Q2 2020

report

magseis fairfield

Summary

Delivering on plan amidst COVID-19 and low oil price environment

- Main priorities remain to ensure the safety and welfare of our people and safeguard operations
- Total Recordable Case Frequency (TRCF) for the quarter was 1.17, an improvement QoQ
- Preserving cash and ensuring business continuity to secure a good entry into 2021
- Strengthening management team by appointing industry veteran Mark Zajac as new CTO

Q2 financial results

- Strong operational and financial performance by all active crews
- Revenue of USD 44.7 million and gross margin of 42%
- EBITDA of USD 9.9 million
- Operating loss of USD 2.9 million and net loss after tax of USD 2.9 million
- Cash inflow from operating activities of USD 5.1 million and total decrease in cash of USD 10.9 million

H1 financial results

- Revenue of USD 98.0 million with gross margin of 32%
- EBITDA of USD 15.8 million
- Operating loss of USD 11.0 million and net loss after tax of USD 14.9 million
- Operating cash inflow of USD 15.6 million and total increase in cash of USD 3.1 million

Cost, capex and liquidity measures progressing as planned

- Completed USD 28 million private placement and secured USD 30 million RCF in the first quarter
- On target to reduce annual SG&A cost level by ~60% from 2019 to ~USD 25 million
- On target to reduce annual capex level by ~80% from 2019 to ~USD 15 million, excluding multi-client investments
- Cash at hand of USD 56.6 million

Order and Backlog

- Secured new contract awards every quarter so far this year
- Awarded project in Q2 for the 2021 North Sea summer season, with potential follow-on work in subsequent years
- Total backlog of USD 151 million, compared to USD 169 million at the end of the first quarter 2020
- USD 82 million backlog for delivery in 2020 and USD 69 million in 2021 and beyond

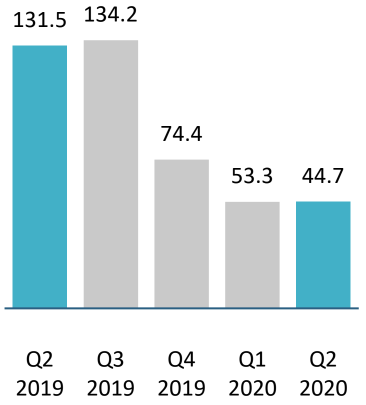
Outlook

- Magseis Fairfield is uniquely positioned for shift in client focus to cash preservation and cash/value generation on existing fields
- Some opportunities available for the fourth quarter 2020 – several acquisition opportunities slipping into 2021
- Uncertain market environment remains with Covid-19 and lower and more volatile oil prices
- Reducing year-over-year cash cost by 75%, by reducing SG&A and capex
- Safeguarding liquidity and flexibility to secure a good entry into 2021

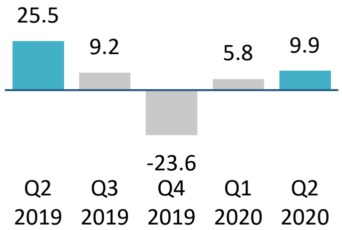
Note: The crew on the cover picture went through the full screening and testing program and were all tested negative for Covid, and were therefore allowed not to adhere to social distancing rules for this picture

USD millions

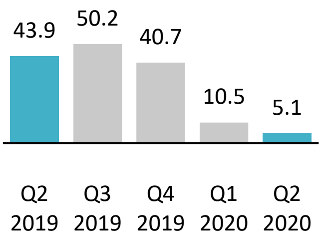
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Profit and loss						
Revenues	**44.7**	**53.3**	**131.5**	**98.0**	**251.0**	**459.6**
Cost of sales	(25.8)	(41.0)	(91.3)	(66.8)	(187.5)	(374.3)
Gross Profit	**18.9**	**12.3**	**40.2**	**31.2**	**63.5**	**85.3**
SG&A and R&D	(9.0)	(6.5)	(14.7)	(15.5)	(27.6)	(63.8)
EBITDA	**9.9**	**5.8**	**25.5**	**15.8**	**36.0**	**21.5**
EBITDA %	**22 %**	**11 %**	**19 %**	**16 %**	**14 %**	**5 %**
Special items affecting EBITDA	*-*	*-*	*(1.6)*	*-*	*(7.2)*	*(32.1)*
Depreciation	(10.6)	(11.8)	(13.9)	(22.5)	(29.4)	(56.7)
Amortization	(2.2)	(2.2)	(2.4)	(4.3)	(4.8)	(8.9)
Impairments	-	-	-	-	-	(106.2)
EBIT	**(2.9)**	**(8.1)**	**9.2**	**(11.0)**	**1.8**	**(150.4)**
Net financial items	0.2	(3.5)	1.5	(3.2)	(0.7)	7.0
Net profit (loss) before tax	(2.7)	(11.6)	10.7	(14.3)	1.2	(143.4)
Net profit (loss)	**(2.9)**	**(12.0)**	**9.7**	**(14.9)**	**(1.4)**	**(151.5)**
Other key figures						
Net cash from operating activities	5.1	10.5	43.9	15.6	55.6	144.7
Net cash used in investing activities	(11.1)	(16.1)	(25.9)	(27.3)	(44.3)	(112.6)
Net cash from financing activities	(4.9)	19.7	(13.7)	14.8	(25.1)	(46.8)
Total assets	351	365	555	351	555.0	357
Equity ratio	56 %	54 %	60 %	56 %	60 %	52 %
Cash and cash equivalents	56.6	65.8	54.2	56.6	54.2	53.4
Net interest-bearing debt	(23.9)	(33.2)	(8.8)	(23.9)	(8.8)	(20.9)

Comment from the CEO

While the Covid-19 pandemic and low oil price scenarios take its toll on the industry, we have continued to consistently perform on our existing projects and won new ones. Our priority remains to protect and preserve our cash position in order to have a good entry in to 2021. We continue to execute this strategy through safe, reliable and efficient operations, and by winning new projects which will serve as a springboard for securing additional work.

The safety of people and operations comes first

Since the start of the pandemic, our main priority has been the health and safety of our employees and I am glad to report that no Magseis Fairfield employees have been infected by Covid-19 while on our crews. Our aggressive testing and screening of our crews prior to them joining the vessels offshore, has identified seven people who had the virus but who were asymptomatic. Through our testing and screening program they were identified before joining the vessels, and quarantined onshore for two weeks and returned home safely after testing negative for the virus.

Responding to a challenging market

As mentioned in our Q1 report, cycles are always deeper and take longer than first expected. This is precisely what is playing out in the market. While there are still a few opportunities in Q4 2020, other opportunities have shifted to 2021. Tendering activity has already started for some 2021 projects, while other clients are still assessing whether work will indeed go ahead in 2021.

In this environment it is more important than ever to manage the things we control through our multi-layered approach consisting of SG&A and capex cuts, an asset light model, and technology differentiation and entrepreneurial spirit to reduce the cost for our services and improve our competitive advantage.

The previously announced cuts to SG&A and capex are being executed as planned. We maintain the SG&A guidance of USD 25 million for 2020 and capex of USD 15 million.

