Q1 2022

report

magseis fairfield

Summary

Operational highlights

- Seasonally lower activity, with Gulf of Mexico project heavily impacted by weather
- Successfully mobilized a second crew and commenced a project in the Gulf of Mexico
- Acquired node-on-a-rope handling systems further consolidating the market

Q1 financials

- Revenue of USD 75.2 million and gross margin of 11%
- EBITDA of USD 3.1 million and margin of 4%
- Operating loss of USD 9.0 million and net loss after tax of USD 12.2 million
- Operating cash outflow of USD 3.6 million
- Cash holding of USD 15.7 million, with RCF fully drawn at USD 30 million. Changes to RCF after quarter end:
    - RCF of USD 30 million extended with one year to December 2024
    - Temporarily increase of RCF by USD 15 million to end of third quarter to support high activity and mobilization of all crews in second quarter

Order backlog development

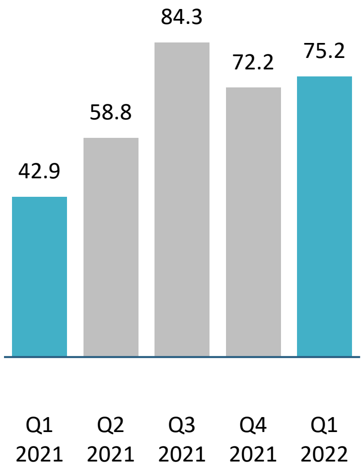
- Awarded three new contracts in Q1 2022 across all technologies
    - Two conditional awards converted into signed contracts for the Z700 crew for a total of three months
    - A repeat customer exercised an option for an additional project using ZXPLR technology
- Total backlog of USD 257 million at the end of Q1, of which ~USD 164 million for delivery in 2022
- At the time of reporting one additional contract had been awarded
    - A repeat customer has exercised an extension, adding a few weeks to the ongoing campaign
- Backlog increased to USD 260 million at time of reporting, including changes in project scheduling and new contracts awarded in April and May

Market and Outlook

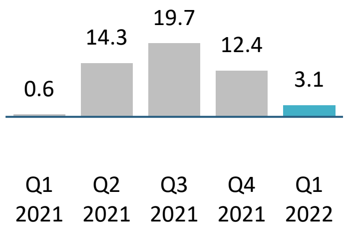
- An already positive market outlook reinforced by increased focus on energy (reserve and investment) security in our key geographical areas
- Based on awarded contracts and forecasted tender activity the company predicts 25% overall market growth in 2022, and a market size approaching USD 1 billion in 2023
- About 70% of visible projects have been awarded for 2022, with key opportunities remaining in Europe, Americas, and Asia
- Renewables strategy being executed as planned, with opportunities being pursued in USA, Europe, and Asia

USD million

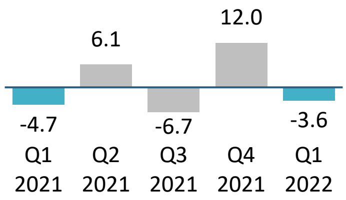
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q1 2022	Q1 2021	Full Year 2021
As per IFRS			
Revenues	75.2	42.9	258.1
Gross profit	8.4	7.9	71.5
Gross margin	*11%*	*19%*	*28%*
EBITDA	3.1	0.6	47.0
%	*4%*	*1%*	*18%*
EBITDA excluding special items	1.1	0.6	41.3
%	*1%*	*1%*	*16%*
EBIT	(9.0)	(15.0)	(25.1)
Net profit/(loss)	(12.2)	(15.9)	(32.3)
Segment reporting			
Revenues	74.7	42.9	248.6
Gross profit	1.3	5.3	44.1
Gross margin	*2%*	*12%*	*18%*
EBITDA	(4.3)	(2.0)	18.9
%	*-6%*	-5%	*8%*
EBITDA excluding special items	(6.3)	(2.0)	15.4
%	*-8%*	*-5%*	*6%*
EBIT	(10.0)	(12.5)	(28.8)
Other key figures			
Net cash from operating activities	(3.6)	(4.7)	6.8
Net cash used in investing activities	(3.3)	(3.1)	(12.9)
Net cash from financing activities	(7.2)	(18.3)	(18.7)
Total assets	307.7	305.7	305.0
Equity ratio	49%	58%	53%
Cash and cash equivalents	15.7	28.9	29.7
Net interest-bearing debt/(cash)	13.9	(10.9)	1.7
Book value multi-client library IFRS	22.9	22.6	22.5
Book value multi-client library Segment	21.0	14.4	20.7
Backlog at end of reporting period	257.0	228.0	293.0

Comment from the CEO

Magseis Fairfield achieved revenue of USD 75 million in the first quarter. Gross margin was 11% and the EBITDA margin was 4%, with the financial performance negatively impacted by a project in the Gulf of Mexico which also impacted our performance last quarter.

The bad weather and environmental conditions on this project persisted throughout the first quarter and further delayed completion to early April. Following completion of this project, all our crews are now working on or mobilizing for higher-margin contracts.

The backlog of USD 257 million was an increase of 13% year-on-year. USD 164 million is for delivery in 2022. New contracts continue to be secured at increasing margins.

Based on awarded contracts and forecasted tender activity we predict 25% overall market growth in 2022. Customer interests continue to extend beyond the core areas of the Gulf of Mexico and North Sea and include more tenders for work in Latin America and Asia.

The year-to-date TRCF was 1.95, which is right on target for our full-year goal (TRCF <1.95). We continue to stress the importance of situational awareness and contractor management. In the quarter, some of our crew members tested positive for the Covid-19 Omicron variant while offshore. Our routines for onboard quarantines and contact tracing allowed us to effectively manage this without impacting operations. We continue to adjust our Covid-19 protocols as the world learns to live with the virus.

While the number of operating days increased 16% quarter on quarter, fuel consumption decreased by 7% due to less transit days and an increase in the number of days our vessels where on projects.

