Q1 2021

report

magseis fairfield

Summary

Building backlog in a transition quarter

- Started the execution of our 100th OBN project
- A single crew in full operation throughout the quarter, experiencing operational and technical challenges
- Zero recordable safety events (TRCF at 0.0), and no Covid-19 cases offshore during operations
- Continued to win new projects

Q1 financials

- Low crew utilization due to vessel drydocking, low-margin contracts, and operational and technical challenges
- Revenue of USD 42.9 million and gross margin of 19%
- EBITDA of USD 0.6 million
- Operating loss of USD 15.0 million and net loss after tax of USD 15.9 million
- Cash balance of USD 28.9 million following RCF down-payment of USD 15 million in Q1. Available cash of USD 43.9 million including bank facility

Continued increase in order backlog

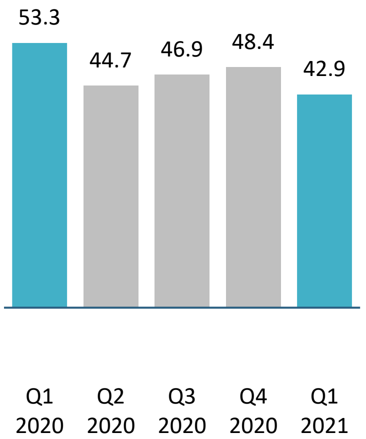
- Awarded three new contracts in Q1 2021
  - 4D OBN monitor survey in the North Sea for a repeat customer with a start-up in Q1 2021
  - A deep water OBN project offshore Angola
  - A 4D OBN monitor survey for our ZXPLR1 crew
- Total backlog of USD 228 million at the end of Q1 2021, up from USD 198 million at the end of 2020
- Backlog for delivery in Q2-Q4 2021 of USD ~190 million, including changes in project scheduling and new contract awarded in April

Market and Outlook

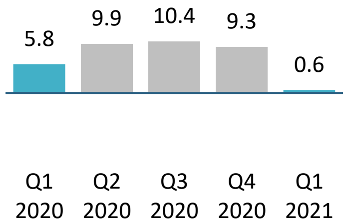
- Continued tender activity for 2021 projects in the Gulf of Mexico, North Sea and Asia, and early tendering activity for the first projects for 2022
- Uniquely positioned with differentiated technology to support our clients' focus on increasing value generation from already explored fields and assets in production
- Gross profit and EBITDA expected to improve on the back of already secured backlog and new contract awards in the coming quarters
- Continued progress in building the renewables business from an organizational, technical and operational perspective
- Launched strategy towards achieving carbon neutrality by 2040 – or earlier

USD million

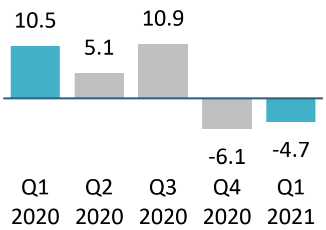
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q1 2021	Q1 2020	Full Year 2020
As per IFRS			
Revenues	42.9	53.3	193.4
Gross profit	7.9	12.3	62.8
Gross margin	*19 %*	*23 %*	*32 %*
EBITDA	0.6	5.8	35.5
EBITDA excluding special items	0.6	5.8	38.4
EBITDA %	*1 %*	*11 %*	*20 %*
EBIT	(15.0)	(8.1)	(14.6)
Net profit/(loss)	(15.9)	(12.0)	(19.7)
Segment reporting			
Revenues	42.9	54.2	205.7
Gross profit	5.3	8.8	62.6
Gross margin	*12 %*	*16 %*	*30 %*
EBITDA	(2.0)	1.7	32.4
EBITDA after multi-client amortization (excl. special items)	(2.0)	1.1	28.6
EBITDA %	*-5 %*	*2 %*	*14 %*
EBIT	(12.5)	(8.5)	(11.1)
Other key figures			
Net cash from operating activities	(4.7)	10.5	20.5
Net cash used in investing activities	(3.1)	(16.1)	(25.2)
Net cash from financing activities	(18.3)	19.7	4.7
Total assets	305.7	365.0	344.6
Equity ratio	58 %	54 %	56 %
Cash and cash equivalents	28.9	65.8	54.8
Net interest-bearing debt/(cash)	(10.9)	(33.2)	(21.9)
Book value multi-client library IFRS	22.6	7.5	20.9
Book value multi-client library Segment	14.4	6.8	12.8
Backlog at end of reporting period	228.0	169.0	198.0

Comment from the CEO

The first quarter was a transition quarter for Magseis Fairfield. We carried out the necessary drydocking of one of the chartered vessels and executed the low margin backlog awarded during the oil market trough in the third quarter last year. As forecasted, we only had a single crew operational for the full quarter on a low margin contract in the Gulf of Mexico. Margins were further impacted by operational and technical challenges. The drydocking also took longer than originally planned, as the docking schedule at the shipyard in Florida was delayed as a result the of impact of Covid-19 on shipyard personnel.

Towards the end of the quarter, we had successfully mobilized two additional crews for new projects on improved margins, one in the Gulf of Mexico and one in the North Sea. In the quarter, we also continued to build our backlog at improved rates, and we exited the quarter with crews ready to execute on a growing order backlog for the remainder of the year.

From an HSE perspective, we had zero recordable safety events during the quarter. Total Recordable Case Frequency (TRCF) for the quarter was therefore zero, reducing the 12-month rolling average TRCF to 0.58. This represents a continued improvement from the 2020 performance and is benchmarked against a 2021 goal of 1.51.

In addition, we did have four Covid-19 cases manifest onboard two separate vessels following the drydocking and prior to the mobilization for the next project. All cases were quickly contained with onboard outbreak protocols and did not cause any material delays. This demonstrates that we need to remain extremely vigilant and that our testing and screening program for Covid-19 continues to work well.