Good backlog execution

The ZXPLR1 crew in the GoM continued to perform well in the second quarter. The crew has full backlog for the remainder of the year. The crew on the Cornerstone multi-client project also performed well, and our Reservoir Monitoring and Source projects in Norway also delivered another solid performance in the quarter. Finally, we completed the build of the second and last batch of the Z100-nodes for an existing client in Asia.

New backlog

Adding new backlog in today's environment is challenging. We already announced the deepwater project award in Mexico in Q1, and in Q2 we also announced a project award for the 2021 North Sea summer season, with potential follow-on work in subsequent years.

In July we announced that we have secured additional pre-funding from another oil major, which further extends the Cornerstone multi-client survey to the end of the North Sea season. This award confirms the industry interest in this area and reduces Magseis Fairfield's relative exposure in the project.

The potential new acquisition projects we are discussing with our clients is aligned with our client's shifting focus away from exploring for new reserves in order to preserve cash and instead focus on cash generation from already explored and producing fields. Our clients are concentrating their efforts on a smaller number of projects to generate near-term cash and value. Our recent project awards match this renewed focus on cash and value and show that there are projects to be won and executed, also in this demanding market environment.

Consistent delivery of our strategy

In summary, we continue to consistently execute our strategy to protect and preserve our cash position to secure a good entry into 2021.

We are doing this by reducing our SG&A and capex while ensuring safe, reliable and efficient execution of our existing backlog. At the same time, we continue to work with our clients to secure new projects.

Carel Hooijkaas
CEO Magseis Fairfield

Financial review

Figures in brackets reflect figures for the corresponding period in the previous year, as per restatements announced with the Q3 2019 report (note 13)

Revenues

Revenue for the second quarter of 2020 was USD 44.7 million (131.5), which was a decline from USD 53.3 million in the first quarter 2020.

The decline from the previous quarter reflects the completion of a MASS I rental contract in January, whereas the year-on-year decline reflects that the company had significant revenue from node sales in the second quarter 2019.

The ongoing multi-client (MC) project is carried out in partnership with an industry major. There has been significant activity on the MC survey since the project commenced in March. Magseis Fairfield will recognize revenues from external sale of the multi-client survey data and its share of investments, including cost for vessels, crew, data processing and depreciation.

For the first half of 2020, revenues amounted to USD 98.0 million (251.0). The decline reflects the large node sales in 2019 and resizing of the operations to the current weaker market.

The order backlog stood at USD 151 million at the end of the second quarter 2020, of which USD 82 million is scheduled for delivery in 2020. This compares to a total backlog of USD 169 million at the end of first quarter, of which USD 125 million was scheduled for delivery in 2020.

Operational costs

Group cost of sales (CoS) amounted to USD 25.8 million in the second quarter of 2020 (91.3), down from USD 41.0 million in the first quarter 2020. The gross profit was hence USD 18.9 million (40.2), up from USD 12.3 million in the first quarter. The gross margin was 42% (31%), compared to 23% in the previous quarter.

The improved gross margin reflects better project margins, better operational cost control and improved operational execution.

For the first half of 2020, CoS amounted to USD 66.8 million, down from USD 187.5 million in the first half of 2019. Hence, gross profit amounted to USD 31.2 million and the gross margin to 32%, compared to a gross profit of USD 63.5 million and a gross margin of 25% for the first half of last year.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 9.0 million in the second quarter of 2020 (14.7), compared to USD 6.5 million in the previous quarter. It should be noted that the first quarter was positively affected by reversal of 2019 bonus accruals of approximately USD 4 million, and the underlying SG&A level thus continued to decline. Full effect from the restructuring will materialize from the second half of 2020.

For the first half of 2020, SG&A and R&D costs amounted to USD 15.5 million, compared to USD 27.6 million in 2019.

Following the worsening market situation with Covid-19 and lower and more volatile oil price scenarios, Magseis Fairfield, in April, announced further cost and capex reductions in order to preserve cash and ensure operational flexibility and safeguard business continuity.

The company expects a total SG&A cost level of around USD 25 million for the full year 2020, which corresponds to a decline of around 60% from the full-year SG&A cost level in 2019.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 12.8 million in the second quarter (16.3), compared to USD 14.0 million in the previous quarter.

For the first half of 2020, depreciation and amortization amounted to USD 26.8 million, down from USD 34.1 million in the first half of last year.

The company recorded no impairments in the first half 2020. The company performed an impairment test considering the shift in market fundamentals due to Covid-19 and lower and more volatile oil price scenarios. While the assets are exposed to a highly uncertain outlook, no further impairments have been deemed necessary as of first half 2020.

Results

EBITDA

Reported EBITDA was USD 9.9 million in the second quarter 2020 (25.5), compared to USD 5.8 million in the previous quarter. These positive results were delivered in the middle of the Covid-19 pandemic including lock-downs and travel restrictions.

The sequential EBITDA improvement from the first quarter 2020 and fourth quarter 2019 reflects both higher project margins, improved operational execution and overall cost reductions, in line with the targets for the restructuring and reorganization of the company over the past nine months.

EBITDA was USD 15.8 million (36.0) for the first half of 2020, positively impacted by reversal of 2019 bonus provisions in the first quarter 2020.

Operating result (EBIT)

The operating loss in the second quarter 2020 of USD 2.9 million (+9.2) compares with an operating loss of USD 8.1 million in the first quarter.

In the first half of 2020, the operating loss amounted to USD 11.0 million (+1.8).

Net financial items

Net financial items were a positive USD 0.2 million in the second quarter, compared to a positive USD 1.5 million in the second quarter last year.

For the first half year 2020, the company recorded net finance costs of USD 3.2 million, compared to net finance costs of USD 0.7 million in the first half year 2019.

Net financial items in second quarter and first half 2019 was significantly affected by financial income from revaluation of warrants.

Net profit/ loss

Net loss before tax was USD 2.7 million in the second quarter 2020 (+10.7), compared to a net loss of USD 11.6 million in the first quarter 2020.

Income tax expense was USD 0.2 million and net loss after tax was hence USD 2.9 million. The tax charge in the quarter reflects tax provisions for projects. In the second quarter 2019, tax expense was USD 1.0 million and net profit after tax USD 9.7 million.

Net loss for the first half of 2020 was USD 14.9 million, compared to a net loss after tax of USD 1.4 million for the first half of 2019.

The group is currently not recognising any tax losses carried forward as tax assets.

Balance Sheet

Total assets for the Group was USD 351.5 million at the end of the second quarter 2020, compared to USD 356.5 million at the end of 2019.

Property, plant and equipment (PPE) amounted to USD 160.0 million at the end of second quarter, down from USD 172.1 million at the end of 2019.

The company is currently working on a multi-client project that commenced late in the first quarter. The multi-client library was recognised at USD 16.4 million at the end of the quarter.

Intangible assets stood at USD 62.0 million at the end of the first half 2020, down from USD 65.4 million at the end of 2019. The company does not have goodwill on the balance sheet.

Total non-current assets hence amounted to USD 238.4 million, compared to USD 237.5 million at the end of 2019.

Current assets were USD 113.1 million, compared to USD 119.0 million at the end of 2019.

Cash and cash equivalents amounted to USD 56.6 million at the end of the second quarter, up from USD 53.4 million at year-end 2019 and down from 65.8 million at the end of the first quarter 2020.

