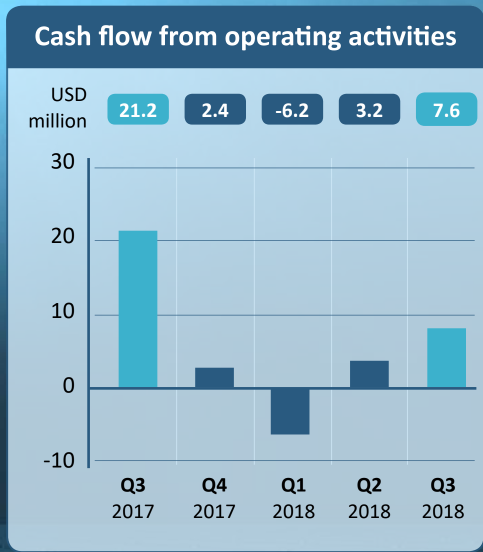
HIGHLIGHTS







THIRD QUARTER 2018

- **Revenues of MUSD 16.0 compared to MUSD 28.7 in Q317 and MUSD 19.7 sequentially**
- **EBITDA of MUSD -0.5 compared to MUSD 13.9 in Q317 and MUSD 5.2 sequentially**
- **EBIT of MUSD -4.7 compared to MUSD 8.8 in Q317 and MUSD 1.0 sequentially**
- **Net profit of MUSD -5.9 compared to MUSD 9.7 in Q317 and MUSD -0.5 sequentially**
- **Cash flow from operations MUSD 7.6 compared to MUSD 21.2 in Q317 and MUSD 3.2 sequentially**
- **Secured backlog of MUSD 215**
- **Sub sequentially Q318, Magseis has been awarded a landmark contract for sale of 17.000 ocean bottom seismic nodes and four MASS I modular handling systems to China National Petroleum Corporation ("CNPC"). The seismic equipment will be delivered in several batches beginning in Q1 2019 through Q3 2019**

CEO STATEMENT

Subsequent to the third quarter 2018, Magseis announced its Letter of Intent to deliver 17.000 MASS I nodes and 4 handling systems, to BGP Offshore, a subsidiary of Chinese National Petroleum Corporation (CNPC). We are delighted to be selected as the seismic node technology provider to BGP Offshore. The win comes after years of collaboration with BGP on delivering outstanding data quality in the most challenging survey areas that exist. It also shows the attractiveness of the Magseis technology and demonstrates the competitiveness of Magseis nodes in a wide range of seismic markets including shallow water/transition zones.

The transformative transaction adds further flexibility and diversification to the Magseis business model which includes full scale operations of seismic node surveys, lease of nodes and sale of nodes. We believe in further developing our technology and this transaction gives us a scale that allows us to continue to stay ahead of the competition and capitalise on our investment in technology for the last decade.

Magseis continue scaling up the business to take advantage of a significant improvement in demand for Ocean Bottom Seismic (OBS). During the third quarter we prepared for, and operated nodes on three different continents. The operational set up is quite different for each of these operations. Magseis unique robotised & containerised handling systems allow us to be flexible in tailoring the preferred solution for our clients.

We continue to believe that 2019 will transform into a demand driven market. Magseis is for the first time in its history sold out for a period of 6 months, despite investing significantly in our node pool over the last years. This strategy has proven successful as we deliver a Company record backlog of USD 215 million.