In the first quarter, we started our 100th OBN survey. To put this in perspective, this highlights that we have acquired 50% more OBN surveys than all other players in the market combined. We are very proud of this achievement and the confidence and trust we have received from our customers to achieve this milestone. It further underscores the depth and breadth of our experience and knowledge in acquiring cost effective and high quality OBN data.

The gross profit declined in the first quarter, as a result of the drydocking and only having one single crew operational on a low margin contract. This crew experienced operational and technical challenges which have since been resolved, and the crew was in full operation going into the second quarter. I am pleased to report that we moved into the second quarter with three acquisition crews booked on higher gross profit contracts. The ZXPLR 1 crew will be working on a project in the Gulf of Mexico, while the ZXPLR2 crew will finish the low margin contract in the Gulf of Mexico before mobilizing for a project in Angola. The Z700 crew will complete the North Sea project during the second quarter. Our Reservoir Monitoring and Source teams will mobilize for the upcoming season in Norway and the equipment that was deployed for the rental contract in the Caspian Sea will be mobilized into the North Sea.

The processing of the Cornerstone multi-client data is progressing on schedule with fast-track data available during Q2 2021, and the final products will be delivered in Q4 2021. This will move the project into the revenue generating late-sales phase.

New backlog

We increased our order backlog by 15% to USD 228 million during the quarter. This demonstrates that clients see the strong value proposition of our superior OBN technology. The North Sea remains a core area, with the award of a 4D OBN monitor survey for a repeat customer with a start-up in Q1 2021. This project is being executed by the Z700 crew. This crew remains available for more work in the North Sea and we are in active discussions with clients to secure additional backlog. We also secured a deep water OBN project offshore Angola during the quarter. This project will be acquired by the ZXPLR2 crew following completion of the ongoing project in the Gulf of Mexico. The other core area is the Gulf of Mexico, where we were awarded a contract for a 4D OBN monitor survey for our ZXPLR1 crew.

At the time of reporting, we have also secured an additional award for a four-month project for a multi-client company in the Gulf of Mexico, further increasing the remaining backlog for 2021.

These contract awards provide improved visibility for 2021. The margins on the new awards have improved, however they have not recovered to pre-Covid-19 levels. The remaining available capacity on the Z700 and Mass crews has our full attention to further build on the 2021 revenue growth and gross profit generation.

With the current backlog, the focus is on good project execution, securing additional projects for the remaining available crew months in 2021 and extend our visibility into 2022.

The tender activity for 2021 projects remains active, and we continue to see a scenario where we will have much higher utilization of our node inventory in 2021 than previously anticipated. At the same time, we are already working on proposals for projects planned for 2022 in our core areas of the Gulf of Mexico and North Sea. Our available cash balance of USD ~44 million continues to offer the financial flexibility required to pursue our growth strategy.

Carbon Neutral by 2040 or earlier

Magseis Fairfield has long been committed to operate safely to protect the health and well-being our of employees, our customers, our stakeholders, the communities that we operate in, and the environment. We are pleased to extend this commitment to include an ambition to become carbon neutral by 2040, or earlier.

Our strategy is focused on understanding and capturing the total GHG inventory that results from our operations and taking on initiatives to reduce that inventory over time. This will be accomplished by implementing technology solutions, as well as working with our suppliers and customers to improve efficiency and decrease the carbon footprint resulting from our operations. Any final emissions which cannot be reduced can be offset. We will offer all our clients the option to buy carbon offsets to make their surveys carbon neutral.

Building a renewables business

In the quarter we have continued to build our renewables business. From an organizational perspective we strengthened the team with the appointment of Tone Trudeng as Director of Renewables to manage this exciting business opportunity. We strongly believe that the renewables business will require new technologies and solutions and have joined the Centre for Geophysical Forecasting (CGF) to do fundamental research into geophysical solutions for renewables. This is a joint enterprise funded by the Norwegian Research Council (NRC), Industrial partners and the Norwegian University of Science and Technology. Last, but not least, we are ramping up for client tests both in the CCS and Windfarm market this summer in the North Sea.

Consistent delivery of our strategy

The new contract awards and our strengthening backlog provides a solid base on which to grow our business. We continue to take proactive decisions to set us up in the best possible way to secure the opportunities we see in 2021 and 2022 and take full benefit from a market recovery. The key to success for Magseis Fairfield in 2021 is to use our position as the OBN industry leader to fully benefit from the market opportunities, while preserving our financial strength and retain a capital structure for long term growth. I am confident about the future and that our continued technology differentiation, our asset light model and our people will deliver success and value to our shareholders.

Carel Hooijkaas
CEO Magseis Fairfield

Financial review

Figures in brackets reflect figures for the corresponding period in the previous year.

Revenue

Revenue for the first quarter 2021 was USD 42.9 million, down from USD 53.3 million reported for the first quarter 2020 and USD 48.4 million in the fourth quarter 2020.

The decline mainly reflects the lower crew capacity utilization, due to a maintenance drydocking of the vessel chartered for the ZXPLR1 crew which has been operating in the Gulf of Mexico. Hence, the company had only one crew in full operation in the quarter.

As earlier communicated, Magseis Fairfield completed the acquisition part of the Cornerstone multi-client (MC) project in Q4 2020 and will only recognize revenues from external sale of the multi-client survey data when all data has been processed, which is scheduled for Q4 2021. Received prefunding is recognized as deferred revenue until completion date. Magseis Fairfield capitalize its share of investments including cost for vessels, crew, data processing, and depreciation.

The order backlog increased to USD 228 million at the end of the first quarter 2021, which was an increase of 15% from USD 198 million at the end of 2020 and 35% above the order backlog at the end of the first quarter last year.