Inventories decreased to USD 7.1 million from USD 18.9 million at the end of 2019, mainly reflecting a node sale in the first half 2020. Trade receivables increased to USD 34.2 million from USD 24.4 million. Other current assets decreased to USD 15.2 million from USD 22.3 million at the end of 2019.

The Group's equity amounted to USD 196.4 million at the end of the second quarter, up from USD 184.6 million at the end of 2019. Equity change in the year is positively impacted by the private placement completed in the first quarter. The equity ratio thus increased to 55.9% from 51.8% at the end of 2019.

Non-current liabilities amounted to USD 45.0 million at the end of the quarter, compared to USD 30.8 million at the end of 2019. The change reflects the refinancing completed in first quarter 2020.

The non-current liabilities comprised interest-bearing liabilities of USD 31.7 million, lease liabilities of USD 9.2 million, and non-interest-bearing liabilities of USD 4.0 million.

Current liabilities stood at USD 110.1 million at the end of the second quarter, compared to USD 141.1 million at the end of 2019. Trade payables decreased to USD 15.0 million from USD 29.0 million at the end of 2019. The current portion of interest-bearing liabilities was reduced to USD 1.0 million (16.7) following refinancing in the first quarter and a down-payment of USD 3.3 million in the second quarter. The current portion of obligations under finance leases was USD 8.7 million, compared to USD 16.2 million at the end of 2019. Current tax payable was USD 6.7 million. Other current liabilities were USD 78.6 million, comprising project accruals, restructuring accruals, warranty accruals, deferred revenue and other operational accruals.

Cash Flow and Investments

Cash inflow from operating activities was USD 5.1 million in the second quarter (43.9), compared to USD 10.5 million in the first quarter of 2020. This reflects cash earnings in the period offset by cash effects from a net working capital increase of USD 5.2 million in the second quarter.

Net cash used for investing activities amounted to USD 11.1 million in the second quarter, of which USD 3.2 million was acquisition of equipment, USD 0.1 million investment in intangibles, and USD 7.8 million investment in multi-client library.

This compares to a net cash outflow of USD 25.9 million for investments in the second quarter 2019, and USD 16.1 million in the previous quarter.

Cash outflow from financing activities was USD 4.9 million in the second quarter 2020, compared to a cash outflow of USD 13.7 million in the second quarter 2019. The cash outflow mainly reflects payments of lease obligations and paid interest. Down-payment of interest-bearing liabilities of USD 3.3 million was offset by net proceeds of USD 3.6 million from a new U.S. loan program.

For the first half of 2020 cash inflow from operating activities was USD 15.6 million (55.6).

Net cash flow used for investing activities amounted to USD 27.3 million in the first half of the year (44.3), of which USD 14.9 million relates to the multi-client survey.

As part of the company's new initiatives to reduce cash spending in 2020, the expected capex level was further reduced in April to USD 15 million for 2020, excluding the investments in the multi-client library. This corresponds to a decline of around 80% from the full-year capex level in 2019.

Cash inflow from financing activities was USD 14.8 million in the first half of 2020 (-25.1), including proceeds from a private placement of USD 25.5 million in the first quarter.

Funding and liquidity

The financial results for the Group in 2019 were characterised by financial and operational challenges, resulting in significant impairment, restructurings, write offs and other special items that impacted the numbers negatively. The new management in October initiated a company turn-around and implemented significant restructuring measures and capex and cost cuts to restore profitability.

The company carried out a private placement raising gross proceeds of USD 28 million in February, and at the same time refinanced a term loan into a USD 30 million RCF with a new covenant structure to strengthen the balance sheet and liquidity position. Magseis Fairfield is in compliance with all financial covenants as of 30 June 2020.

Further cost measures were announced early in the second quarter as a response to a weaker market environment, including furloughs, headcount reductions, and other cost and capex reductions.

At the end of the first half of 2020, Magseis Fairfield held USD 56.6 million in cash and cash equivalents. Given the SG&A cost reductions and lower capital expenditure planned for 2020, it is the Board of Directors' view that this provides a sufficient liquidity buffer even in the lower revenue scenarios brought about by the Covid-19 situation and the lower and more volatile oil price levels. The Board and management are therefore of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption.

Operations

Safety and welfare the main priority

The safety and welfare of its employees, their families and local communities remains Magseis Fairfield's primary concern during the Covid-19 pandemic.

In the second quarter, the Covid-19 Risk Management Plan was updated to deal with the dynamic nature of responses from independent countries' regulatory regimes. The changes were focused on strengthening crew change protocols. The testing regime has proved effective and was well received by personnel and clients. Testing and screening prior to joining offshore vessels has successfully identified seven positive Covid-19 cases among the personnel. They were quarantined onshore for two weeks and returned home safely after testing negative for the virus. The company is glad to report that all have recovered.

For operational continuity this was critical as it enabled the crews to work Covid-19 free on the vessels.

Office personnel generally continue to work remotely, with location specific plans put in place to monitor office use to ensure limited personnel in office locations, proper social distancing, and hygiene practices for those who need to come in.

The rollout of the new integrated QHSE Management System continued throughout the second quarter, with the primary focus on implementation and training across the organization. It has been utilized successfully on several ongoing projects, with excellent collaboration and results between Magseis Fairfield's employees, contractors, critical suppliers, and our customers.

A supplier and timeframe for ISO certification gap analysis (14001/45001 & 9001) has been prepared for the fourth quarter. The gap analysis will be a desktop review and will not require substantial resource from management at this stage. The certification audit will check the implementation of the Management System when this is rescheduled.

During the second quarter of 2020 Magseis Fairfield registered 854,888 exposure hours, an increase of 8.2% from last quarter.

The company recorded one medical treatment case (industry recordable), and four first aid cases this quarter. Total Recordable Case Frequency (TRCF) for the quarter was 1.17, an improvement compared to the previous quarter. The 12-month rolling average TRCF was 1.81. This represents an increase from last quarter, mostly driven by an incident in late 2019 and the reduced number of exposure hours in the first half of 2020 vs. 2019.

Magseis Fairfield is measuring its operational carbon footprint for 2020. Through the second quarter, projects realized an increased average daily fuel consumption due to a greater number of working days compared to the first quarter. Despite this, overall SOx emissions were lower in the second quarter as a result of the new IMO 2020 fuel requirements taking effect. We anticipate this number will continue to decrease as older fuel is consumed and replaced with the newer standard fuel.

The impacts of the Covid-19 pandemic have resulted in a review of the strategic objectives and the annual QHSE Plan. The annual QHSE Plan including the Audit plans (ISO / Critical Suppliers) were updated to more realistic targets given the travel restrictions and resources available, but are still focused on delivering a full gap analysis of the MS against ISO 9001; 14001; and 45001 standards before year end, in preparation for certification in 2021.

The planned health campaign has been redefined to focus on Mental Health Awareness in response to the increased stress and impacts that are associated with the pandemic, furloughs and the general industry downturn.

Operations in the quarter

Operations continued as normal and on plan in the second quarter of 2020. Magseis Fairfield worked on eight different seismic acquisition and rental projects during the quarter.