Per Christian Grytnes - **CEO Magseis**

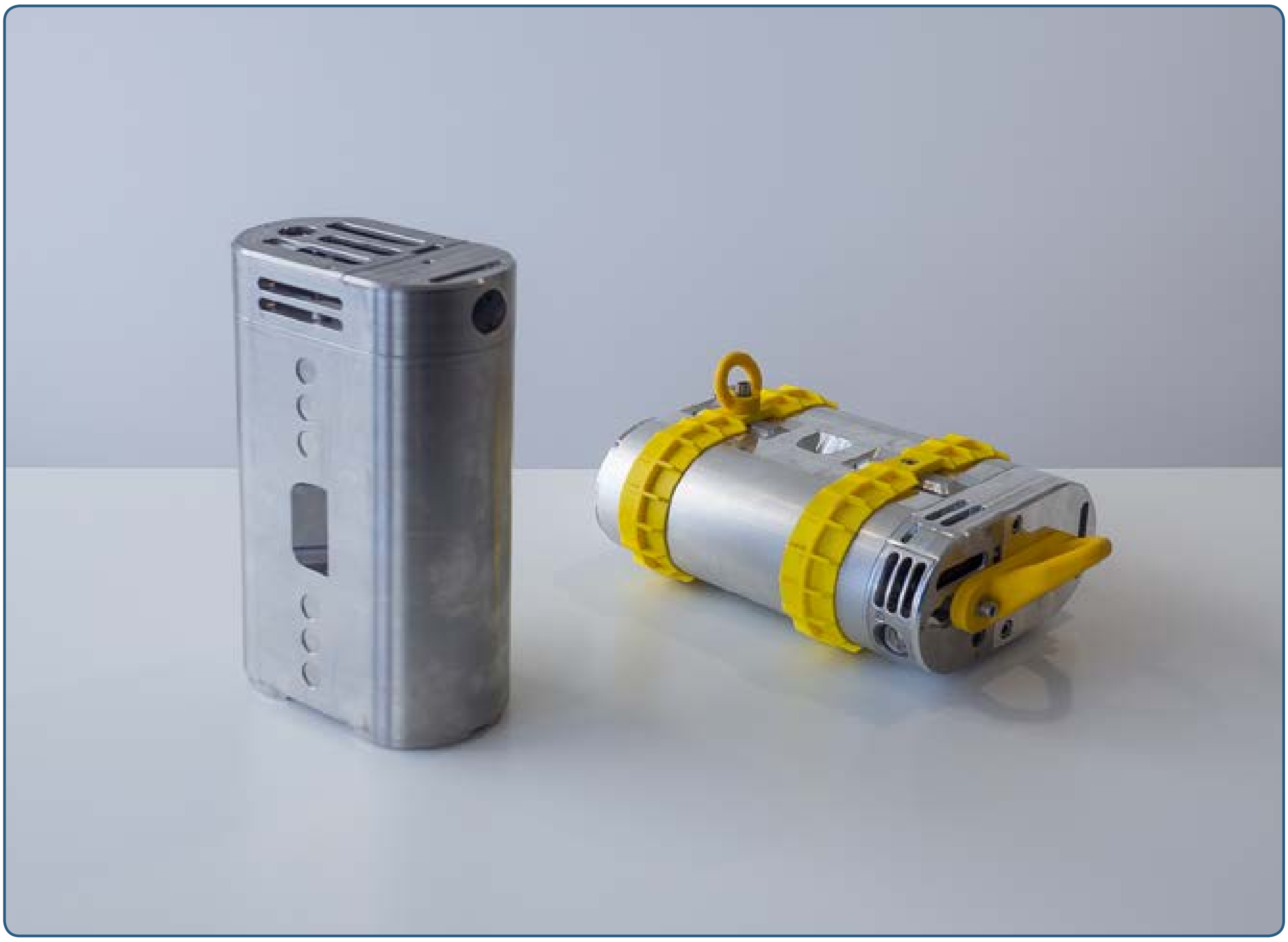
KEY FINANCIALS

In thousands of USD

Profit and loss	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full Year 2017
Revenues	15 996	28 650	60 279	69 125	73 877
Cost of sales	11 084	11 590	30 890	30 246	35 700
EBITDA	-531	13 923	15 032	30 650	26 136
EBITDA %	-	48.6 %	24.9 %	44.3 %	35.4 %
EBIT	-4 662	8 845	2 954	18 317	10 292
EBIT %	-	30.9 %	4.9 %	26.5 %	13.9 %
Net Profit (Loss)	-5 949	9 660	-822	16 484	6 696
Basic earnings (loss) per weighted average shares	-0.08	0.16	-0.01	0.27	0.12

Financial Position			
Total assets	159 477	129 927	123 549
Total liabilities	28 185	25 152	28 509
Total equity	131 292	104 775	95 040
Equity ratio	82.3%	80.6%	76.9%

Cash Flow			
Net cash from operating activities	4 609	21 777	24 157



OPERATIONAL COMMENTS

The third quarter lies behind us and Magseis is currently running three, full scale operations in parallel.

Our yearlong cooperation with BGP in the Red Sea continues to deliver high-quality data to our end client in a very demanding environment, proving the robustness or our proprietary MASS solution and services. The ability to deliver to the satisfaction of the end client is proven through the continued award of extensions to the original survey which was started back in 2016. Node deployment on the third extension to the original contract commenced late August while source acquisition started on September 1st.