Including a contract award in April and changes in the phasing of the backlog, the company has a backlog of approximately USD 190 million scheduled for delivery in Q2-Q4 2021.

Operational costs

Cost of sales amounted to USD 34.9 million in the first quarter of 2021, compared to USD 41.0 million in the first quarter 2020 and USD 33.1 million in the fourth quarter 2020.

The gross profit thus declined to USD 7.9 million, compared to USD 12.3 million in the first quarter last year and USD 15.3 million in the previous quarter. The gross margin declined to 19%, from 23% in the same quarter last year and 32% in the fourth quarter.

The decline reflects both the low crew capacity utilization in the quarter, and low margins on contracts awarded during the market trough in the middle of last year. One of the crews also experienced operational and technical challenges prolonging the project duration.

Magseis Fairfield expects gross profit to improve for the remaining quarters of the year, with improved capacity utilization on the higher-margin contracts for the data acquisition segment.

Note that changes in gross margin from quarter-to-quarter are also affected by the share of long-term (more than a year) vessel leases, which according to the IFRS 16 accounting standard is a right-of-use asset with cost to be reflected as depreciation and not cost of sales.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 7.4 million in the first quarter, compared to USD 6.5 million in the first quarter last year and USD 6.0 million in the previous quarter.

The company is working to update the technology roadmap, with limited technology development cost being capitalized in the initial phase. This is mirrored in low capital expenditure in the quarter.

The increased SG&A in the quarter is also due to operational and technical support for ramp-up of projects to start in the second quarter.

The company still expects to maintain an SG&A level at or below USD 25 million for 2021.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 15.6 million in the first quarter 2021, compared to USD 14.0 million in the first quarter 2020, and USD 14.6 million in the fourth quarter.

Results

EBITDA

EBITDA was USD 0.6 million in the first quarter 2021, down from USD 5.8 million in the first quarter last year and USD 9.3 million in the fourth quarter 2020.

As described above, the results were affected by low capacity utilization, and a low-margin project with additional operational and technical challenges in the quarter. Magseis Fairfield expects EBITDA to improve through 2021 on the back of improved backlog and additional contract awards.

Operating result (EBIT)

The company reports an operating loss of USD 15.0 million, compared to operating losses of USD 8.1 million in the first quarter last year and USD 7.3 million in the previous quarter.

Net financial items

Net financial costs were USD 0.8 million, compared to USD 3.5 million in the first quarter 2020 and USD 0.6 million in the fourth quarter.

Net profit/ loss

Net loss before tax was USD 15.9 million in the first quarter 2021, compared to a loss of USD 11.6 million in the first quarter last year and a loss of USD 7.9 million in the fourth quarter 2020.

Balance Sheet

Total assets for the Group were USD 305.7 million at the end of the first quarter 2021, compared to USD 344.6 million at the end of 2020.

Property, plant, and equipment (PPE) declined to USD 137.4 million from USD 150.1 million at year-end 2020. The changes are mainly due to depreciations in the quarter of USD 13.5 million.

The multi-client library is recognized as a non-current asset of USD 22.6 million, up from USD 20.9 million at the end of last year. The investment in the quarter relates to processing costs.

Other intangible assets stood at USD 55.6 million, compared to USD 57.7 million at the end of 2020. The change reflects amortization for the quarter.

There is no goodwill on the balance sheet.

Total non-current assets hence declined to USD 215.6 million from USD 228.7 million at the end of 2020.

Inventories increased to USD 10.1 million from USD 7.7 million at year-end 2020, whereas trade receivables declined to USD 26.5 million from USD 38.1 million. Other current assets increased to USD 24.6 million from USD 15.3 at the end of 2020.

Cash and cash equivalents amounted to USD 28.9 million at the end of the first quarter, down from USD 54.8 million at the end of 2020. This mainly reflects a down payment on the RCF of USD 15 million.

Total current assets hence amounted to USD 90.2 million, compared to USD 115.9 million at the end of 2020.

The Group's equity amounted to USD 176.9 million at the end of the first quarter 2021, down from USD 192.5 million at the end of 2020. This mainly reflects the losses in the quarter. The equity ratio increased to 58% from 56% at the end of 2020.

Non-current liabilities declined to USD 27.1 million from USD 44.5 million at the end of 2020, mainly reflecting the down payment on RCF. Interest-bearing liabilities declined to USD 15.0 million from USD 30.6 million at year-end, whereas lease liabilities declined to 6.9 million from USD 8.8 million and non-interesting liabilities slightly increased to USD 5.2 million from USD 5.1 million.

Current liabilities declined to USD 101.7 million from USD 107.6 million at the end of 2020, with trade payables declining to USD 10.7 million from USD 17.2 million at year-end. Other current liabilities saw only marginal changes in the quarter, with the current portion of interest-bearing liabilities at USD 3.1 million, current portion of obligations under finance leases of USD 18.7 million, current tax payable at USD 4.8 million, and other current liabilities at USD 64.5 million. The latter comprises project accruals, restructuring accruals, warranty accruals, deferred revenue, and other operational accruals.

Cash Flow and Investments

Net cash outflow from operating activities was USD 4.7 million in the first quarter 2021, compared to a cash inflow of USD 10.5 million in the same quarter last year.

The negative operating cash flow in the quarter mainly reflects negative net working capital movements of USD 3.9 million.

Cash outflow from investing activities amounted to USD 3.1 million in the first quarter, compared to a cash outflow of USD 16.1 million in the same quarter last year. The investments reflect equipment acquisitions and processing cost of multi-client library.

As previously communicated, the company is planning for full-year capital expenditure at or below USD 15 million in 2021, excluding multi-client investments, although increased demand and potential new contract awards could trigger additional equipment investments.