The ZXPLR crew continued operations in the deepwater Gulf of Mexico in North America. The crew completed Magseis Fairfield's 65th survey overall and 40th deepwater node survey on time and budget. The crew has moved on to the next project in the Gulf of Mexico. This crew currently has backlog for the remainder of the year.

The Z700 node-on-a-rope crew continued work on the Cornerstone multi-client project in the UK sector of the North Sea, which is set to continue throughout the North Sea season. The remaining backlog will take place in the next season of 2021.

Two Reservoir Monitoring and Source (RMS) crews were mobilized for the spring season in the North Sea and completed PRM campaigns on three major oil fields. The third RMS crew is preparing for mobilization for work in the North Sea in the third quarter. In the quarter, preparations were underway for the mobilization in Q3 for a small job in the North Sea using MASS1.

The building of the second and last Z100 nodes and equipment batch for an existing Asian client were completed.

In addition, the company continued maintenance and development work on the low frequency source to prepare it for its next survey.

Technology

Mark Zajac joined Magseis Fairfield as Chief Technology Officer in June. Mark has more than 22 years in the seismic industry having previously worked with WesternGeco. His leadership ability coupled with his operational and technology experience make him a good fit for Magseis Fairfield.

The company continued with its rightsizing plans in the second quarter and took further steps to manage costs through furloughs which are expected to continue into the final quarter of the year. The company's manufacturing partners have been able to defer a number of projects while maintaining delivery schedules for current orders. Magseis Fairfield has not seen any significant Covid-19 related issues with its suppliers or the supply chain.

Work continues with the shift to contract manufacturing and the company expects the first deliveries from its Scandinavian and US suppliers during the third quarter.

Due to the current global economic and pandemic crisis, Magseis Fairfield has slowed down additional development projects and has worked with manufacturing partners to defer the manufacturing of MASS III. However, work continues on the verification and validation testing on nodes and the ZXPLR back deck project.

Employees and contractors

As per 30 June 2020, the Group had a total of 449 FTEs, with 344 employees and 105 contractors. This compares to 563 FTEs at the end of the first quarter 2020, 622 FTEs at the end of 2019 and 650 FTEs as at 30 June 2019.

Risks and uncertainties

As described in the Annual Report for 2019, Magseis Fairfield's ongoing business activities entails exposure to a variety of risk factors, including risk related to global economic growth and demand for and prices of oil and gas products. These factors affect the oil and gas companies' capital spending for exploration and development expenditures such as seismic services.

The outbreak and spreading of Covid-19 during the first half of 2020 highlighted these risk factors. The following reduction in economic activity led to a sharp and significant reduction in oil demand and has since generated an oversupply situation with lower and more volatile oil prices.

The risks and uncertainties regarding the extraordinary measures and economic effects limit the visibility going forward. Several oil and gas companies have already announced significant reductions in capital spending, including spending for exploration and development expenditures such as seismic services. The impact on outlook for the ocean seismic market has been significant.

As described in the Annual Report, the Group's order book (or backlog) estimates are based on certain assumptions and may be subject to unexpected adjustments and cancellations. The backlog may thus not be timely converted to revenues or be indicative of the Group's actual operating results for any future period. Contracts for the provision of seismic services can be cancelled at the sole discretion of the client without payment of significant cancellation costs to the service provider. This indicates that there can be no assurance that such contracts will be wholly executed by the Group. Similarly, there can be no guarantee that the company will be able to meet customers' contractual terms and conditions in a timely manner, which may also have an adverse effect on the Group's operations and financial position.

Magseis Fairfield has taken actions to protect and preserve its cash position in response to the increased market uncertainty. The company's cost measures are designed to lower SG&A to approximately USD 25 million and capital expenditure to USD 15 million for 2020. These levels are 60% and 80%, respectively, lower than the corresponding levels in 2019. These lower cost and capex levels reflect management's best assessment of the activity outlook for 2020.

The company's business continuity plans have ensured that the company complies with all regulations and recommendations from local authorities in all locations, with strict testing and sanitation standards for both offshore and onshore operations. At the same time, Magseis Fairfield is committed to deliver quality execution of all projects.

Magseis Fairfield had equity of USD 196.4 million, corresponding to an equity ratio of 55.9 % at the end of the first half 2020.

Cash flow from operations was USD 15.6 million in the first half of 2020, whereas the cash outflow from investing activities was USD 27.3 million. The company has worked to reduce its investment commitments for 2020.

Magseis Fairfield had a cash position of USD 56.6 million at the end of the first half of 2020, which is considered sufficient to ensure a good entry into 2021. Interest-bearing debt was negative (i.e. net cash position) at USD 23.9 million at the end of the first half of 2020.

For other risk factors, please refer to the Board of Directors report in the Annual Report for 2019.

Outlook

The coronavirus has impacted world economies and the demand for hydrocarbons. The oil price has rebounded after an initial sharp negative price reaction in March and April but is being held at low and volatile levels due to low demand. The impact on the E&P industry has been profound and is likely to last for some time.

Magseis Fairfield's clients have cut their capex and cancelled or postponed their investment plans to preserve cash. In 2020, only a few opportunities remain for the fourth quarter. Tendering activity for some projects in 2021 has already begun, whereas other clients are still assessing whether projects will be postponed further.

Generally, clients are shifting their focus away from exploring for new reserves in order to preserve cash and focus on cash generation from already explored and producing fields.

In addition to the shift away from exploration to preserve cash, our clients are also changing from cash heavy drilling operations to a less cash intensive data driven field development using among others, node data.

From a cash generation and value perspective, our clients are concentrating their efforts on a smaller number of projects to generate near-term cash and value.

Both from a cash preservation, cash generation and value perspective, Magseis Fairfield is uniquely positioned in these new focus areas of our clients. Our node acquisition and reservoir monitoring and source businesses are at the heart of this.

Given this backdrop, Magseis Fairfield's offering and OBN data quality will be more important than ever for our clients. From an imaging perspective, the superior data quality will allow for better well placement and production management. In addition, OBN is unmatched compared to any other seismic acquisition technique from a repeatability/4D perspective, giving our clients superior imaging and the tools to better manage their reservoirs over time. These Magseis Fairfield deliverables are key for our clients who are in cash preservation and cash generation mode, with a clear focus on value generation.

Magseis Fairfield has entered the current cycle with a solid cash position and an asset light business model. Management has taken decisive action to navigate this new market reality.

The organization has been adjusted to fit with the activity that has already been secured. The company's cost base has been aligned with a low case revenue scenario based on secured backlog, which will protect and preserve the cash position. This sets up Magseis Fairfield in the best possible way to weather the storm and secure a good entry into 2021.

The company will maintain a sharp focus on safe, efficient and reliable project execution of the existing backlog. The company has demonstrated that it can continue to win new projects also in the current market, as shown by new acquisition awards in Mexico and the North Sea, and new pre-commits in our multi-client business.

With experienced people, differentiating technology and an asset light business model the company will continue to work tirelessly to be the trusted partner for its clients and make Ocean Bottom Nodes the technology of choice for seismic data.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 June 2020 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 2019 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 24 August 2020

Sign.