Operations

As mentioned, our ZXPLR1 crew in the Gulf of Mexico worked on a project that was heavily impacted by environmental and weather conditions. After finally completing the project in early April, the crew immediately mobilized for a new project in the Gulf of Mexico. This contract was signed during very different market conditions. With the tightening market conditions we find ourselves in today, it is these terms and conditions which we are improving in addition to pricing.

The ZXPLR2 crew successfully mobilized for a project in the Gulf of Mexico and has been performing to plan.

The Z700 crew continued to operate well on a large project in India, accounting for a significant part of revenue and earnings in the quarter.

The MASS crew started mobilizing for a new project in the Mediterranean. This project started in early Q2 with a total project duration of three months.

Our Reservoir Monitoring and Source teams are mobilizing for their seasonal projects in the North Sea, with operations commencing in early Q2.

OBN data from the main area of the Cornerstone multi-client project shows a fantastic quality uplift compared to the underlying towed streamer data. We continue to be optimistic about generating late sales, although multi-client sales will remain binary in nature since we have only one multi-client dataset to sell. The remainder of the Cornerstone multi-client data is on schedule for delivery in H1 2022.

New backlog

The order backlog of USD 257 million provides us with good visibility to focus on project execution. With an increased demand in the market, new backlog is being secured at improving gross margins.

In our core area, the North Sea, two conditional awards have been converted into signed contracts. These surveys will be acquired by our Z700 crew, with expected start-up in Q2 and completion in Q3.

In our other core area, the Gulf of Mexico, a repeat customer has exercised an option for an additional project. The project is scheduled to start in late Q2 and run for approximately two months. This survey will be conducted with Magseis Fairfield's ZXPLR technology.

In Q2, a repeat customer has exercised an extension, which has added an additional project to the program, thus extending the current campaign by a further few weeks. The survey will be executed using Magseis Fairfield's ZXPLR technology

Energy Security taking center stage

The tragic developments in the Ukraine are having a strong impact on our industry and on our company. Let me start by saying that our first priority in this situation has been to look after our 14 Ukrainian and Russian employees, who have been put in a very difficult position through no choice of their own. We continue to do what we can to support them. We are also supporting Ukraine with targeted employee and corporate contributions through CARE International.

From a market perspective, we are forecasting a significant shift in the energy market dynamics because of the war. Energy security has become a serious issue and we believe this will continue to be a focus for governments globally going forward.

In this environment, our clients are refocusing on investment and reserve security in stable areas, with sustainability and competitiveness as key priorities. These are the geographies where we work, with a priority to extract more out of existing reserves and deliver more oil and gas as quickly as possible to make up for Russian production.

This provides strong market fundamentals for Magseis Fairfield. Cash and value creation from existing reserves is precisely at the heart of the services we provide, which supports our positive market outlook.

Building a renewables business

The Greensand Carbon Capture and Storage project in Denmark continues to progress as planned, with engineering ongoing and project execution expected in the fourth quarter of 2022. As part of our strategy, we continue to do fundamental research together with the Center of Geophysical Forecasting. We are in discussions to execute a test in 2022 to validate the research using our node-drop technology.

With regards to the CCS pilot project, we are in discussions with clients and other stakeholders to review our options to acquire a carbon capture and storage (CCS) pilot project in 2022.

We continue to focus on renewables opportunities across both North America, Europe and Asia.

Consistent delivery of our strategy

As part of our strategy, we have the best people in the OBN business working for Magseis Fairfield, and I was happy to welcome Fons ten Kroode as our new Chief Geophysicist in Q1. Fons has spent 30 years at Shell, and his primary role at Magseis Fairfield will be to advance our geophysical offering and the new solutions we will offer to our customers through the Echova platform. As such, this role supports us in extending our leadership in the OBN market.

This leadership will be further extended by the agreement to acquire Carbon Transition's proprietary node-on-a-rope handling systems on essentially an earn-out basis. This expands our capacity and drives further consolidation in the mid-water node-on-a-rope market segment at a time when the market outlook is very positive.

I am confident about the future and that our continued technology leadership, large node inventory and our people will deliver success and value to our shareholders.

Carel Hooijkaas
CEO Magseis Fairfield

Financial review

Revenue

Revenue for the first quarter 2022 was USD 75.2 million, up from USD 42.9 million reported for the first quarter 2021 and up from USD 72.2 million in the fourth quarter 2021.

The increase from last quarter mainly reflects higher acquisition revenues related to the large India project. In addition, Magseis Fairfield worked on two projects in the Gulf of Mexico.

Phase 1 of the Cornerstone multi-client project was finalized towards the end of 2021, and the remainder of the Cornerstone multi-client data is on schedule for delivery in second quarter 2022.

The order backlog was USD 257 million at the end of the first quarter 2022, down from USD 293 million at the end of the fourth quarter 2021.

Operational costs

Cost of sales amounted to USD 66.8 million in the first quarter of 2022, compared to USD 34.9 million in the first quarter 2021 and USD 50.6 million in the fourth quarter 2021.

The gross profit increased to USD 8.4 million from USD 7.9 million in the first quarter last year and decreased from USD 21.6 million in the fourth quarter 2021. The gross margin of 11% compares to 19% in the first quarter last year and 30% in the fourth quarter 2021.

As communicated in the interim report for the fourth quarter 2021, margins have been negatively impacted by weather and environmental conditions on one of the projects in US GoM.

Note that changes in gross margin from quarter-to-quarter is 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 costs to be reflected as depreciation and not cost of sales.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 5.3 million in the first quarter, which includes a USD 2.0 million loan forgiveness (US Paycheck Protection Program), for an underlying SG&A of USD 7.3 million. This compares with SG&A costs of USD 7.4 million in the same quarter last year and USD 9.2 million in the fourth quarter 2021.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 12.1 million in the first quarter, compared to USD 15.6 million in the first quarter last year and down from USD 18.8 million from the previous quarter. The change from previous quarter is mainly related to USD 5.5 million of multi-client amortization in previous quarter and reassessment of the useful life of our nodes and backdeck deployment systems from 5-8 years to 8 years.

Excluding IFRS 16 effects and multi-client amortization, depreciation and amortization was USD 5.7 million in the first quarter, down from USD 10.5 million in the first quarter of 2021.