Cash flow from financing activities was an outflow of USD 18.3 million in the first quarter, compared to a cash inflow of USD 19.7 million in the same quarter last year.

The outflow reflects a down payment of USD 15.0 million on the RCF, which will be redrawn in the second quarter to finance ramp-up of projects in the second and third quarter, USD 2.7 million payment of financial lease obligations and USD 0.6 million interest paid.

Funding and liquidity

The company's cash position was USD 28.9 million at the end of the first quarter, whereas available cash including the RCF amounted to USD 43.9 million. This compares to USD 65.7 million at the end of the first quarter 2020 and USD 54.8 million at the end of 2020.

The company continues to have no debt installments due in 2021.

The Board and management consider this sufficient funding for the company's planned activities for the remainder of the year.

Operations

Safety and welfare the main priority

Magseis Fairfield's primary concern during the Covid-19 pandemic remains the safety and welfare of its employees, their families, and their local communities. During the first quarter, the company's Covid-19 task force continued to monitor the pandemic and apply learnings and regulatory changes from the different independent regimes to the company's Risk Management Plan.

Robust Covid-19 Protocols

Magseis Fairfield's offshore projects in the first quarter included completion of a project in Mexico, a major shipyard drydocking project, a single crew in full operations during the quarter and the mobilization of another crew for a new project in the Gulf of Mexico. Additionally, Magseis Fairfield started a Node-on-a-Rope crew in the North Sea and continued the preparations for the upcoming project in Angola, and three reservoir monitoring projects in the North Sea.

Changes in guidelines from the Centre for Disease Control (CDC) in the fourth quarter provided an opportunity to shorten Covid-19 quarantine periods by 4 - 7 days. However, Magseis Fairfield experienced four Covid-19-cases following negative tests before the mobilization of the crew. All cases were quickly contained with onboard outbreak protocols and there were no material delays of any projects.

The company subsequently extended quarantine periods on its own initiative and has not experienced any further cases.

With the continued outbreaks of Covid-19 globally, office personnel in all locations including Norway, the US and the UK continued to work remotely during the first quarter. Location-specific plans are in place to monitor office use for critical tasks and ensure number limitations, proper social distancing, and strict hygiene practices for those who need to work from the offices. The Covid-19 Task Force is currently reviewing the outbreak status, testing protocols, numbers and impacts of vaccinations, as well as country-specific regulations relating to return to office use practice.

QHSE Management System

The integrated QHSE Management System continued to be implemented and improved throughout the first quarter. The Management and QHSE teams prepared for the ISO 9001:2015 enterprise-wide audit scheduled to begin in April 2021. Further, the Warminster facility is preparing for site specific ISO 14001 & 45001 audits in 2021.

The 2021 annual QHSE plan was finalized and published in the Management System along with the Strategic Objectives and KPI's. The plan includes specific efforts and actions focused on all aspects, including but not limited to:

- ISO certifications,
- Development of an integration non-conformity reporting process and system
- ONE TEAM leadership skills training
- Mental health and wellness training and support
- Formal adoption of the IOGP Life Saving Rules
- Monthly "Work Smart-Work Safe" program
- Formalization of a project environmental dashboard
- Implementation of the Maress system onboard our vessels for consistent measurement of fuel consumption and carbon emissions.

The Management System provides the necessary framework and underpinnings for safe and successful operations and development of the 'One Team' culture supporting the asset light operating model.

Exposure hours and TRCF

Magseis Fairfield registered 374,863 exposure hours during the first quarter 2021, a decrease of 9.4% from the previous quarter.

The company recorded zero industry recordable events, and one first aid case. Total Recordable Case Frequency (TRCF) for the quarter was therefore zero, reducing the 12-month rolling average TRCF to 0.58. This represents a continued improvement from the 2020 performance and is benchmarked against a 2021 goal of 1.51, which represents a 20% of the 2019 IAGC marine seismic average TRCF of 1.89.

Environmental footprint

A total of nine vessels were working on various Magseis Fairfield projects during the first quarter. During a total of 578.6 vessel days in operation, port or transit, the vessels consumed 4,468.1 mT of fuel, or 7.7 mT of fuel per vessel per day. This represents a 37% decrease from the 2020 average. The decrease is due primarily to the mix of vessel activities (port vs transit vs operating), and lower weather influence.

Total vessel emissions for the first quarter were 14.2K mT (CO_2), 212.3K kg (NOx), and 2.3K kg (SOx).

Magseis Fairfield has long been committed to operating safely to protect the health and well-being of our employees, our customers, our stakeholders, the communities that we operate in, and the environment. We are pleased to extend this commitment to include an ambition to become carbon neutral by 2040, or earlier.

To this end, Magseis Fairfield in the first quarter further developed its environmental sustainability plan and roadmap, with focus areas including air quality, waste stream reduction, remote access, reuse and recycling, and clean oceans. The specific efforts and actions associated with these focus areas will be consistent with ISO 14001, 45002, 26000, and 20400, as well as UN Sustainability Goals 7, 8, 12, and 14.

Employees and contractors

As per 31 March 2021, the Group had a total of 401 FTEs, with 326 employees and 75 contractors. This compares to 370 FTEs on 31 December 2020, and 622 FTEs on 31 December 2019.

Operations in the quarter

Operations seasonally slowed in the first quarter, and the period was highlighted by transitions. In the first quarter Magseis Fairfield operations worked on eleven revenue generating projects, including seismic acquisition, node rentals, sales support, and paid maintenance periods.