Condensed consolidated statement of comprehensive income

		Quarter ended		*Six months ended*		
USD thousands	Note	Q2 2020 (unaudited)	Q2 2019 (unaudited)	YTD 2020 (unaudited)	YTD 2019 (unaudited)	Full Year 2019 (audited)
Revenue and other income						
Revenue and other income	3	44 746	131 539	98 028	251 041	459 625
Operating expenses						
Cost of sales		(25 820)	(91 299)	(66 796)	(187 481)	(374 308)
General and administrative costs		(8 985)	(14 722)	(15 471)	(27 605)	(63 812)
Depreciation	5,6	(10 649)	(13 941)	(22 453)	(29 353)	(56 686)
Amortization	7	(2 191)	(2 355)	(4 347)	(4 783)	(8 960)
Impairment	5,6,7,12	-	-	-	-	(106 245)
Total operating expenses		(47 645)	(122 317)	(109 067)	(249 222)	(610 011)
Operating profit/(loss)		(2 898)	9 222	(11 038)	1 819	(150 386)
Finance income and expenses						
Finance income		1 366	3 295	2 271	4 354	14 394
Finance expense		(1 123)	(1 830)	(5 492)	(5 007)	(7 373)
Net finance income/(expenses)	4	242	1 465	(3 221)	(653)	7 021
Net profit/(loss) before tax		(2 656)	10 687	(14 259)	1 166	(143 365)
Income tax expense	13	(225)	(963)	(650)	(2 605)	(8 176)
Net profit/(loss)		(2 881)	9 724	(14 910)	(1 439)	(151 541)
Basic earnings/(loss) per share (USD) attributable to the ordinary equity		(0.01)	0.05	(0.06)	(0.01)	(0.82)
Diluted earnings/(loss) per share (USD) attributable to the ordinary equity		(0.01)	0.05	(0.06)	(0.01)	(0.82)
Other comprehensive income						
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the period		(2 881)	9 724	(14 910)	(1 439)	(151 541)

Condensed consolidated statement of financial position

USD thousands	Note	30-Jun 2020 (unaudited)	30-Jun 2019 (unaudited)	31-Dec 2019 (audited)
Non-current assets				
Goodwill	7	-	81 131	-
Property, Plant and Equipment	5	160 041	183 559	172 091
Multi-client library	7	16 371	-	-
Other intangible assets	7	61 970	73 707	65 406
Total non-current assets		238 381	338 396	237 496
Current assets				
Cash and cash equivalents		56 615	54 230	53 432
Trade receivables	1	34 181	88 808	24 353
Inventories	4	7 073	42 347	18 928
Other current assets	5	15 235	31 669	22 310
Total current assets		113 104	217 056	119 021
Total assets		351 485	555 452	356 518
Equity				
Share capital	8	1 578	1 167	1 167
Share premium	8	407 662	382 148	382 148
Other equity		(212 791)	(49 710)	(198 721)
Total shareholders' equity		196 449	333 605	184 594
Non-current liabilities				
Lease liabilities	6	9 237	18 494	10 707
Interest bearing liabilities	9	31 720	23 946	15 824
Non-interest-bearing liabilities		4 000	15 364	4 263
Total non-current liabilities		44 957	57 804	30 794
Current liabilities				
Trade payables	11	15 041	54 838	29 003
Current tax payable		6 690	3 540	7 895
Current portion of interest-bearing liabilities	9	1 019	21 467	16 667
Current portion of lease liabilities	6	8 725	17 796	16 195
Other current liabilities		78 605	66 400	71 369
Total current liabilities		110 080	164 043	141 129
Total liabilities		155 037	221 847	171 923
Total equity and liabilities		351 485	555 452	356 518

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance at 1 January 2020	1 167	382 148	5 784	(204 505)	184 594
Share issuance tranche 1	199	13 301	-	-	13 500
Expenses related to tranche 1	-	(683)	-	-	(683)
Share issuance tranche 2	213	14 249	-	-	14 462
Expenses related to tranche 2	-	(1 354)	-	-	(1 354)
Share based payments	-	-	864	-	864
Other changes	-	-	-	(24)	(24)
Profit/(Loss) for the period	-	-	-	(14 910)	(14 910)
Balance at 30 June 2020	1 578	407 662	6 648	(219 439)	196 449

For the six months ended 30 June 2019 and year ended 31 December 2019

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Total
Balance at 1 January 2019	1 166	382 152	3 244	(52 988)	333 574
Share issuance	1	(4)	-	-	(3)
Share based payments	-	-	1 478	-	1 478
Other changes	-	-	-	(5)	(5)
Profit/(loss) for the period	-	-	-	(1 439)	(1 439)
Balance at 30 June 2019	1 167	382 148	4 722	(54 432)	333 605
Share based payments	-	-	1 062	-	1 062
Other changes	-	-	-	29	29
Profit/loss for the period				(150 102)	(150 102)
Balance at 31 December 2019	1 167	382 148	5 784	(204 505)	184 594

Condensed consolidated statement of cash flow

USD thousands	Note	Quarter ended Q2 2020 (unaudited)	Q2 2019 (unaudited)	Six months ended YTD 2020 (unaudited)	YTD 2019 (unaudited)	Full Year 2019 (audited)
Cash flows from operating activities						
Profit/(loss) before tax		(2 656)	10 687	(14 259)	1 166	(143 364)
Income tax paid	13	(225)	(1 848)	(650)	(2 304)	(4 332)
Depreciation, amortization and impairment	5,6,7,12	12 840	16 297	26 800	34 136	171 892
Share-based payments expense		476	(1 490)	864	1 478	2 540
Finance expense	4	1 123	2 433	5 492	5 007	7 373
Finance income	4	(1 366)	(4 068)	(2 271)	(4 354)	(14 394)
Cost of sale of nodes		-	9 311	-	15 910	29 058
Other non-cash effects		-	-	-	5 600	-
(Increase)/decrease in current assets		1 998	12 643	8 225	(10 790)	91 961
Increase/(decrease) in current liabilities		(7 117)	(89)	(8 617)	9 708	4 007
Net cash from operating activities		5 073	43 876	15 583	55 557	144 740
Cash flows from investing activities						
Interest received	4	-	108	77	394	735
Investment in multi-client library	7	(7 827)	-	(14 926)	-	-
Investment in other intangibles	7	(126)	-	(911)	-	-
Acquisition of equipment	5	(3 158)	(26 034)	(11 506)	(44 719)	(91 204)
Investment in subsidiaries		-	-	-	-	(22 170)
Net cash used in investing activities		(11 111)	(25 926)	(27 266)	(44 325)	(112 639)
Cash flows from financing activities						
Down payments of interest-bearing liabilities	9	(3 333)	(8 187)	(3 333)	(14 040)	(22 374)
Net proceeds from new loan	9	3 568	-	3 568	-	-
Payment of finance lease liabilities	6	(3 794)	(4 200)	(8 798)	(7 947)	(18 775)
Net proceeds from issue of share capital	8	(307)	(5)	25 513	(2)	(2)
Interest paid	4	(1 031)	(1 333)	(2 140)	(3 123)	(5 629)
Net cash from financing activities		(4 897)	(13 725)	14 810	(25 112)	(46 780)
Net change in cash and cash equivalents		(10 934)	4 225	3 127	(13 880)	(14 679)
Currency effects on cash		1 799	-	56	-	-
Cash and cash equivalents at period start		65 751	50 006	53 432	68 110	68 110
Cash and cash equivalents at period end*		56 615	54 231	56 615	54 230	53 432

**Restricted cash as of 30 June 2020 is USD 1.3 million*

Notes to the condensed consolidated Interim financial statements

1. Reporting entity

Magseis Fairfield ASA (the Company) is a public limited liability company listed on the Oslo Stock Exchange main list and domiciled in Norway. The condensed consolidated interim financial statements ("interim financial statements") comprise the company and its subsidiaries.