Results

EBITDA

EBITDA was USD 3.1 million in the first quarter 2022, compared to USD 0.6 million in the first quarter last year and USD 12.4 million in the previous quarter.

The first quarter EBITDA was negatively impacted by a delayed project in the Gulf of Mexico due to bad weather and environmental conditions persisting throughout the quarter.

Operating result (EBIT)

The company reports an operating loss of USD 9.0 million in the first quarter, compared to a loss of USD 15.0 million in the same period last year and a loss of USD 12.9 million in the previous quarter.

Net financial items

Net financial costs were USD 0.8 million in the first quarter 2022, compared to a net cost of USD 0.8 million in the same period last year and net financial costs of USD 0.8 million in the previous quarter.

Net profit/ loss

Net loss before tax was USD 9.8 million in the first quarter 2022, compared to a loss of USD 15.9 million in the same quarter last year and a loss of USD 13.7 million in the fourth quarter 2021.

Income tax expense was USD 2.4 million in the first quarter, compared to no income tax expense in the first quarter last year and USD 1.5 million in the previous quarter. The increase is driven by the large project in India.

Net loss was hence USD 12.2 million, compared to a loss of USD 15.9 million in the same period last year and USD 15.1 million in the previous quarter.

Balance Sheet

Total assets for the Group were USD 307.7 million at the end of first quarter 2022 compared to USD 305.0 million at the end of 2021.

Property, plant, and equipment (PPE) increased to USD 130.0 million from USD 115.9 million at year-end 2021. The changes are mainly due to the addition of a long-term vessel lease (IFRS 16) of USD 21.3 million, capex of USD 3.5 million and depreciation of USD 10.0 million.

The multi-client library is recognised as a non-current asset of USD 22.9 million up from USD 22.5 million at the end of 2021. The investment in 2022 relates to data processing costs.

Other intangible assets stood at USD 49.0 million compared to USD 49.8 million at the end of 2021. The changes are due to R&D investments of USD 1.3 million and amortization of USD 2.2.

Total non-current assets hence increased to USD 201.9 million from USD 188.2 million at the end of 2021.

Inventories decreased to USD 5.7 million from USD 6.2 million at year-end 2021, whereas trade receivables decreased to USD 15.6 million from USD 17.4 million at the end of 2021. Other current assets increased to USD 68.4 million from USD 63.0 million at the end of 2021.

Cash and cash equivalents amounted to USD 15.7 million at the end of first quarter 2022, down from USD 29.7 million at the end of 2021.

Total current assets amounted to USD 105.8 million, compared to USD 116.8 million at the end of 2021.

The Group's equity amounted to USD 149.6 million at the end of first quarter 2022, down from USD 161.5 million at the end of 2021. This mainly reflects the losses in the period. The equity ratio is 49%, compared to 53% at the end of 2021. The equity ratio covenant was permanently reduced to 40% effective from fourth quarter 2021.

Non-current liabilities increased to USD 50.5 million from USD 42.3 million at the end of 2021. Interest-bearing liabilities was USD 29.5 million, compared to USD 29.4 million at year-end 2021, whereas lease liabilities increased to 15.0 million from USD 8.3 million and non-interest-bearing liabilities to USD 6.0 million from USD 4.6 million.

Current liabilities increased to USD 107.6 million from USD 101.2 million at the end of 2021, with trade payables increasing to USD 23.2 million from USD 20.9 million at year-end 2021. Other current liabilities increased to USD 84.4 million from USD 80.3 million at the end of 2021, with the current portion of lease liabilities at USD 23.9 million, current tax payable at USD 5.2 million, and other current liabilities at USD 55.3 million. The latter comprises project accruals, salary accruals, warranty accruals, deferred revenue, and other operational accruals.

Cash Flow and Investments

Net cash outflow from operating activities was USD 3.6 million in the first quarter 2022, compared to a cash outflow of USD 4.7 million in the same quarter last year and a cash inflow of USD 12.0 million in the previous quarter. The cash outflow from operating activities in the first quarter 2022 was impacted by operating losses on a project in Gulf of Mexico and ramp-up for the second quarter where all crews will be active on projects.

Cash outflow from investing activities amounted to USD 3.3 million in the first quarter, compared to a cash outflow of USD 3.1 million in the same quarter last year, and USD 2.1 million cash outflow in the previous quarter. The investments mainly reflect equipment acquisitions. We acquired a node-on-a-rope handling system from Carbon Transition, to consolidate the market and increase our capacity (cash impact USD 0.5 million).

Net cashflow from financing activities was an outflow of USD 7.2 million in the first quarter, compared to a cash outflow of USD 18.3 million (USD 3.3 million excluding down payment on RCF) in the same quarter last year and a cash outflow of USD 5.9 million in the previous quarter.

Payment of finance lease liabilities amounted to USD 6.4 million in the first quarter, and interest payments amounted to USD 0.9 million.

Funding and liquidity

The company’s cash position was USD 15.7 million at the end of the first quarter 2022, compared to a cash position of USD 29.7 million at the end of 2021. As described above, the cash position at the end of the first quarter was impacted by operating losses on a project in Gulf of Mexico and ramp-up for second quarter where all crews will be active on projects.

Due to the high operational activity in second quarter, the company in May 2022 secured financing of expected working capital requirements through a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million to the end of third quarter. The maturity of the RCF has also been extended with one year to December 2024, and the company has received a waiver for a certain covenant measurement in the second quarter.

Legal

As described in the Annual Report 2021, the company is involved in a patent lawsuit against Seabed Geosolutions for infringement of four of the Group’s U.S. patents where the company demands compensation for monetary damages.

On 11 January 2022, Magseis Fairfield announced an ongoing mediation process between Magseis Fairfield ASA and Fairfield Industries Inc. regarding contractual claims between the parties. Preparatory discussions between the parties, ahead of the final mediation meeting, have revealed that there is no common ground upon which to reach a mediated solution to the contractual claims between the parties.

The final mediation hearing that was scheduled for March 2022 was cancelled and the dispute between the parties is thereby to be solved by arbitration in accordance with the parties' contract.