Our second operation mobilised according to plan and got into operation late July. This is a "nodes on a rope" operation in Northern Europe where Magseis provides MASS nodes, a fully robotised MASS modular node handling system, data quality control and crew to operate this. Vessel charter and physical deployment and recovery of the nodes is managed by our client. The overall production on this project has been somewhat hampered by poor weather and the operation is currently anticipated to continue well into the fourth quarter. The technical performance of the MASS nodes and the supporting systems has been excellent despite the rough weather and sea conditions, and the data recovery rate remains to be in line with previous operations at a level above 99.5%.

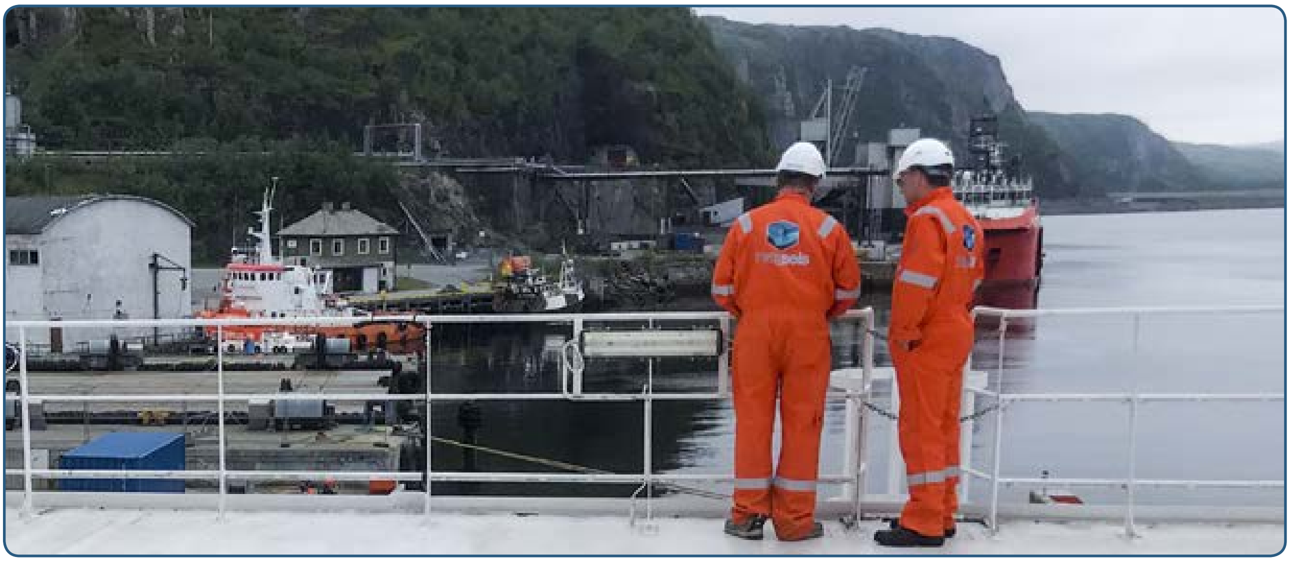
A lengthy mobilisation of our third full scale operation has taken us into the fourth quarter before acquisition could commence. The operation is now ongoing, offshore South East Asia. This is a ROV based OBN operation covering four different survey areas and the acquisition is currently expected to continue into the first part of Q1 2019.

In parallel with our ongoing operations, we are currently making the required preparations for a deep-water operation in the US Gulf of Mexico. Our MASS nodes will be deployed with ROV, and data will be acquired with a simultaneous source configuration. The survey is due to commence mid Q1 2019.

QHSE COMMENTS

The third quarter was a busy quarter, seeing Magseis come into operation for the first time running 3 crews concurrently. This stretched resources brought in a lot of new activity. Start-ups for complex surveys where many contractors interact with each other are a classic recipe for QHSE standards to slip, so we are pleased to be able to report that QHSE has been taken onboard as a fundamental part of what we do, and results show just two minor first aid cases for the quarter.

Magseis were invited to speak and be part of a panel discussion at the Institute of Occupational Safety and Health (IOSH) annual conference regarding our experiences with the new ISO 45001:2018 Occupational Health and Safety Standard. There was a lot of interest in how we have managed to go from nothing to a fully developed and implemented management system certified to the newest standard in just five years.



BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the third quarter of 2018 were USD 16.0 million compared to USD 28.7 million for the third quarter of 2017. The revenue is mainly related to the Red Sea survey and MASS Modular operation in North Europe. Due to late start-up, waiting for permits in South East Asia the project missed one month of expected revenue which is deferred to Q418.

Revenue for the first nine months of 2018 was USD 60.3 million compared to USD 69.1 million in the first nine months of 2017.

Operational costs

Cost of sales (COS) in the third quarter of 2018 was USD 11.1 million compared to USD 11.6 million in the third quarter of 2017 with three full operations compared to two operations last year. Mobilisation for the South East Asia project is capitalised with USD 2.3 million.

In the first nine months of 2018, the COS amounted to USD 30.9 million compared to USD 30.2 million during the same period in 2017.

Selling, general and administration expenses (SG&A) and other expenses in the third quarter of 2018 amounted to USD 4.9 million, compared to USD 2.6 million in the third quarter of 2017. In the first nine months of 2018 SG&A and other expenses amounted to USD 12.5 million compared to USD 6.7 million during the same period of 2017. Both resulting from increase of staff in the organisation and in the MASS Modular crews according to the company's growth plan.

Research and development

Research and development (R&D) expenses amounted to USD 0.6 million for the third quarter of 2018 compared to USD 0.5 million in the third quarter of 2017.

R&D for the first nine months of 2018 was USD 1.8 million compared to USD 1.5 million in the first nine months of 2017.

Depreciation

Depreciation was USD 3.9 million during the third quarter of 2018 compared to depreciation of USD 5.0 million in the third quarter of 2017. There was capitalisation of depreciation with USD 0.7 million regarding the mobilisation for the South East Asia project.

In the first nine months of 2018 depreciation was USD 11.5 million compared to USD 11.8 million during the same period of 2017, where net depreciation due to yard stay and mobilisation amounted to reduction of USD 0.4 million in 2018 compared to increase of USD 2.0 million last year.

Amortisation

Third quarter 2018 amortisation of USD 0.2 million compared to USD 0.1 million in the third quarter of 2017. The amortisation was related to other intangible assets only.

For the first nine months of 2018 amortisation amounted to USD 0.6 million compared to USD 0.3 million in the first nine months of 2017 where the amortisation only relates to other intangible assets.

Impairment

Third quarter 2018 and 2017 has no impairment.

For the first nine months of 2018 there was no impairment compared to USD 0.2 million for the same period in 2017.

EBITDA and EBIT

The EBITDA was USD -0.5 million in the third quarter of 2018 compared to USD 13.9 million the third quarter of 2017. This decrease in EBITDA was mainly due lack of revenue as the South East Asia operation was waiting for permits. The operation started mid-October, hence the missed revenue will be recognised in Q418.

EBIT was USD -4.7 million in the third quarter of 2018 compared to USD 8.8 million during the same period in 2017. The decrease in EBIT relates to the same factors as the decrease in EBITDA described above.

EBITDA in the first nine months of 2018 was USD 15.0 million compared to USD 30.7 million for the same period of 2017. EBIT was USD 3.0 million in the first nine months of 2018 compared to USD 18.3 million during the comparable period of 2017.

Balance Sheet and Cash Flow

As of 30 September 2018, the Group's equity was USD 131.3 million compared to USD 104.8 million at 30 September 2017. The equity ratio was 82.3% as of end September 2018.

Tangibles and intangible assets amounted to USD 101.1 million as of 30 September 2018, compared to USD 64.2 million at the same date in 2017. The investments comprise seismic equipment on board Artemis Athene and equipment for the MASS Modular crews as well as capitalisation of expenses related to research and development projects as of September 2018.

As of 30 September both in 2018 and 2017, the net value of the multi-client library was zero, due to Tåkehavet being fully amortised.

As of 30 September 2018, current assets amounted to USD 58.3 million compared to USD 65.7 million as of 30 September 2017. Cash and cash equivalents were USD 33.5 million compared to USD 45.4 million as of 30 September 2017.

Non-current liabilities decreased to USD 11.8 million as of 30 September 2018, compared to USD 13.7 million as of 30 September 2017. The liabilities are mainly related to debt financing from Export Credit Norway and Innovation Norway. The Group complied with the debt covenants as of 30 September 2018. In addition, funding of accumulated USD 7.3 million was 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 2.1 million as of September 2018, a decrease of USD 1.2 million since September last year.