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the International Financing Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting as adopted by the European Union and additional Norwegian regulations.

2.2 Significant accounting judgements, estimates and assumptions

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2019.

2.3 Accounting principles

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Magseis Fairfield ASA. The 2019 consolidated financial statements for the Group are available at www.magseisfairfield.com.

The accounting polices applied in these interim financial statements are the same as those applied in the 2019 Group's Annual accounts.

2.4 Other

The interim financial statements have not been subject to audit.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD which is Magseis Fairfield ASA's and all other Group entities' functional currency and the Group's presentation currency

Numbers are rounded to the nearest USD thousands, unless otherwise stated. As a result of rounding differences, numbers or percentages may not add up to the total.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for any subsequent interim period or annual accounts.

3. Revenue and segment information

The Group is operating in one segment being geophysical surveys with respect to products and services.

For internal reporting purposes, payments for long-term lease contracts under IFRS 16 are recognized as operating cost to have consistent accounting treatment for payments of short and long-term leases. Under IFRS 16, long-term leases are capitalized, and the cost of the leases are shown as depreciation and interest expense, see note 6 for further details.

Multi-client revenue are for internal reporting purposes recognized in accordance with industry practice prior to implementation of IFRS 15 where revenue is calculated using a percentage of completion method and the related amortization of multi-client library is based upon the ratio of aggregate capitalized survey costs to forecasted sales. Under IFRS 15, any prefunding amount collected from customers prior to completion of the project is recognized as contract liability and revenue is recognized at the point in time when the data access is transferred to the customer.

The below table reconciles internal (segment) and external (IFRS) reporting.

Q2 2020

	Quarter ended 30-Jun-20			*Quarter ended 30-Jun-19*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	25 770	-	25 770	78 436	-	78 436
Systems	12 598	-	12 598	41 182	-	41 182
Reservoir Monitoring/Source	6 378	-	6 378	11 920	-	11 920
Multi-client prefunding	4 652	(4 652)	-	-	-	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	49 398	(4 652)	44 746	131 539	-	131 539
Cost of sales	(30 353)	4 533[1]	(25 820)	(95 008)	3 709[1]	(91 299)
SG&A and R&D costs	(9 089)	105[2]	(8 985)	(15 214)	492[2]	(14 722)
EBITDA	9 955	(14)	9 941	21 317	4 200	25 518
Multi-client amortization	(3 024)	3 024	-	-	-	-
EBITDA after multi-client amortization	6 931	3 010	9 941	21 317	4 200	25 518
Depreciation and amortization	(8 497)	(4 343)[3]	(12 840)	(12 503)	(3 793)[3]	(16 296)
Impairments	-	-	-	-	-	-
EBIT	(1 566)	(1 332)	(2 898)	8 814	407	9 222

[1] Vessel lease payments
[2] Office lease payments
[3] Depreciation of right of use assets (IFRS 16)

H1 2020

USD thousands	Six months ended 30-Jun-20 Segment	Adj.	As reported	Six months ended 30-Jun-19 Segment	Adj.	As reported
Acquisition	62 260	-	62 260	144 106	-	144 106
Systems	28 497	-	28 497	88 088	-	88 088
Reservoir Monitoring/Source	7 271	-	7 271	16 673	-	16 673
Multi-client prefunding	5 579	(5 579)	-	-	-	-
Multi-client aftersales	-	-	-	2 175	-	2 175
Total revenues	103 607	(5 579)	98 028	251 041	-	251 041
Cost of sales	(75 796)	8 999	(66 796)	(194 445)	6 964	(187 481)
SG&A and R&D costs	(16 113)	643	(15 471)	(28 589)	984	(27 605)
EBITDA	11 698	4 063	15 761	28 007	7 948	35 955
Multi-client amortization	(3 682)	3 682	-		-	-
EBITDA after multi-client amortization	8 016	7 745	15 761	28 007	7 948	35 955
Depreciation and amortization	(18 107)	(8 692)	(26 799)	(26 283)	(7 853)	(34 136)
Impairments	-	-	-	-	-	-
EBIT	(10 092)	(946)	(11 038)	1 724	95	1 819

FY 2019

USD thousands	Year ended 31-Dec-19 Segment	Adjustments	As reported
Acquisition	289 507	-	289 507
Systems	137 466	-	137 466
Reservoir Monitoring/Source	30 477	-	30 477
Multi-client aftersales	2 175	-	2 175
Total revenues	459 625	-	459 625
Cost of sales	(391 115)	16 807	(374 308)
SG&A and R&D costs	(65 780)	1 968	(63 812)
EBITDA	2 730	18 775	21 505
Depreciation and amortization	(48 421)	(17 225)	(65 646)
Impairments	(106 245)	-	(106 245)
EBIT	(151 936)	1 550	(150 386)

4. Finance income and expenses

	Quarter ended		*Six months ended*		
USD thousands	Q2 2020	Q2 2019	YTD 2020	YTD 2019	Full Year 2019
Finance Income					
Foreign exchange gains	1 371	(373)	1 931	399	1 160
Revaluation of warrants	0	3 560	263	3 560	6 482
Interest income	(5)	109	77	395	728
Other financial income	-	-	-	-	6 024
Total financial Income	1 366	3 295	2 271	4 354	14 394
Finance expenses					
Foreign exchange losses	13	170	(3 063)	(433)	(1 257)
Interest expense loan facility	(638)	(1 263)	(1 274)	(2 163)	(2 177)
Interest expense leases	(372)	(771)	(844)	(1 179)	(2 381)
Other financial expenses	(127)	35	(311)	(1 232)	(1 558)
Sum financial expenses	(1 123)	(1 830)	(5 492)	(5 007)	(7 373)
Net finance income/(expenses)	242	1 465	(3 221)	(653)	7 021

5. Property, Plant & Equipment (PPE)

2020

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance at 1 January 2020	176 093	56 443	5 672	43 392	281 600
Additions	1 266	10 208	32	-	11 506
Disposals/retirement	(20 564)	(223)	(423)	-	(21 209)
Reclass- asset under construction	2 331	(2 401)	69	-	(0)
Other changes	-	-	-	36	36
Balance at 30 June 2020	159 127	64 028	5 350	43 428	271 932
Accumulated depreciation and impairment					
Balance at 1 January 2020	(85 205)	(1 806)	(4 559)	(17 939)	(109 509)
Depreciation for the period	(15 751)	-	(285)	(8 692)	(24 728)
Accumulated depreciation disposed/retired	20 129	1 806	411	-	22 346
Impairment	-	-	-	-	-
Balance at 30 June 2020	(80 828)	-	(4 433)	(26 631)	(111 891)
Net carrying amounts					
Balance at 1 January 2020	90 888	54 637	1 113	25 453	172 091
Balance at 30 June 2020	78 299	64 028	918	16 797	160 041