Operations

Safety and welfare the main priority

Magseis Fairfield's primary concern during the COVID-19 pandemic remains the health, 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 applied learnings and regulatory changes from the different independent regimes to the company's Risk Management Plan.

Strict Covid-19 protocols

Magseis Fairfield continues to apply and enforce COVID-19 protocols to avoid potential exposure or outbreaks of the virus on our vessels. The stringent protocols did not impact our ability to successfully operate multiple offshore projects during the first quarter.

Despite rigorous protocols, Magseis Fairfield experienced positive Covid-19 cases on several vessels. All cases were handled on the vessels, and all personnel recovered quickly. Operations were not impacted by these cases.

Late in the first quarter we removed the crew quarantine primarily due to the drop in the global and regional outbreak numbers, the demonstrated ability to manage positive cases offshore without interrupting the continuity of the operations. However, we have maintained full testing requirements before joining the vessels. This has been well received by our crew members and should reduce some of the added costs to operations that has been associated with the COVID-19 pandemic.

QHSE Management System

Magseis Fairfield's integrated QHSE Management System provides the necessary framework for safe and successful operations, and development of a 'One Team' culture supporting the company's asset light operating model. The annual QHSE plan includes specific efforts and actions focused on all aspects, including but not limited to:

- ISO certifications
- Development of a 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.

Magseis Fairfield has completed the ISO certification by ABS QE. The company received ISO 9001:2015 certification for all Magseis Fairfield sites and operations and certification for ISO 14001 and 45001 for our Warminster site in the UK. Magseis Fairfield will pursue ISO 14001 and 45001 certifications for all sites and operations in 2022.

Exposure hours and TRCF

Magseis Fairfield registered 513,281 exposure hours during the first quarter, an increase of 33% from the fourth quarter. The company had one industry recordable event, and five first aid cases in the quarter.

The 12-month rolling average for Total Recordable Case Frequency (TRCF) was 2.74 at the end of Q1. The YTD TRCF was 1.95 for 2022, which is right on target for our yearly goal (TRCF <1.95).

Environmental footprint

During the first quarter there were a total of nine vessels on various projects for Magseis Fairfield. We had 787 vessel days (port, transit, operations) recorded, consuming 7379.6 mT of MGO resulting in a quarterly average of 9.5 mT of fuel consumed per vessel per day, which is a 10% increase from the 2021 average. This is primarily attributable to the mix of vessel types (more NHV and Source vessels vs. fewer Support vessels operating) in the first quarter. Total vessel emissions for the quarter were 24.0k mT (CO_2), 317.7k kg of (NOx), and 4.4k kg (SOx).

Magseis Fairfield announced in 2021 an ambition to become carbon neutral by 2040, or earlier. To this end, the company continues to develop its environmental sustainability plan and roadmap, with focus areas including air quality, waste stream reduction, remote access, reuse and recycle, and clean oceans. The specific efforts and actions associated with these focus areas are consistent with ISO 14001, 45002, 26000, and 20400, as well as UN Sustainability Goals 7 (affordable and clean energy), 8 (decent work and economic growth), 12 (responsible consumption and production), and 14 (life below water).

As part of the company's sustainability plan, all node handling vessels and source vessels operating for Magseis Fairfield have successfully implemented the Maress system fuel consumption and carbon emission measuring system. The data from this system will allow the company to further analyse and plan for efficiency improvements related to fuel consumption and emissions.

Employees and contractors

As per 31 March 2022, the Group had a total of 457 FTEs, of which 317 employees and 140 contractors. This compares to 401 FTEs on 31 December 2021, and 370 FTEs on 31 December 2020. The increase in 2022 is driven by a higher number of offshore employees and contractors reflecting increased activity.

Operations in the quarter

The first quarter saw lower levels of crew activity associated with seasonal slowdown in the Northern Hemisphere for the winter months. At the end of the quarter there were three crews on revenue generating projects, with the reservoir monitoring/source and MASS operations doing maintenance in preparation for upcoming projects to commence in second quarter.

In the Gulf of Mexico, the ZXLPR 1 crew continued a project which started in August 2021 for a multiclient provider. Unfortunately, this project has suffered from higher-than-normal seasonal weather downtime, as well as continued effects of The Gulf of Mexico Loop Current that moved through the survey area. These currents negatively impacted source vessel speed, and in conjunction with the weather downtime resulted in delays which extended the duration of the survey. The crew completed the survey in early-April and has moved on to another project for a repeat proprietary customer in the Gulf of Mexico.

The ZXPLR 2 crew mobilized on a project for a repeat customer in the Gulf of Mexico, which successfully commenced in the middle of the first quarter of 2022.

The Z700 crew continued operations in India utilizing two node handlers and the full complement of Z700 nodes. The crew is expected to complete operations in India during Q2 2022 and then transit to the North Sea where we will execute multiple projects.

The MASS crew prepared for the mobilization for a project in the Mediterranean, scheduled to commence in the second quarter of 2022.

All the reservoir monitoring/source crews spent the quarter doing maintenance in preparation for the Spring season.

Operations also supported sale and lease activities in Abu Dhabi.

Technology

First quarter activities centred on the Automated Back Deck project scheduled for delivery in Q2 2022. Focus has been on completion of all major sub-systems and integration. Integration is ongoing and improvements are being made based on testing and burn-in efforts. In addition, our containerized solution for the Z700 technology is progressing well and is expected to be delivered in June 2022. This will allow for faster and more flexible mobilization and demobilization.

The supply chain continues to be under severe pressure. The war in Ukraine has compounded the challenges that followed the pandemic and has made the situation even more challenging. For example, our node manufacturing activities are limited by access to materials and electronics supplies. To improve our parts pipeline, we have completed a series of lead time studies for each of the node technologies. We have also adjusted the manufacturing strategy with key suppliers.

Development of Echova is progressing according to plan, including initial engagements with key customers.

Echova will be the platform that integrates the OBN value chain and connects technology partners together. We are currently working on the integration of survey design, planning, and acquisition activities and should have this in place by second quarter 2022. Following this, we will focus on the integration with data processing partners that will accelerate time of image delivery for our customers.