Current liabilities as of 30 September 2018, amounted to USD 16.4 million compared to USD 11.5 million as of 30 September 2017. The increase is mainly due increase in other current liabilities with USD 4.5 due to accruals for not received invoices for three operations at the same time.

Cash flow from operating activities was USD 4.6 million in the first nine months of 2018 compared to USD 21.8 million in the same period of 2017. The main reason for the decrease in cash flow from operations is the net change in current assets and liabilities of USD -7.0 million, in addition to much lower profit before tax.

The net cash outflow from investing activities amounted to USD – 35.1 million in the first nine months of 2018, resulting from investments into the MASS Modular operations and production of MASS nodes, compared to USD – 27.1 million in the same period of 2017 when the investments in seismic equipment was lower.

Cash flow from finance activities was USD 34.2 million in the first nine months of 2018 compared to USD 31.7 million in the same period of 2017. The proceeds are related to the share capital increase of net USD 37.1 million offset by instalments and interest relating to the loans and finance lease totalling USD 3.0 million.

Employees

As of 30 September 2018, Magseis had a total of 197 full-time employees including contractors (30 September 2017: 102) including the offshore seismic crew of 105 employees (30 September 2017: 46).

20 LARGEST SHAREHOLDERS 30 SEPTEMBER 2018		
Shareholder	**Holdings**	
ANFAR INVEST AS	6 196 856	8.0 %
WESTCON GROUP AS	5 661 436	7.3 %
AS CLIPPER	4 731 022	6.1 %
GEO INNOVA AS	4 613 382	5.9 %
JPMORGAN CHASE BANK, N.A., LONDON	3 331 958	4.3 %
KLP AKSJENORGE	2 907 948	3.7 %
JPMORGAN CHASE BANK, N.A., LONDON	2 507 918	3.2 %
REDBACK AS	2 333 333	3.0 %
BARRUS CAPITAL AS	2 292 351	3.0 %
VPF NORDEA NORGE VERDI	2 044 353	2.6 %
KOMMUNAL LANDSPENSJONSKASSE	1 948 780	2.5 %
VPF NORDEA KAPITAL	1 580 940	2.0 %
INVESCO PERP EURAN SMLER COMPS FD	1 417 550	1.8 %
CITY FINANCIAL ABSOLUTE EQUITY FD	1 280 399	1.7 %
VPF NORDEA AVKASTNING	1 260 707	1.6 %
STATOIL PENSJON	1 208 945	1.6 %
HAWK INVEST AS	1 103 723	1.4 %
DANSKE INVEST NORGE VEKST	1 049 000	1.4 %
HOLMEN SPESIALFOND	1 000 000	1.3 %
BERNT HOLDING AS	1 000 000	1.3 %
Total 20 largest shareholders	**49 470 601**	**63.8 %**
Other shareholders	28 088 457	36.2 %
Total outstanding shareholders	**77 559 058**	**100.0 %**

Outlook

With the transformative technology deal selling 17.000 nodes to BGP offshore, Magseis is sold out for the first time in the companys history. This confirms our belief that we now have entered into a demand driven market which is likely to de-risk the position of the seismic suppliers vs. oil companies when entering into new contracts and potentially improve pricing regime.

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 2018 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 2017 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 30th of October 2018