2019

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance at 1 January 2019	153 647	38 092	1 898	-	193 637
PPA adjustments	7 400	5 291	-	-	12 691
Revised balance at 1 January 2019	161 047	43 383	1 898	-	206 328
IFRS 16 implementation	-	-	-	19 937	19 937
Additions	33 309	57 390	407	23 455	114 562
Disposals/retirement	(42 243)	(19 135)	(68)	-	(61 446)
Reclass - asset under construction	23 980	(28 804)	4 824	-	-
Other changes	-	3 610	(1 389)	-	2 221
Balance at 31 December 2019	176 093	56 443	5 672	43 392	281 600
Accumulated depreciation and impairment					
Balance at 1 January 2019	(44 338)	-	(701)	-	(45 039)
Depreciation for the period	(48 791)	-	(669)	(17 225)	(66 685)
Accumulated depreciation disposed/retired	23 184	-	9	-	23 193
Impairment	(15 261)	(1 806)	(3 197)	(714)	(20 978)
Balance at 31 December 2019	(85 205)	(1 806)	(4 559)	(17 939)	(109 509)
Net carrying amounts					
Balance at 1 January 2019	116 709	43 383	1 197	-	161 289
Balance at 31 December 2019	90 888	54 637	1 113	25 453	172 091

Capital commitments

The Group has entered into contractual commitments for the acquisition of seismic equipment in 2020 and 2021 amounting to USD 5 million as of 30 June 2020. Below is the capital commitments as per balance sheet dates.

USD thousands	Total
Capital commitments as of 31 Dec 2019	19 800
Capital commitments as of 30 Jun 2020	5 000

6. Leases

Extension and termination options have not been included per the reporting date as these are primary used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The assessment to whether utilize extension and termination options are done by management on a contract by contract basis in line with operational requirements for each project.

2020

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2020	14 797	10 656	25 453
Additions	-	-	-
Depreciation	(7 432)	(1 259)	(8 691)
Other adjustments	-	35	35
Balance 30 June 2020	7 365	9 432	16 797

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2020	10 707	16 195	26 902
Additions	-	-	-
Lease payments	-	(8 798)	(8 798)
Reclassification	(1 328)	1 328	-
Other adjustments	(142)	-	(142)
Balance 30 June 2020	9 237	8 725	17 962

2019

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2019	-	-	-
Implementation of IFRS 16	11 870	8 067	19 937
Additions	18 635	4 723	23 358
Depreciation	(7 329)	(524)	(7 853)
Other adjustments	(664)	(898)	(1 562)
Balance 30 June 2019	22 512	11 368	33 880
Additions	-	-	-
Depreciation	(8 477)	(895)	(9 372)
Other adjustments	762	897	1 659
Impairment	-	(714)	(714)
Balance 31 December 2019	14 797	10 656	25 453

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2019	-	-	-
Implementation of IFRS 16	10 731	9 212	19 943
Additions	16 526	6 832	23 358
Lease payments	-	(7 947)	(7 947)
Reclassification to current	(9 699)	9 699	-
Other adjustments	936	-	936
Balance 30 June 2019	18 494	17 796	36 290
Additions	-	-	-
Reclassification to current	(9 227)	9 227	-
Lease payments	-	(10 828)	(10 828)
Other adjustments	1 440		1 440
Balance 31 December 2019	10 707	16 195	26 902

7. Intangibles

The multi-client library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. For multi-client projects, Magseis Fairfield may invest in the project with other parties and has cooperation agreements whereby revenues will be shared with other companies. These agreements are initiated and agreed as joint operations where both parties have rights to the assets and share in the liabilities. Magseis Fairfield recognizes its investment net of partner cost sharing as multi-client library and will recognize its 50 percent share of revenues generated by the library. Any pre-funding amount collected from customers prior to completion of the project is recognized as contract liability as revenue is recognized at the point in time when the data access is transferred to the customer.

2020

USD thousands	Goodwill	Other intangibles	Multi-client library	Total
Accumulated Investment				
Balance at 1 January 2020	81 131	81 296	-	162 427
Additions	-	911	16 371	17 281
Balance at 30 June 2020	81 131	82 207	16 371	179 708
Accumulated Depreciation and Impairment				
Balance at 1 January 2020	(81 131)	(15 890)	-	(97 021)
Amortization for the period	-	(4 347)	-	(4 347)
Balance at 30 June 2020	(81 131)	(20 237)	-	(101 368)
Net carrying amounts				
Balance at 1 January 2020	-	65 406	-	65 406
Balance at 30 June 2020	-	61 970	16 371	78 341

Other intangible assets include customer relations and technology development acquired through business combinations. The useful life of the acquired technology is 10 years.

There is no amortization of the multi-client projects until the project is completed. Once a multi-client project is completed, straight-line amortization is applied on a monthly basis.

2019

USD thousands	Goodwill	Other intangibles	Multi-client library	Total
Accumulated Investment				
Balance at 1 January 2019	81 131	81 296	-	162 427
Balance at 30 June 2019	81 131	81 296	-	162 427
Balance at 31 December 2019	81 131	81 296	-	162 427
Accumulated Depreciation and Impairment				
Balance at 1 January 2019	-	(2 816)	-	(2 816)
Amortization for the period	-	(4 773)	-	(4 783)
Balance at 30 June 2019	-	(7 589)	-	(7 599)
Amortization for the period	-	(4 177)	-	(4 177)
Impairment for the period	(81 131)	(4 113)	-	(85 244)
Balance at 31 December 2019	(81 131)	(15 889)	-	(97 020)
Net carrying amounts				
Balance at 1 January 2019	81 131	78 480	-	159 611
Balance at 30 June 2019	81 131	73 707	-	154 838
Balance at 31 December 2019	-	65 406	-	65 406

8. Share Capital and Reserves

The shares of Magseis Fairfield ASA are listed on the main list at Oslo Stock Exchange.

Share capital issued

USD thousands	Number of shares	Share price at NOK	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid				
Balance at 1 January 2019	184 982 362		1 166	382 151
Private placement 14 January 2019	2 019	17.0	-	3
Private placement 24 April 2019	186 211	0.1	1	(6)
Balance at 30 June 2019 & 31 December 2019	185 170 592		1 167	382 148
Private placement 17 February 2020	37 034 118	3.4	199	12 618
Private placement 17 March 2020	44 565 882	3.4	213	12 895
Balance at 30 June 2020	266 770 592		1 578	407 662

9. Interest bearing liabilities

USD thousands	30 Jun 2020	30 Jun 2019	31 Dec 2019
Nominal value bank loan	30 000	41 666	33 333
Prepaid fees bank loan	(829)	(1 054)	(843)
Other loans	3 568	4 800	-
Total	32 739	45 413	32 490
Repayment profile at balance sheet date:			
2019	-	13 133	-
2020	-	16 666	16 666
2021	2 548	16 666	16 666
2022	31 020	-	-
Total	33 568	46 466	33 333

The financial covenants as of 1 April 2020:

- Net interest-bearing debt/Last Twelve Months (LTM) EBITDA < 1.25x. LTM EBITDA calculation is excluding IFRS 16 impacts
    - If LTM EBITDA is negative and the net interest-bearing debt is negative (i.e. net cash position), alternative cash buffer headroom calculation is applied
    - If LTM EBITDA is negative and the net interest bearing debt is positive (i.e. net debt position), the leverage ratio is breached
- Equity Ratio > 50 percent
- Clean Down mechanism
    - NIBD shall not for a period of 5 successive business days in each quarter exceed:
        - USD 10 million in Q2-Q4 2020
        - USD 5 million in 2021
        - 0 in 2022

Magseis Fairfield is in compliance with all financial covenants as of 30 June 2020.