Risk factors

Magseis Fairfield is exposed to a variety of risk factors, including risks 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.

Other risk factors include legal risks related to laws and regulations in various jurisdictions, cyber criminality, and intellectual property rights. For a more detailed review of these risks and other general risk factors, please refer to the 2021 Annual Report.

The company is assessing hedging arrangements to mitigate the possible adverse effects for fuel prices on a project-by-project basis.

Revenue risk

Magseis Fairfield operates in competitive markets, and the majority of the Group's contracts are obtained through competitive bidding processes. Rapid technological changes may affect the Group's competitive position in this market. As described in the 2021 Annual Report, the company also sees financial risks related to unexpected adjustments or cancellations of orders, changes in scope, and potential failure to meet customers' contractual terms and conditions due to operational issues, vessel unavailability or component shortages, material breakdown or vessel damage, extreme weather, or hazardous conditions, etc. As a technology company, Magseis Fairfield is also dependent on its ability to attract and retain personnel with the required skill sets for mainly technology development, contract management, and project execution.

Credit risk

Credit risk relates to the risk of non-payments of trade receivables or other receivables, which may adversely impact financial results and liquidity.

The Group's customers are concentrated within the energy industry and may be similarly affected by changes in the industry sentiment. Many of the customers are large and solid oil and gas companies, and the company pays due consideration to the credit quality of potential new clients to minimise the risk during contract negotiations. It is management's assessment that the credit risk of the company is limited.

Liquidity risk

Liquidity risk is the risk that Magseis Fairfield is not able to meet its payment obligations. The company is dependent on both access to long-term funding and timely payments of receivables from customers, and no assurance can be given with respect to the ability to secure new sources of funding in the event of a cash shortfall.

The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing in pursuing other business opportunities. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group may be forced to take action, such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms.

At the end of the first quarter of 2022, the company had cash and cash equivalents of USD 15.7 million. In May 2022, Magseis Fairfield reached an agreement with DNB to extend maturity of the RCF with one year to December 2024 and a temporary increase by UDS 15 million to end of third quarter to support the high activity level expected in second quarter. Given the current activity level and financial forecast, the company will have sufficient liquidity through 2022. The liquidity forecast is subject to certain risk factors, such as project execution, timely collections from customers or changes in phasing and scope of projects.

Foreign exchange risk

The Group's functional currency is USD. The Group operates globally and is hence exposed to foreign currency movements. The exposure to foreign exchange risk is partly mitigated through use of USD nominated contracts, and the company currently utilizes hedging arrangements against parts of its exposure in NOK and GBP.

The Group's expenses are primarily, in order of exposure, in USD, NOK, GBP and EUR. Changes in currency exchange rates may affect operational costs such as salaries paid in local currency.

Changes in currency exchange rates relative to the USD may affect the USD value of the assets and thereby impact the total return on such assets. Currency fluctuations of an investor's currency of reference relative to the USD may adversely affect the value of an investor's investments. The company's assessment is that the foreign exchange risk was unchanged during the third quarter of the year.

Subsequent events

A repeat customer has exercised an extension, which has added an additional project to the program, thus extending the current campaign by a further few weeks. The survey will be executed using Magseis Fairfield's ZXPLR technology.

Strategy and outlook

Market fundamentals and outlook

The tragic events in the Ukraine have made energy security an even more pressing issue for governments all over the world.

Our clients are now refocusing on investments and reserve security in the geographies where we work, with a priority to extract more out of existing reserves and deliver more oil and gas as quickly as possible to make up for Russian production. The forecasted changes in the market will make an already positive outlook even stronger for Magseis Fairfield.

Our services enable increased production from existing reserves and near-field exploration. This fits well with a market shift to short-cycle projects with short pay-back time, high value generation, and production of low-carbon barrels. These criteria remain important for customers to maintain competitiveness while driving towards their sustainability targets.

USD 1 Billion Market

The positive market outlook is not only supported by the 25% growth we see in the market in 2022, but also extends into 2023. Some projects have already been awarded for next year and others are confirmed or being tendered for 2023.

Based on awarded contracts and projects currently being tendered, the size of the 2023 market is already on par with 2022. More work is obviously going to be tendered for next year in addition to what we know today, and in our forecast, this builds up to a market size approaching USD 1 billion in 2023.

Driving financial performance

As the clear market leader, Magseis Fairfield will focus on improving returns and strengthen contract terms and conditions to balance risk. This should be a key priority not only for Magseis Fairfield but for the whole seismic industry, given the very rough market conditions over the last few years.

Given the significant supply chain pressures it may prove difficult to source the components needed to build new equipment in the current market. The significant node capacity Magseis Fairfield has is therefore expected to be a significant competitive advantage.

Delivering on our Strategy

Over the last two years the company has been restructured and established itself as the clear market leader in the Ocean Bottom Node market. The company is now in the sweet spot of a market recovery with customers prioritizing cash and value generation from existing reserves and securing their investments and reserves in Magseis Fairfield's core geographies.

Magseis Fairfield is well positioned in this growth market, with an excellent team moving forward in the development of existing and new market opportunities in partnership with our customers.

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 2022 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 2021 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 9 May 2022

Sign.