Jan P. Grimnes,
Chairman

Jan Gateman,
Director and Senior Vice President

Gro Gunleiksrud Haatvedt
Non-executive Director

Bettina R. Bachmann,
Non-executive Director

Edvin Endresen,
Non-executive Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
In thousands of USD	*Note*	**Q3 2018** *(unaudited)*	**Q3 2017** *(unaudited)*	**YTD 2018** *(unaudited)*	**YTD 2017** *(unaudited)*	**Full Year 2017** *(audited)*
REVENUE AND OTHER INCOME						
Revenue	*4*	15 996	28 650	60 279	69 125	73 877
Total revenue and other income		**15 996**	**28 650**	**60 279**	**69 125**	**73 877**
OPERATING EXPENSES						
Cost of sales		11 084	11 590	30 890	30 246	35 700
Research and development expenses		581	494	1 812	1 507	2 002
Selling, general and administrative costs and other expense		4 862	2 644	12 545	6 721	10 039
Depreciation	*5*	3 940	4 962	11 505	11 753	15 148
Amortisation	*6, 7*	191	116	573	347	463
Impairment	*5*	0	0	0	233	233
Total operating expenses		**20 658**	**19 805**	**57 325**	**50 808**	**63 585**
OPERATING PROFIT (LOSS)		**-4 662**	**8 845**	**2 954**	**18 317**	**10 292**
FINANCIAL INCOME AND EXPENSES						
Finance income		546	1 657	1 737	2 717	3 703
Finance costs		-836	-348	-3 529	-2 430	-4 101
Net finance costs		**-290**	**1 309**	**-1 792**	**287**	**- 397**
NET PROFIT (LOSS) BEFORE TAX		**-4 952**	**10 154**	**1 162**	**18 604**	**9 895**
Income tax expense		997	493	1 984	2 121	3 199
NET PROFIT (LOSS)		**-5 949**	**9 660**	**-822**	**16 484**	**6 696**
Basic earnings (loss) per weighted average shares (in USD)		-0.08	0.16	-0.01	0.27	0.12
Diluted earnings (loss) per weighted average shares (in USD)		-0.08	0.16	-0.01	0.27	0.12
OTHER COMPREHENSIVE INCOME						
Other comprehensive income		0	0	0	0	0
Total comprehensive income (loss) for the period		**-5 949**	**9 660**	**-822**	**16 484**	**6 696**

CONDENSED AND CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	YTD 2018 *(unaudited)*	YTD 2017 *(unaudited)*	Year End 2017 *(audited)*
ASSETS				
Non-current assets				
Equipment	*5*	96 380	58 858	69 083
Multi-client library	*6*	0	0	0
Intangible assets	*7*	4 760	5 376	5 333
Total non-current assets		**101 140**	**64 234**	**74 416**
Current assets				
Cash and cash equivalents		33 504	45 427	29 776
Trade receivables		15 743	16 394	9 137
Other current assets		9 090	3 872	10 220
Total current assets		**58 337**	**65 693**	**49 133**
TOTAL ASSETS		**159 477**	**129 927**	**123 549**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*8*	545	438	438
Share premium	*8*	178 508	141 486	141 486
Other equity		3 229	3 232	3 284
Retained earnings		-45 866	-35 256	-45 044
Currency translation reserve		-5 124	-5 124	-5 124
Total equity attributable to equity holders of the Company		**131 292**	**104 775**	**95 040**
LIABILITIES				
Non-current liabilities				
Obligation under finance lease	*10*	0	181	0
Other non-current financial liabilities		11 771	13 482	13 049
Total non-current liabilities		**11 771**	**13 662**	**13 049**
Current liabilities				
Trade payables		6 408	4 965	6 010
Current tax payable		889	721	1 111
Short-term debt and current portion of long-term debt	*10*	2 148	3 354	3 249
Other current liabilities		6 968	2 450	5 090
Total current liabilities		**16 414**	**11 490**	**15 460**
TOTAL LIABILITIES		**28 185**	**25 152**	**28 509**
TOTAL EQUITY AND LIABILITIES		**159 477**	**129 927**	**123 549**