The ZXPLR 1 crew completed a proprietary project in the Mexican portion of the Deepwater Gulf of Mexico. The crew successfully completed the first deep water OBN project in Mexico safely and on time. The crew then transited to Tampa Florida for a major maintenance period and upgrades. The maintenance period was prolonged because of reduced shipyard capacity due to Covid-19. The crew then departed for a job start in Galveston, TX, and proceeded back to work in the Deepwater US Gulf of Mexico.

Mobilization work on the Wolfspar low-frequency source continued and the crew departed port to support node activity at the end of the quarter. This activity will continue in the second quarter.

The ZXPLR 2 carried on a project in the US Deepwater Gulf of Mexico that began in the fourth quarter. The project period was extended due to operational and technical challenges, which have been resolved, and the project will complete in the second quarter. The crew will move the equipment to a different node handling vessel for a project in Angola.

In the North Sea the Z700 node-on-a-rope crew maintained the warm stack period. At the end of the quarter the crew was reactivated for mobilization to a Central North Sea project which is currently ongoing.

All three Reservoir Monitoring and Source (RMS) crews spent the period doing maintenance, while preparing for reactivation in the second quarter. In addition, the RMS group was busy with a vessel swap program for one of the crews which kept the team occupied over the quarter.

The Z700 rental support campaign in the Caspian Sea was completed at the end of the quarter. The equipment and support crew then transited to the North Sea to support seasonal activity.

Outlook

The macroeconomic outlook continues to be generally positive, with oil prices at levels that generate solid cashflows for our customers and open the possibility for higher investment spending. The more positive outlook is further supported by the ongoing Covid-19 vaccine rollout and economic stimulus actions that may contribute to an oil demand recovery throughout 2021. The International Energy Agency (IEA) now expects global oil demand to be back to pre-pandemic levels by the third quarter 2022.

The generally more positive outlook has translated into continued tender activity for 2021 projects. However, we are seeing that the process to get final project approvals is taking longer. This is still a sign of the times - particularly in the North Sea-and is one of the reasons for the remaining availability of the Z700 and Mass crews. The remaining available capacity on these crews has management's full attention to further build on the 2021 revenue growth and gross profit generation. It is encouraging to see that the first tenders for 2022have been received for projects in our core areas of the Gulf of Mexico and North Sea. Looking further ahead, industry analysts expect annual capex spend to increase by double digits for appraisal and development projects and by single digits for production projects in 2021-2025. Magseis Fairfield continues to be uniquely positioned to offer OBN solutions in these growth markets.

As earlier indicated, the gross profit declined in the first quarter, as a result of a drydocking and only having one single crew in full operations on a low margin contract with additional operational and technical challenges. These challenges have been overcome and the crew was in full operation going into the second quarter. The company moved into the second quarter with three acquisition crews booked on higher gross profit contracts. The company expects gross profit and EBITDA to improve through 2021 on the back of increased backlog and additional contract awards.

Magseis Fairfield has long been committed to operate safely to protect the health and well-being our of employees, our customers, our stakeholders, the communities that we operate in, and the environment. We are pleased to extend this commitment to include an ambition to become carbon neutral by 2040, or earlier.

Our strategy is focused on capturing and understanding the total GHG inventory that results from our operations and taking on initiatives to reduce that inventory over time. This will be accomplished by implementing technology solutions, as well as working with our suppliers and customers to increase efficiencies and decrease the carbon footprint resulting from our operations. Any final emissions which cannot be reduced can be offset, and we will offer all our clients the option to buy carbon offsets to make their surveys carbon neutral.

The company is building a renewables business, and strengthened the organization with the appointment of Tone Trudeng as Director of Renewables to manage this exciting business opportunity. The company strongly believe that the renewables business will require new technologies and solutions and has become part of the Centre for Geophysical Forecasting (CGF) to do fundamental research into geophysical solutions for the renewables business. This is a joint enterprise funded by the Norwegian Research Council (NRC), Industrial partners and NTNU. The company is currently ramping up for client tests both in the Carbon Capture and Storage (CCS) and Windfarm markets in the North Sea this summer.

The tendering activity for 2021 and 2022 provides a basis for cautious optimism, although the company acknowledges the risk and uncertainties regarding the market development. New technology developments will drive down the cost of acquiring OBN data and is key to growing the addressable market significantly. In this environment we manage what we can control, and we have a strong and agile organization that can respond to different market conditions by providing differentiated technical solutions to our clients. Magseis Fairfield continues to work with its customers to identify, develop and commercialize differentiated technologies that offer the company a clear market advantage that is not available to those who offer commoditized solutions.

To fully benefit from the market opportunities, Magseis Fairfield needs to use its financial flexibility, while preserving its financial strength and retaining a capital structure for long term growth. Within this financial framework, Magseis Fairfield will further develop its leading market position in core areas, and utilize its asset light business model, key differentiated technology, and experienced people to position itself to capture the promising market opportunities the company sees in 2021 and beyond.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 31 March 2021 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 2020 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 4 May 2021

Sign.

Wenche Kjølås
Chair of the Board of Directors

Janie Garcia

Anthony Dowd

Luis Araujo

Angela Durkin

Jonathan Cudmore

Carel Hooijkaas
CEO

Condensed consolidated statement of comprehensive income

USD thousands	Note	Q1 2021 (unaudited)	Q1 2020 (unaudited)	Full year 2020 (audited)
Revenues and other income				
Revenues and other income	3	42 856	53 282	193 391
Operating expenses				
Cost of sales		(34 911)	(40 976)	(130 616)
General and administrative costs		(7 357)	(6 486)	(27 317)
Depreciation	5,6	(13 491)	(11 804)	(39 406)
Amortization	7	(2 145)	(2 156)	(8 719)
Impairment	12	-	-	(1 940)
Total operating expenses		(57 904)	(61 422)	(207 998)
Operating profit/(loss)		(15 048)	(8 139)	(14 607)
Finance income and costs				
Finance income		2 418	905	6 647
Finance costs		(3 250)	(4 368)	(9 833)
Net finance income/(costs)	4	(832)	(3 463)	(3 185)
Net profit/(loss) before tax		(15 880)	(11 603)	(17 793)
Income tax expense	13	-	(425)	(1 857)
Net profit/(loss) and total comprehensive income		(15 880)	(12 028)	(19 650)
Earnings per share				
Basic (USD)		(0.06)	(0.06)	(0.08)
Diluted (USD)		(0.06)	(0.06)	(0.08)