Wenche Kjølås
Chair of the Board of Directors

Anthony Dowd
Board member

Roar Bekker
Board member

Luis Araujo
Board member

Angela Durkin
Board member

Tone Holm-Trudeng
Board member (employee elected)

Yves Chiffoleau
Board member (employee elected)

Carel Hooijkaas
Chief Executive Officer

Condensed consolidated statement of comprehensive income

USD thousands	Note	Q1 2022 (unaudited)	Q1 2021 (unaudited)	Full year 2021 (audited)
Revenues and other income				
Revenues and other income	3	75 233	42 856	258 129
Operating expenses				
Cost of sales		(66 814)	(34 911)	(186 645)
General and administrative costs		(5 318)	(7 357)	(24 506)
Depreciation	5,6	(9 950)	(13 491)	(51 507)
Amortization	7	(2 148)	(2 145)	(14 156)
Impairment	12	(51)	-	(6 458)
Total operating expenses		(84 280)	(57 904)	(283 272)
Operating profit/(loss)		(9 047)	(15 048)	(25 143)
Finance income and costs				
Finance income		540	2 418	819
Finance costs		(1 330)	(3 250)	(4 004)
Net finance income/(costs)	4	(791)	(832)	(3 185)
Net profit/(loss) before tax		(9 838)	(15 880)	(28 328)
Income tax expense	13	(2 374)	-	(3 926)
Net profit/(loss) and total comprehensive income		(12 212)	(15 880)	(32 254)
Earnings per share				
Basic (USD)		(0.05)	(0.06)	(0.12)
Diluted (USD)		(0.04)	(0.06)	(0.12)

Condensed consolidated statement of financial position

USD thousands	Note	31-Mar 2022 (unaudited)	31-Mar 2021 (unaudited)	31-Dec 2021 (audited)
Non-current assets				
Property, Plant and Equipment	5,6,12	129 972	137 389	115 852
Multi-client library	7	22 923	22 602	22 526
Other intangible assets	7	48 970	55 587	49 840
Total non-current assets		201 865	215 579	188 217
Current assets				
Cash and cash equivalents		15 659	28 947	29 737
Trade receivables		15 562	26 510	17 389
Inventories		5 737	10 101	6 182
Derivatives		487	-	519
Other current assets	10	68 364	24 610	62 959
Total current assets		105 810	90 168	116 787
Total assets		307 674	305 747	305 004
Equity				
Share capital	8	1 603	1 580	1 584
Share premium	8	138 831	407 662	151 021
Other equity		9 122	(232 345)	8 909
Total shareholders' equity		149 556	176 896	161 514
Non-current liabilities				
Interest bearing liabilities	9	29 534	6 937	29 429
Lease liabilities	6	14 996	14 953	8 275
Non-interest-bearing liabilities	9	5 987	5 228	4 609
Total non-current liabilities		50 517	27 118	42 313
Current liabilities				
Trade payables		23 222	10 742	20 901
Current tax payable	13	5 234	4 782	5 060
Current portion of interest-bearing liabilities	9	-	3 057	2 000
Current portion of lease liabilities	6	23 894	18 695	16 201
Other current liabilities	10	55 252	64 456	57 015
Total current liabilities		107 601	101 733	101 177
Total liabilities		158 118	128 851	143 490
Total equity and liabilities		307 674	305 747	305 004

Condensed consolidated statement of changes in equity

2022

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2022	1 584	151 021	8 909	-	161 514
Share based payments	19	-	213	-	232
Other changes	-	-	-	22	22
Profit/(Loss) for the period	-	-	-	(12 212)	(12 212)
Allocation of retained deficit	-	(12 190)	-	12 190	-
Balance 31 March 2022	1 603	138 831	9 122	-	149 556

2021

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	6	-	1 413	-	1 419
Other changes	-	-	-	(125)	(125)
Allocation of retained deficit	-	(256 641)	-	256 641	-
Profit/(Loss) for the period	-	-	-	(32 254)	(32 254)
Balance 31 December 2021	1 584	151 021	8 909	-	161 514

Condensed consolidated statement of cash flow

USD thousands	Note	Q1 2022 (unaudited)	Q1 2021 (unaudited)	Full year 2021 (audited)
Cash flows from operating activities				
Profit / (loss) before tax		(9 838)	(15 880)	(28 328)
Income tax paid	13	(2 200)	(1 875)	(4 322)
Depreciation, amortization and impairment	5,6,7	12 149	15 636	72 122
Share-based payments expense		213	540	1 413
Finance expense	4	1 330	3 250	4 004
Finance income	4	(540)	(2 418)	(819)
Net book value sold and disposed assets		-	-	7 594
Other non-cash items**		(2 534)	-	(7 093)
(Increase)/decrease in current assets		(2 771)	(144)	(28 980)
Increase/(decrease) in current liabilities		557	(3 793)	(8 796)
Net cash from operating activities		(3 633)	(4 684)	6 794
Cash flows from investing activities				
Interest received	4	-	1	-
Investment in multi-client library	7	-	(1 725)	(881)
Investment in other intangibles	7	(1 278)	(44)	(1 538)
Acquisition of equipment	5	(2 042)	(1 299)	(10 454)
Net cash used in investing activities		(3 320)	(3 068)	(12 874)
Cash flows from financing activities				
Down payments of interest-bearing liabilities	9	-	(15 000)	-
Net proceeds from new loan	9	-	-	2 000
Payment of finance lease liabilities	6	(6 359)	(2 673)	(18 044)
Net proceeds from issue of share capital	8	19	2	6
Interest paid	4	(902)	(640)	(2 631)
Net cash from financing activities		(7 242)	(18 311)	(18 669)
Net change in cash and cash equivalents		(14 195)	(26 063)	(24 748)
Currency effects on cash		117	181	(345)
Cash and cash equivalents at period start		29 737	54 829	54 829
Cash and cash equivalents at period end*		15 659	28 947	29 737

**Restricted cash as of 31 March 2022 is USD 1 million*
*** Other non-cash items in first quarter 2022 are mainly due to the USD 2.0 million loan forgiveness (US Paycheck Protection Program). See note 6 for further details.*

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 requirements in the Norwegian Securities Trading Act.

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 2021.

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 2021 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 2021 Group's Annual accounts.

Some amendments to standards and interpretations are effective from 1 January 2022, but they do not have any material effect on the Group's financial statements. Certain new accounting standards and amendments to standards have been published that are not yet mandatory. The Group has chosen not to early adopt any new or amended standards in preparing these condensed consolidated interim financial statements. None of these standards are expected to have a material impact on the consolidated accounts at implementation.

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.