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 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
	135	40 376	0	0	0	40 511
	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**	**104 776**
Balance at 1 January 2018	**438**	**141 486**	**3 284**	**-45 044**	**-5 124**	**95 040**
Profit / (loss) for the period	0	0	0	-822	0	-822
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-822	0	-822
Share issuance	107	38 473	0	0	0	38 580
Expenses related to share issuance		-1 451	0	0	0	-1 451
Share-based payments (options)	0	0	-55	0	0	-55
Balance at 30 September 2018	**545**	**178 508**	**3 229**	**-45 866**	**-5 124**	**131 292**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of USD	*Note*	Q3 2018 (unaudited)	Q3 2017 (unaudited)	YTD 2018 (unaudited)	YTD 2017 (unaudited)	Full Year 2017 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (Loss) before tax		-4 952	10 154	1 162	18 604	9 895
Adjustment for:						
Income tax and witholding tax paid		-699	-1 225	-1 789	-3 174	-4 447
Depreciation and amortisation	*5, 6*	-119	-119	-352	-352	-438
Deferred lease discount amortisation		4 131	5 078	12 078	12 100	15 611
Impairment	*5*	0	0	0	233	233
Share based payments expense		16	66	-55	220	272
Interest expense		111	105	574	1 103	1 347
Interest income		-44	-2	-49	-5	-23
Working capital adjustments:						
(Increase) / decrease in current assets		6 041	6 885	-9 237	-2 607	2 368
Increase / (decrease) in trade and other payables and accruals		3 124	243	2 277	-4 345	-660
Net cash from operating activities		**7 609**	**21 185**	**4 609**	**21 777**	**24 157**
Cash flows from investing activities						
Interest received		44	2	49	5	23
Acquisition of equipment and prepayments	*5*	-9 247	-8 765	-35 100	-26 937	-44 366
Payments for capitalised development and intangibles	*7*	0	-32	0	-141	-214
Multi-client investment	*6*	0	0	0	0	0
Net cash used in investing activities		**-9 204**	**-8 796**	**-35 052**	**-27 072**	**-44 557**
Cash flows from financing activities						
Proceeds from loan		0	196	27	817	934
Payment of finance lease obligation and loan		-959	-691	-2 411	-6 993	-7 412
Proceeds from issue of share capital		0	0	38 580	40 511	40 511
Expenses related to issue of share capital		0	-20	-1 451	-1 485	-1 485
Interest paid		-111	-105	-574	-1 103	-1 347
Net cash from financing activities		**-1 069**	**-619**	**34 171**	**31 748**	**31 201**
Net change in cash and cash equivalents		-2 664	11 771	3 729	26 454	10 802
Cash and cash equivalents at 1 January		36 168	33 657	29 776	18 974	18 974
Cash and cash equivalents at period end		**33 504**	**45 427**	**33 504**	**45 427**	**29 776**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis ASA is a public limited liability company listed on Oslo Stock Exchange main-list and incorporated in Bærum, Norway. The address of the Company's registered office is Strandveien 50, 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 2017.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 30 of October 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 Company and its subsidiaries functional and presentation currency is stated in United States Dollar (USD).

The consolidated financial statements for the Group are presented in United States Dollars (USD). All financial information presented in USD 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.

Working Capital

When Magseis use working capital this is defined as Trade receivables minus Trade payables.

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 2018. 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 2017 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 2017 annual financial statements with except for the changes described below.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 on 1 January 2018 and have used the modified retrospective method for transition. This method requires the cumulative effect of initially applying IFRS 15 to be recognised in the opening balance (1 January 2018), with no restating of comparative periods. The Company's revenue currently is related to seismic services under contract for specific customers, whereby the seismic data is owned by that customer. The standard has not had any effects for the Company's revenue recognition and implementation of the standard resulted in no changes requiring the cumulative effect of initially applying IFRS 15 to be recognised.

IFRS 9 Financial instruments

The company adopted IFRS on 1 January 2018 and applied retrospectively. The standard has not had any material effects on the consolidated financial statements of Magseis.

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	Q3 2018	Q3 2017	YTD 2018	YTD 2017	Full Year 2017
Revenue and other income					
Contract revenue	15 817	28 574	60 056	69 049	73 334
Multi-client revenue	0	0	0	0	0
Other revenues	180	76	223	76	543
Total revenue and other income	**15 996**	**28 650**	**60 279**	**69 125**	**73 877**

5. Equipment

In thousands of USD	Office machines	Seismic equipment	Seismic equip-ment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2017	419	67 980	4 063	8 112	80 574
Asset completed and ready for intended use	0	20 524	0	-20 524	0
Additions	194	250	0	24 415	24 859
Disposals	0	0	0	0	0
Impairment	0	-1 178	0	1 178	0
Balance at 30 September 2017	**613**	**87 576**	**4 063**	**13 181**	**105 433**
Balance at 1 January 2018	680	71 984	4 063	24 882	101 609
Additions	183	1 152	0	37 857	39 192
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Re-class asset under construction	209	41 349	0	-41 558	0
Balance at 30 September 2018	**1 072**	**114 485**	**4 063**	**21 181**	**140 801**
Depreciation and impairment losses					
Balance at 1 January 2017	335	33 230	2 556	1 463	37 584
Depreciation for the year	64	9 100	590	0	9 754
Capex (Disposals)	0	-762	0	0	-762
Impairment	0	0	0	0	0
Balance at 30 September 2017	**399**	**41 568**	**3 146**	**1 463**	**46 576**
Balance at 1 January 2018	430	28 754	3 342	0	32 527
Depreciation for the year	130	11 175	590	0	11 895
Reversed depreciation sold/ scrapped capex (Disposals)	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 September 2018	**560**	**39 929**	**3 932**	**0**	**44 421**
Carrying amounts					
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**
at 1 January 2018	250	43 229	721	24 882	69 083
at 30 September 2018	**512**	**74 556**	**131**	**21 181**	**96 380**
Depreciation of the year	130	11 175	590	0	11 895
					0
Depreciation capitalised and deferred - net	0	-390	0	0	-390
Depreciation charged to expense at 30 September 2018	130	10 785	590	0	11 505

Useful life of equipment

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

Capitalisation

In 2018 Magseis has capitalised cost relating to the development of the seismic equipment of USD 355 thousands (2017: USD 87 thousands).