In April 2020, the Company received U.S. loan program of USD 3.6 million. The loan is payable over two years at an interest rate of 1%, with an expected deferral of payments for the first ten months. The loan and accrued interest can be partially forgiven on certain conditions.

10. Onerous contracts

The group has no onerous contracts as per second quarter 2020.

11. Related parties

Related parties' relationships are defined to be entities outside the Group that are under control (either directly or indirectly), joint control or significant influence by the owners, Board of Directors or Management of Magseis Fairfield ASA. Related parties are in a position to enter into transactions with the company that would potentially not be undertaken between unrelated parties. The terms and conditions of the transactions with related parties are considered to be on an arm's length basis. The aggregate value of transactions and outstanding trade payables with related parties were as follows:

USD thousands		Transaction value			Accounts payable		
Name	Note	H1 2020	H1 2019	FY 2019	Jun-20	Dec-19	Jun-19
Westcon Group (shareholder)	(I)	5 867	11 530	34 095	1 227	3 547	3 600
Fairfield Geotechnologies (shareholder)	(II)	325	1 665	4 254	85	104	5 418
J B Gateman (Geo Innova AS) (shareholder)	(III)	44	177	270	-	59	-

(I) Relates to time charters (TC) for the three vessels Artemis Athene, Artemis Angler and Artemis Arctic. Westcon Group also delivers Marine Management services

(II) In first half 2020, only services related to sublease apply. In 2019, transactions were related to sublease, consultancy and other operating services. The lease agreement ends in October 2030 and the total lease liability is USD 3.6 million as of 30 June 2020

(III) J B Gateman is engaged as an independent consultant

12. Impairment of non-current assets

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Judgement and estimates

Impairment charges of USD 106.2 million was recognized in 2019. This was related to goodwill (81.1), seismic equipment (15.5), US manufacturing (5.5) and previously capitalized development costs (4.1).

At the end of second quarter 2020, several impairment indicators were present. The outbreak and spreading of the coronavirus have led to a reduction in the economic activity and a rapid and significant reduction in oil demand and generated an oversupply situation with significantly lower and more volatile oil prices. The impact on the E&P industry has been profound and is likely to last for some time. Magseis Fairfield's clients have cut their capex and cancelled or postponed their investment plans to preserve cash. Consequently, management initiated an impairment test.

The impairment test is based on a value-in use calculation in accordance with IAS 36, where assumptions about future market development, cashflows, the weighted average cost of capital (WACC), growth rate and other factors are subject to management's judgement.

Key assumptions when assessing the recoverable amounts were:

- Cash flow projections based on low case revenue scenario with conservative growth for the period including 2024, with an estimation of terminal value in subsequent periods. Market uncertainty and recovery is reflected in these projections
- Terminal value reflects long term steady state revenue and margin levels based on a combination of historic levels and judgements applied
- Lower cost base following reorganization is reflected in the model
- Capex levels are aligned with revenue assumptions

The test suggests no impairment required for second quarter, but it must be emphasised that the model is highly sensitive to its assumptions, such as timing of market recovery which is difficult to predict in the current challenging market situation.

13. Tax

The Group is operating in different parts of the world and is thus subject to income taxes in numerous jurisdictions with complex tax laws. Judgement may be involved when determining whether the Group's operation constitute a permanent establishment, and consequently the taxable amounts pertaining to certain projects. Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods, and the Group could potentially be liable for income tax relating to prior reporting periods.

One of the Group entities is currently undergoing a tax audit for prior years where certain claims for tax deductibility have been challenged by local tax authorities. Based on management's assessment of local tax laws and available information provided by local tax experts, a provision for the uncertain tax position was recognised in fourth quarter 2019, reflecting management's best judgement and estimates. This assessment is unchanged. However, the outcome of such proceedings will always be subject to uncertainties until a final tax statement has been issued by the local tax authorities.

14. Restatement of 2019 first quarter, second quarter and half year results, balances and cash flow

Following final purchase price allocation (PPA), first quarter, second quarter and first half year were restated. Please refer to further details provided in the third quarter report 2019.

15. Subsequent events

On 29 July, Magseis Fairfield together with multi-client partner, CGG, secured pre-funding from another oil major for the extension of the OBN Cornerstone multi-client survey in the North Sea. This both confirms the industry interest in the area and reduces Magseis Fairfield's relative exposure in the project

16. Alternative Performance Measures (APMs)

The Group reports its financial results in accordance with accounting principles (IFRS) as issued by the IASB and as endorsed by the EU. However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing the group's ongoing performance.

Management, the board of directors and the long-term lenders regularly uses supplemental non-GAAP financial measures to understand, manage and evaluate the business and its operations. These non-GAAP measures are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Profit measures

EBITDA and EBIT terms are presented as they are used by financial analysts and investors. Special items are excluded from EBITDA and EBIT as alternative measures to provide enhanced insight into the financial development of the business operations and to improve comparability between different periods.

EBITDA is a measure of earnings (operating profit/loss) before deducting interest expense, taxes, depreciation, amortization and impairment. See note 3 for further details.

Special items may not be indicative of the ongoing operating result or cash flows of the company. Profit measure excluding special items is presented as an alternative measure to improve comparability of the underlying business performance between the periods.

Segment revenue is based on those reported but excluding the impact of IFRS 15, so accounted for based on the revenue recognition principles prevailing before the mandatory adoption of IFRS 15 on 1 January 2018. See note 3 for further details.

Segment EBITDA is a measure of earnings (operating profit/loss) using segment revenue before deducting interest expense, taxes, depreciation, amortization and impairment. Payments for long-term lease contracts under IFRS 16 are recognized as operating cost. Revenues from multi-client prefunding are recognized based on industry practice prior to implementation of IFRS 15. See note 3 for further details.

EBIT is a measure of earnings (operating profit/loss) before deducting interest expense and taxes. See note 3 for further details.

Segment EBIT is a measure of earnings using segment revenue before deducting interest expense and taxes. See note 3 for further details.

Backlog represents remaining expected revenue from signed contracts. Backlog is a transparent indicator of the company's revenues and operations in the future.

Financing and investment measures

Alternative financing and equity measures are presented as they are indicators of the company's ability to obtain financing and service its debts.

Working capital is a measure of the current capital necessary to maintain operations. Working capital includes trade receivables, inventory, other current assets, trade payables and other current liabilities.

Net interest-bearing debt/(cash) is defined as interest-bearing liabilities less cash.

Equity ratio is calculated as total equity divided by total assets.

Capital Expenditures (capex) means investments in property, plant and equipment and intangible assets (excluding multi-client library), irrespective of the whether the amount is paid for in the period.

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