Condensed consolidated statement of financial position

USD thousands	Note	31-Mar 2021 (unaudited)	31-Mar 2020 (unaudited)	31-Dec 2020 (audited)
Non-current assets				
Property, Plant and Equipment	5,6,12	137 389	171 844	150 075
Multi-client library	7	22 602	7 475	20 906
Other intangible assets	7	55 587	64 035	57 689
Total non-current assets		215 579	243 354	228 669
Current assets				
Cash and cash equivalents		28 947	65 751	54 829
Trade receivables		26 510	32 676	38 141
Inventories		10 101	9 505	7 711
Other current assets	10	24 610	14 171	15 253
Total current assets		90 168	122 103	115 933
Total assets		305 747	365 457	344 602
Equity				
Share capital	8	1 580	1 578	1 578
Share premium	8	407 662	407 969	407 662
Other equity		(232 345)	(210 434)	(216 767)
Total shareholders' equity		176 896	199 113	192 473
Non-current liabilities				
Lease liabilities	6	6 937	8 897	8 784
Interest bearing liabilities	9	14 953	29 262	30 624
Non-interest-bearing liabilities		5 228	4 000	5 118
Total non-current liabilities		27 118	42 160	44 526
Current liabilities				
Trade payables		10 742	32 666	17 179
Current tax payable	13	4 782	6 500	5 455
Current portion of interest-bearing liabilities	9	3 057	3 333	2 293
Current portion of lease liabilities	6	18 695	13 207	19 361
Other current liabilities	10	64 456	68 479	63 315
Total current liabilities		101 733	124 185	107 603
Total liabilities		128 851	166 345	152 129
Total equity and liabilities		305 747	365 457	344 602

Condensed consolidated statement of changes in equity

Q1-21

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2021	1 578	407 662	7 496	(224 262)	192 473
Share based payments	2	-	540	-	542
Other changes	-	-		(239)	(239)
Profit/(Loss) for the period	-	-		(15 880)	(15 880)
Balance 31 March 2021	1 580	407 662	8 036	(240 381)	176 896

FY 2020

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 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	-	-	1 712	-	1 712
Other changes	-	-	-	(107)	(107)
Profit/(Loss) for the period	-	-	-	(19 650)	(19 650)
Balance 31 December 2020	1 578	407 662	7 496	(224 262)	192 473

Condensed consolidated statement of cash flow

USD thousands	Note	Q1 2021 (unaudited)	Q1 2020 (unaudited)	Full year 2020 (audited)
Cash flows from operating activities				
Profit / (loss) before tax		(15 880)	(11 603)	(17 793)
Income tax paid	13	(1 875)	(425)	(2 803)
Depreciation, amortization and impairment	5,6,7	15 636	13 959	50 066
Share-based payments expense		540	388	1 712
Finance expense	4	3 250	4 368	9 833
Finance income	4	(2 418)	(905)	(6 647)
(Increase)/decrease in current assets		(144)	6 219	17 116
Increase/(decrease) in current liabilities		(3 793)	(1 500)	(31 001)
Net cash from operating activities		(4 684)	10 503	20 481
Cash flows from investing activities				
Interest received	4	1	83	99
Investment in multi-client library	7	(1 725)	(7 099)	(12 026)
Investment in other intangibles	7	(44)	(785)	(1 001)
Acquisition of equipment	5	(1 299)	(8 348)	(12 304)
Net cash used in investing activities		(3 068)	(16 149)	(25 232)
Cash flows from financing activities				
Down payments of interest-bearing liabilities	9	(15 000)	-	(3 333)
Net proceeds from new loan	9	-	-	3 568
Payment of finance lease liabilities	6	(2 673)	(5 004)	(17 731)
Net proceeds from issue of share capital	8	2	25 820	25 513
Interest paid	4	(640)	(1 109)	(3 326)
Net cash from financing activities		(18 311)	19 708	4 691
Net change in cash and cash equivalents		(26 063)	14 063	(60)
Currency effects on cash		181	(1 743)	1 457
Cash and cash equivalents at period start		54 829	53 432	53 432
Cash and cash equivalents at period end*		28 947	65 751	54 829

**Restricted cash as of 31 March 2021 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 recognized 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 2020.

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 2020 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 2020 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. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

For internal reporting purposes, payments for long-term lease contracts under IFRS 16 are recognized as operating cost and included in EBITDA 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.

Multi-client revenue is 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.