Q1-22 and Q1-21

	Quarter ended 31-Mar-2022			*Quarter ended 31-Mar-2021*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	72 047	-	72 047	34 526	-	34 526
Systems	1 555	-	1 555	6 836	-	6 836
Reservoir Monitoring/Source	925	-	925	1 494	-	1 494
Multi-client prefunding	-	-	-	-	-	-
Multi-client aftersales	173	-	173	-	-	-
Other revenues	-	534	534	-	-	-
Total revenues	74 700	534	75 233	42 856	-	42 856
Cost of sales	(73 372)	6 559[1]	(66 814)	(37 574)	2 663	(34 911)
SG&A and R&D costs	(5 601)	283[2]	(5 318)	(7 309)	(48)	(7 357)
EBITDA	(4 274)	7 376	3 102	(2 027)	2 615	588
Multi-client amortization	-	-	-	-	-	-
EBITDA after multi-client amortization	(4 274)	7 376	3 102	(2 027)	2 615	588
Depreciation and amortization	(5 685)	(6 413)[3]	(12 098)	(10 495)	(5 141)	(15 636)
Impairments	(51)	-	(51)	-	-	-
EBIT	(10 010)	963	(9 047)	(12 522)	(2 526)	(15 048)

[1] Vessel lease payments

[2] Office lease payments

[3] Depreciation and impairment of right of use assets (IFRS 16)

FY 2021

USD thousands	Year ended 31-Dec-21 Segment	Adj.	As reported
Acquisition	204 742	-	204 742
Systems	23 746	-	23 746
Reservoir Monitoring/Source	18 842	-	18 842
Multi-client prefunding	874	7 429	8 303
Multi-client aftersales	385	-	385
Other revenues	-	2 112	2 112
Total revenues	248 588	9 541	258 129
Cost of sales	(204 511)	17 866[1]	(186 645)
SG&A and R&D costs	(25 150)	645[2]	(24 506)
EBITDA	18 927	28 052	46 979
Multi-client amortization	(577)	(4 903)	(5 480)
EBITDA after multi-client amortization	18,350	23 149	41 499
Depreciation and amortization	(40 642)	(19 541)[3]	(60 184)
Impairments	(6 458)	-	(6 458)
EBIT	(28 750)	3 607	(25 143)

4. Finance income and costs

USD thousands	Q1 2022	Q1 2021	Full Year 2021
Finance income			
Foreign exchange gains	36	2 284	360
Interest income	1	1	4
Other financial items (income)	503	133	454
Total finance income	540	2 418	819
Finance costs			
Foreign exchange losses	(281)	(2 117)	(542)
Interest expense loan facility	(440)	(352)	(1 763)
Interest expense leases	(549)	(361)	(1 191)
Revaluation of warrants	76	(211)	221
Other financial items	(137)	(208)	(728)
Total finance costs	(1 330)	(3 250)	(4 004)
Net finance income/(costs)	(791)	(832)	(3 185)

5. Property, Plant & Equipment (PPE)

2022

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance 1 January 2022	154 587	38 894	1 348	78 804	273 633
Additions	2 000	1 540	2	21 306	24 848
Disposals/retirement	(196)	-	-	-	(196)
Inventory movements and other	-	(728)	-	-	(728)
Balance 31 March 2022	156 391	39 707	1 350	100 110	297 558
Accumulated depreciation and impairment					
Balance 1 January 2022	(98 011)	(1 336)	(1 159)	(57 276)	(157 782)
Depreciation for the period	(3 499)	-	(38)	(6 413)	(9 950)
Disposals/retirement	145	-	-	-	145
Balance 31 March 2022	(101 365)	(1 336)	(1 197)	(63 689)	(167 587)
Net carrying amounts					
Balance 1 January 2022	56 577	37 558	189	21 529	115 852
Balance 31 March 2022	55 028	38 370	153	36 422	129 972

Capital commitments

USD thousands	Total
Capital commitments 31 December 2021	4 000
Capital commitments 31 March 2022	9 200

2021

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	286	10 124	43	17 624	28 078
Disposals/retirements	(13 553)	(337)	-	-	(13 890)
Reclass - asset under construction	8 916	(8 916)	-	-	-
Reclass - intangibles	-	(1 066)	-	-	(1 066)
Inventory movements and other changes	377	3 696	(517)	(1 298)	2 259
Balance 31 December 2021	154 587	38 894	1 348	78 804	273 632
Accumulated depreciation and impairment					
Balance 1 January 2021	(69 254)	-	(1 167)	(37 756)	(108 176)
Depreciation for the period	(31 632)	-	(334)	(19 541)	(51 507)
Disposals/retirements	6 300	-	(4)	-	6 296
Impairment	(3 286)	(1 336)	-	-	(4 622)
Other movements	(139)	-	346	22	229
Balance 31 December 2021	(98 010)	(1 336)	(1 159)	(57 276)	(157 781)
Net carrying amounts					
Balance 1 January 2021	89 307	35 393	654	24 722	150 074
Balance 31 December 2021	56 577	37 558	189	21 529	115 852

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. As of 31 March 2022, two vessels are on long-term contract and another one on short term contracts and are recognized as right of use asset and lease liability in the table below.

2022

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2022	15 818	5 711	21 529
Additions	21 306	-	21 306
Depreciation	(6 056)	(357)	(6 413)
Other adjustments	-	-	-
Balance 31 March 2022	31 068	5 354	36 422

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2022	8 275	16 201	24 476
Additions	10 414	10 892	21 306
Lease payments	-	(6 359)	(6 359)
Reclassification	(3 694)	3 694	-
Other adjustments	-	(534)	(534)
Balance 31 March 2022	14 996	23 894	38 890

2021

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2021	17 432	7 291	24 722
Additions	17 624	-	17 624
Depreciation	(17 940)	(1 601)	(19 541)
Other adjustments	(1 298)	21	(1 277)
Balance 31 December 2021	15 818	5 711	21 529

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2021	8 784	19 361	28 145
Additions	4 143	13 481	17 624
Lease payments	-	(18 044)	(18 044)
Reclassification	(4 652)	4 652	-
Other adjustments	-	(3 250)	(3 250)
Balance 31 December 2021	8 275	16 201	24 476

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.

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.