Impairment

Magseis has in 2018 recorded an impairment/scrapping of equipment of zero (2017: USD 233 thousands).

6. Multi-client library

In thousands of USD	2018	2017
Cost		
Balance at 1 January	4 383	4 383
Additions	0	0
Disposals	0	0
Balance at 30 September	**4 383**	**4 383**
Amortisation		
Balance at 1 January	4 383	4 383
Amortisation for the year	0	0
Disposals	0	0
Impairment	0	0
Balance at 30 September	**4 383**	**4 383**
Carrying amounts		
Balance at 1 January	0	0
Balance at 30 September	**0**	**0**

7. Other intangible assets

In thousands of USD	2018	2017
Cost		
Balance at 1 January	7 373	7 160
Additions	0	141
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	**7 373**	**7 301**
Amortisation		
Balance at 1 January	2 040	1 577
Amortisation for the year	573	347
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	**2 613**	**1 924**
Carrying amounts		
at 1 January	5 333	5 583
at 30 September	**4 760**	**5 376**

Development costs

In 2018 USD zero was capitalised, compared to USD 0.1 million in 2017.

8. Share capital and reserves

The shares of Magseis are listed on Oslo Stock Exchange.

SHARE CAPITAL ISSUED

		Number of shares	Share capital USD ‘000	Share premium reserve USD ‘000
Ordinary shares - Issued and fully paid				
At 1 January 2017		37 818 014	303	102 594
At 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			-1 282
At 20 April 2017	*Private placement of 424,377 shares at NOK 15,00 per share*	424 377	2	726
	Capital raising costs			-203
At 30 September 2017		**60 892 391**	**438**	**141 486**
Ordinary shares - Issued and fully paid				
At 1 January 2018		60 892 391	438	141 486
At 1 February 2018	*Private placement of 6,089,239 shares at NOK 18,00 per share*	6 089 239	40	14 229
	Capital raising costs			-1 351
At 21 February 2018	*Private placement of 10,577,428 shares at NOK 18,00 per share*	10 577 428	68	24 244
	Capital raising costs			-101
At 30 September 2018		**77 559 058**	**545**	**178 508**

No dividends were paid during the period ended 30 September 2018 (2017: 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**	30 September 2018	30 September 2017	30 September 2018	30 September 2017
J B Gateman	Consultant costs	(I)	131	126	0	0
Westcon Group	Leases	(II)	15 336	14 334	1 550	1 544
Westcon Group	Other services	(II)	4	0	0	0
Total			**15 471**	**14 461**	**1 550**	**1 544**

(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 2018 the remaining TC lease term is 3 months. In August 2018 an addendum was signed for possible extention of TC lease. The remaining time for sale and leaseback agreement is 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		
In thousands of USD	**30 September 2018**	**30 September 2017**
Less than one year	10 325	18 018
Between one and five years	2 172	4 647
More than five years	0	0
Total	**12 497**	**22 665**

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				
	30 September 2018		**30 September 2017**	
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	183	181	1 095	1 026
Between one and five years	0	0	183	171
More than five years	0	0	0	0
Total minimum lease payments	**183**	**181**	**1 278**	**1 197**
Less amounts representing finance charges	2	0	81	0
Present value of minimum lease payments	**181**	**181**	**1 197**	**1 197**

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	**30 September 2018**	**30 September 2017**
Contracted but not yet provided for and payable:		
Within one year	24 952	37 560
One year later and no later than five years	0	0
Later than five years	0	0
Total	**24 952**	**37 560**

12. Subsequent events

8 October 2018 Magseis was awarded landmark contract for sale of 17.000 ocean bottom seismic nodes and four MASS I modular handling systems to China National Petroleum Corporation ("CNPC"). The seismic equipment will be delivered in several batches beginning in Q1 2019 through Q3 2019.

magseis

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