Q1-21 and Q1-20

	Quarter ended 31-Mar-21			*Quarter ended 31-Mar-20*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	34 526	-	34 526	36 460	-	36 460
Systems	6 836	-	6 836	15 932	-	15 932
Reservoir Monitoring/Source	1 494	-	1 494	890	-	890
Multi-client prefunding	-	-	-	929	(929)	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	42 856	-	42 856	54 211	(929)	53 282
Cost of sales	(37 574)	2 663[1]	(34 911)	(45 442)	4 466[1]	(40 976)
SG&A and R&D costs	(7 309)	(48)[2]	(7 357)	(7 024)	538[2]	(6 486)
EBITDA	(2 027)	2 615	588	1 744	4 075	5 820
Multi-client amortization	-	-	-	(658)	658	-
EBITDA after multi-client amortization	(2 027)	2 615	588	1 086	4 733	5 820
Depreciation and amortization	(10 495)	(5 141)[3]	(15 636)	(9 617)	(4 343)[3]	(13 960)
Impairments	-	-	-	-	-	-
EBIT	(12 522)	(2 526)	(15 048)	(8 529)	389	(8 139)

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

FY 2020

USD thousands	Year ended 31-Dec-20 Segment	Adj.	As reported
Acquisition	131 531	-	131 531
Systems	43 328	-	43 328
Reservoir Monitoring/Source	18 532	-	18 532
Multi-client prefunding	12 353	(12 353)	-
Multi-client aftersales	-	-	-
Total revenues	205 744	(12 353)	193 391
Cost of sales	(143 172)	12 556	(130 616)
SG&A and R&D costs	(30 175)	2 858	(27 317)
EBITDA	32 397	3 061	35 458
Multi-client amortization	(8 153)	8 153	-
EBITDA after multi-client amortization	24 244	11 214	35 458
Depreciation and amortization	(34 678)	(13 448)	(48 125)
Impairments	(627)	(1 313)	(1 940)
EBIT	(11 061)	(3 547)	(14 607)

4. Finance income and expenses

USD thousands	Q1 2021	Q1 2020	Full Year 2020
Finance income			
Foreign exchange gains	2 284	560	6 681
Revaluation of warrants	-	263	(135)
Interest income	1	82	101
Other financial items	133	-	-
Sum financial Income	2 418	905	6 647
Finance costs			
Foreign exchange losses	(2 117)	(3 076)	(6 198)
Interest expense loan facility	(352)	(636)	(2 046)
Interest expense leases	(361)	(472)	(1 547)
Revaluation of warrants	(211)	-	-
Other financial items	(208)	(184)	(245)
Capitalized lease interests (MCL)	-	-	203
Sum financial expenses	(3 250)	(4 368)	(9 833)
Net finance income/(costs)	(832)	(3 463)	(3 185)

5. Property, Plant & Equipment (PPE)

Q1-21

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance 1 January 2021	158 561	35 393	1 821	62 478	258 252
Additions	42	1 218	39	-	1 299
Disposals/retirement	-	(320)	-	-	(320)
Reclass- asset under construction	200	(200)	-	-	-
Other	(143)	50	(104)	22	(175)
Balance 31 March 2021	158 660	36 141	1 756	62 500	259 056
Accumulated depreciation and impairment					
Balance 1 January 2021	(69 254)	-	(1 167)	(37 756)	(108 176)
Depreciation for the period	(8 261)	-	(88)	(5 141)	(13 491)
Accumulated depreciation disposed/retired	-	-	-	-	-
Other	-	-	-	-	
Impairment	-	-	-	-	-
Balance 31 March 2021	(77 515)	-	(1 255)	(42 897)	(121 668)
Net carrying amounts					
Balance 1 January 2021	89 307	35 393	654	24 722	150 075
Balance 31 March 2021	81 145	36 141	501	19 603	137 389

Capital commitments

USD thousands	Total
Capital commitments 31 December 2020	5 000
Capital commitments 31 March 2021	5 200

FY 2020

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance 1 January 2020	176 093	56 444	5 672	43 392	281 600
Additions	1 304	10 950	50	18 974	31 278
Disposals/retirement	(51 189)	-	(3 844)	-	(55 033)
Reclass - asset under construction	31 638	(31 707)	69	-	-
Other changes	715	(294)	(127)	112	407
Balance 31 December 2020	158 561	35 393	1 821	62 478	258 252
Accumulated depreciation and impairment					
Balance 1 January 2020	(85 206)	(1 806)	(4 558)	(17 939)	(109 509)
Depreciation for the period	(31 483)	-	(436)	(18 504)	(50 422)
Accumulated depreciation disposed/retired	49 868	-	3 827	-	53 695
Impairment	(627)	-	-	(1 313)	(1 940)
Other	(1 806)	1 806	-	-	-
Balance 31 December 2020	(69 254)	-	(1 167)	(37 756)	(108 176)
Net carrying amounts					
Balance 1 January 2020	90 887	54 638	1 114	25 453	172 091
Balance 31 December 2020	89 307	35 393	654	24 722	150 075

6. Leases

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.

Q1-21

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2021	17 432	7 291	24 722
Additions	-	-	-
Depreciation	(4 744)	(398)	(5 141)
Impairment	-	-	-
Other adjustments	-	22	22
Balance 31 March 2021	12 688	6 916	19 603

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2021	8 784	19 361	28 145
Additions	-	-	-
Lease payments	-	(2 673)	(2 673)
Reclassification	(1 847)	1 847	-
Other adjustments	-	160	160
Balance 31 March 2021	6 937	18 695	25 632

FY 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	18 974	-	18 974
Depreciation	(16 339)	(2 165)	(18 504)
Impairment	-	(1 313)	(1 313)
Other adjustments	-	113	113
Balance 30 December 2020	17 432	7 291	24 722

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2020	10 707	16 195	26 902
Additions	-	18 974	18 974
Lease payments	-	(17 731)	(17 731)
Reclassification to current	(1 923)	1 923	-
Other adjustments	-	-	-
Balance 30 December 2020	8 784	19 361	28 145

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.

The costs of seismic data acquisition and processing for multi-client surveys are being capitalized. Such costs include vessel charter hire, fuel, crew and operational support costs and depreciation of nodes. For vessels on long-term charter hire recognized according to IFRS 16, the depreciation of right of use asset and lease interests are capitalized rather than the charter hire payment.

A multi-client project remains in progress until all data has been fully acquired and processed. When the project has been completed; straight-line amortization is applied.