2022

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2022	84 960	28 006	112 966
Additions	1 278	397	1 676
Reclassification from PPE	-	-	-
Other changes	-	-	-
Balance 31 March 2022	86 238	28 403	114 641
Accumulated amortization and impairment			
Balance 1 January 2022	(35 120)	(5 480)	(40 600)
Amortization for the period	(2 148)	-	(2 148)
Impairment	-	-	-
Balance 31 March 2022	(37 268)	(5 480)	(42 748)
Net carrying amounts			
Balance 1 January 2022	49 840	22 526	72 365
Balance 31 March 2022	48 970	22 923	71 893

2021

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2021	82 297	20 906	103 203
Additions	1 538	7 100	8 638
Reclassification from PPE	1 066	-	1 066
Other changes	58	-	58
Balance 31 December 2021	84 960	28 006	112 966
Accumulated amortization and impairment			
Balance 1 January 2021	(24 608)	-	(24 608)
Amortization for the period	(8 677)	(5 480)	(14 156)
Impairment	(1 836)	-	(1 836)
Balance 31 December 2021	(35 120)	(5 480)	(40 600)
Net carrying amounts			
Balance 1 January 2021	57 689	20 906	78 595
Balance 31 December 2021	49 840	22 526	72 366

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 2021	266 770 592		1 578	407 662
RSU settlements	951 750	0.05	6	-
Allocation of retained deficit				(256 641)
Balance 31 December 2021	267 722 342		1 584	151 021
RSU settlements	3 356 853		19	
Allocation of retained deficit				(12 190)
Balance 31 March 2022	271 079 195	-	1 603	138 831

9. Interest bearing liabilities

USD thousands	31 Mar 2022	31 Dec 2021
Nominal value bank facility	30 000	30 000
Nominal value other loans	-	2 000
Subtotal nominal value	*30 000*	*32 000*
Prepaid fees bank facility	(466)	(571)
Total	29 534	31 429
Long term	*29 534*	*29 429*
Short term	-	*2 000*
Repayment profile at balance sheet date:		
2022	-	2 000
2023	30 000	30 000
Total	30 000	32 000

Covenants as of 31 March 2022:

- 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 > 40 percent
- Clean Down mechanism: NIBD shall be at or below zero for 5 successive business days in each quarter
- Equipment loan to value: RCF debt / book value seismic equipment and assets under construction < 50 percent

Magseis Fairfield is in compliance with all financial covenants as of 31 March 2022.

In April 2020, the Company received U.S. Covid-19 loan program of USD 3.6 million which was fully forgiven in June 2021. An additional loan of USD 2.0 million was received in April 2021 which was fully forgiven in March 2022.

In May 2022, Magseis Fairfield reached an agreement with DNB to extend maturity of the RCF with one year to December 2024. In addition, it was agreed a temporarily increase of USD 15 million to end of third quarter to support the high activity level expected during the summer season.

10. Other current assets and liabilities

Other current assets

USD thousands	31 Mar 2022	31 Dec 2021
Contract assets (unbilled revenue and mobilization costs)	52 419	50 621
Prepayments	11 571	8 363
Other receivables	4 374	3 975
Total	68 364	62 959

Other current liabilities

USD thousands	31 Mar 2022	31 Dec 2021
Accrued expenses	44 450	46 847
Deferred revenue (contract liabilities)	5 829	4 893
Accrued warranties	675	880
Other	4 298	4 396
Total	55 252	57 015

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	Q1-22	Q1-21	Q1-22	Q1-21
Westcon Group (shareholder)	(I)	2 157	766	833	4
Fairfield Geotechnologies (shareholder)	(II)	152	473	-	34
J B Gateman (Geo Innova AS) (shareholder)	(III)	-	79	-	-

(I) Time charter agreements for the vessels Artemis Athene, Artemis Angler and Artemis Arctic. As of 2022 we have only the Artemis Arctic agreement. Westcon Group also delivers Marine Management services as a part of the time charters.

(II) The only transactions are related to office sublease. The office lease agreement ends in October 2030 and the total lease liability is USD 3.1 million as of 31 March 2022.

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

12. Impairment of non-current assets

Impairment test 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 applied in the impairment test

An impairment test was performed as a part of the Q1-22 reporting.

As part of the energy transition, we have seen a fundamental shift in the market where our customers focus on cash and value generation from already explored assets. This means that our customers are prioritizing investments in high-quality seismic data over and around existing assets, and specifically OBN seismic data to make data driven field development decisions.

The need for increased oil and gas supply in the short- to medium-term is expected to translate into investments to increase recovery rates from already explored assets. According to data from Rystad Energy, this view is supported by a significant increase in project sanctioning, and the forecasted sanctioned greenfield capex is expected to increase by 14% in 2022 and by a further 40% in 2023. These projects will provide lower-carbon barrels that can be delivered quickly to the market with attractive payback on investments and will naturally include OBN projects. This forms the basis for an increasingly optimistic outlook for a market recovery for OBN services, and the company's view that the OBN market will see double-digit growth from 2022 onwards.

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 as of 31 March 2022 were:

- Cash flow projections are based on continued growth into 2023 and beyond. We have applied an average revenue growth rate of 6-8% for the period 2023-2025, with an estimation of terminal value in subsequent periods.
- We have analyzed the historic and future OBS market and assessed our market share, which has been used as a benchmark 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
- Capex levels are aligned with revenue assumptions
- Climate risk is assessed to be low and not significant, hence not reflected in the valuation model
- Weighted average cost of capital applied in the model is 11%

The test suggests no impairment required, but it must be emphasized that the model is sensitive to its assumptions, such as market growth and project margins.

Sensitivities in the impairment test

The impairment test is sensitive to changes in key assumptions, including changes in discount rate, growth rates, gross margin and EBITDA assumptions. 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 5%
Long-term EBITDA margin reduction	Δ 9%
Discount rate increase	Δ 45%

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 has been recognised, 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 27 April 2022, Magseis Fairfield announced that a customer exercised an option for extension on a survey in the US Gulf of Mexico, extending the current campaign by additional few weeks.

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.

Gross profit is revenue less cost of sales.

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 gross profit is segment revenue less cost of sales. 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.

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.

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