Variances between the cash flow invested in a multi-client project and the value of capitalized multi-client library should be expected. This is due to non-cash capitalized costs (e.g., depreciation) and timing of cost sharing payments from partners.

Q1-21

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2021	82 297	20 906	103 203
Additions	44	1 697	1 741
Balance 31 March 2021	82 341	22 603	104 944
Accumulated amortization and impairment			
Balance 1 January 2021	(24 608)	-	(24 608)
Amortization for the period	(2 145)	-	(2 145)
Balance 31 March 2021	(26 753)	-	(26 753)
Net carrying amounts			
Balance 1 January 2020	57 689	20 906	78 595
Balance 31 March 2021	55 587	22 602	78 189

Other intangible assets are mainly related to technology acquired through business combinations (Fairfield in 2018). The useful life of the acquired technology is 10 years. Magseis Fairfield have ongoing research and development project, and such costs are expensed as incurred until a program has completed the concept phase.

FY 2020

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2020	81 296	-	81 296
Additions	1 001	20 906	21 907
Balance 31 December 2020	82 297	20 906	103 203
Accumulated amortization and impairment			
Balance 1 January 2020	(15 889)	-	(15 889)
Amortization for the period	(8 719)	-	(8 719)
Balance 31 December 2020	(24 608)	-	(24 608)
Net carrying amounts			
Balance 1 January 2020	65 407	-	65 407
Balance 31 December 2020	57 689	20 906	78 595

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 1 January 2020	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 31 December 2020	266 770 592		1 578	407 662
Not registered share capital increase after RSU settlements	-		2	-
Balance 31 March 2021	266 770 592		1 580	407 662

9. Interest bearing liabilities

USD thousands	31 Mar 2021	31 Dec 2020
Nominal value bank facility	15 000	30 000
Nominal value other loans	3 600	3 592
Subtotal nominal value	*18 600*	*33 592*
Prepaid fees bank facility	(590)	(675)
Total recognized	**18 010**	**32 917**
Long term	*14 953*	*30 624*
Short term	*3 057*	*2 293*
Repayment profile at balance sheet date:		
2021	3 057	2 293
2022	15 543	31 299
Total	18 600	33 592

Financial covenants:

- Net interest-bearing debt (NIBD)/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 5 million in 2021
    - 0 in 2022

Magseis Fairfield is in compliance with all financial covenants as of 31 March 2021.

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 deferral of payments for the first ten months. The loan and accrued interest can be partially forgiven on certain conditions.

10. Other current assets and liabilities

Other current assets

USD thousands	31 Mar 2021	31 Dec 2020
Contract assets (unbilled revenue and mobilization costs)	13 162	7 532
Prepayments	7 145	5 324
Other receivables	4 303	2 397
Total	24 610	15 253

Other current liabilities

USD thousands	31 Mar 2021	31 Dec 2020
Accrued expenses	39 277	37 456
Deferred revenue (contract liabilities)	15 571	13 790
Accrued warranties	5 039	5 477
Other	4 568	6 592
Total	64 456	63 315

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	Q1-21	Q1-20	FY 2020	31-Mar-21	31-Mar-20	31 Dec-20
Westcon Group (shareholder)	(I)	766	2 447	14 125	4	1 203	-
Fairfield Geotechnologies (shareholder)	(II)	473	233	969	34	115	-
J B Gateman (Geo Innova AS) (shareholder)	(III)	79	33	144	-	33	-

(I) Time charter agreements for the vessels Artemis Athene, Artemis Angler and Artemis Arctic. Westcon Group also delivers Marine Management services as a part of the time charters.

(II) Transactions are related to office sublease. The office lease agreement ends in October 2030 and the total lease liability is USD 3.4 million as of 31 March 2021.

(III) J B Gateman was engaged as an independent consultant.

12. Impairment of non-current assets

Impairment of assets

Intangible assets that have an indefinite useful life is 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

In Q1-21, 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. Magseis Fairfield's clients have cut their capex and cancelled or postponed their investment plans to preserve cash. Consequently, management has 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 are based on flat revenue growth assumptions in 2021 and a market rebound in 2022 bringing revenue and margins closer to 2019 levels. We have applied a growth rate of 6-8% for the

period 2023-2025, with an estimation of terminal value in subsequent periods. Hence, market uncertainty and recovery are reflected in the projections
- We have analyzed the historic and future OBS market and assessed our market share, which has been used as a basis for the revenue scenario applied in the cash flow 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
- Weighted average cost of capital applied in the model is 10.8%

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

Sensitivities

The impairment test is sensitive to changes in key assumptions, including changes in discount rate, growth rates, gross margin and EBITDA assumptions, market share assumptions, capex levels etc. Sensitivity analysis have been performed on key assumptions. The table below show the changes in key assumptions that may occur before any impairment is required.

Sensitivities (break-even analysis)	
Long-term revenue reduction	Δ 13%
Long-term EBITDA margin reduction	Δ 11%
Discount rate increase	Δ 27%

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 recognized 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. Subsequent events

On 8 April 2021, Magseis Fairfield was awarded an Ocean Bottom Node survey in the Gulf of Mexico for a Multi-Client company. The duration of the survey is approximately four (4) months and will be executed in 2021 using our ZXPLR deepwater ocean bottom node technology.

15. 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. Special items include restructuring costs.

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.

Book value multi-client library segment reflects total multi-client investment less amortization using industry practice prior to implementation of IFRS 15. The amortization is aligned with revenue recognition using percentage of completion and is based upon the ratio of aggregate capitalized survey costs to total forecasted sales.

Available cash means cash and cash equivalents plus undrawn available bank facilities.

Magseis Fairfield ASA

Strandveien 50
N-1366 Lysaker NORWAY

magseisfairfield.com