Q2 and H1 2021

report

magseis fairfield

Summary

Continued strong operational execution

- Higher activity and flawless project execution
- Continued strong safety record with 12 months rolling TRCF at 1.2
- Completed the 100^{th} OBN survey, and the first ever carbon neutral survey
- Continuing to win new projects
- Lean organization prepared for market rebound
- Launch of Extended High Resolution (XHR) Renewables Crew on tests

Q2 financials

- Higher crew capacity utilization, improved project mix and higher contract margins
- Revenue of USD 58.8 million and gross margin of 29%
- EBITDA of USD 14.3 million
- Operating loss of USD 1.3 million and net loss after tax of USD 1.9 million
- Cash balance of USD 41.5 million
- RCF temporarily increased by USD 15 million in July, until the end of the year

Continued increase in order backlog

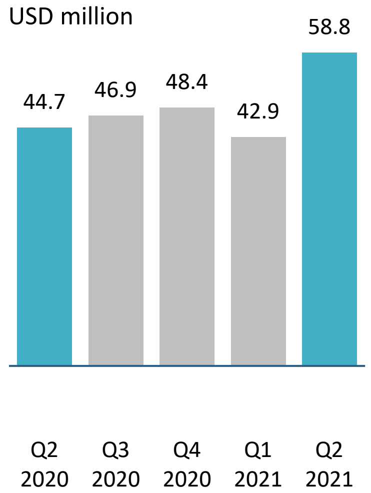
- Order backlog of USD 230 million per end June, of which USD 140 million for delivery in 2021
- Awarded two new contracts in Q2 2021
    - Four-month project for a multi-client company in the Gulf of Mexico started in July, using ZXPLR deepwater OBN technology
    - One-month 4D OBN monitor survey in the North Sea commencing in the third quarter with MASS node technology
- At the time of reporting three additional contracts had been awarded
    - Two-month OBN contract in the North Sea, commencing in the third quarter with Z700 technology
    - Five months project award for a customer in Asia. The revenue generation from this project will reflect that it requires our full Z700 inventory and two node handling vessels and will therefore be equivalent to ten single node handling vessel acquisition months. The project will be acquired during Q4-21 and Q1 22
    - A small size Ocean Bottom Node contract in the North Sea for a Multi-Client company. The survey will be executed during Q3 2021 using approximately 500 MASS nodes.
- Backlog increased to USD 339 million with Q3 contract awards. Backlog for delivery in Q3 and Q4 2021 of USD ~178 million, including changes in project scheduling and new contracts awarded in July and August

Market and Outlook

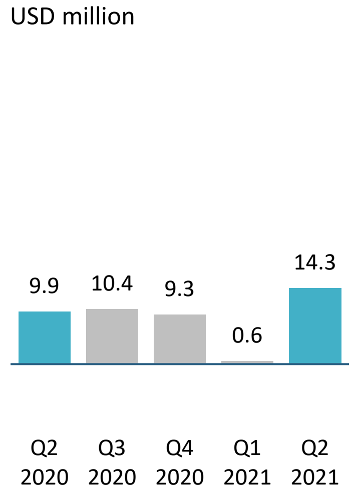
- All acquisition crews booked on projects in the third quarter - On track to deliver higher revenues for the second half of 2021 compared to the first half of the year
- Continued signs of market improvement, with client interest extending beyond the core areas in the Gulf of Mexico and North Sea to include more tenders for work in Latin America and Asia for 2022
- Leveraging the OBN Technology Platform and Total System Differentiation to capture growth and value

USD millions

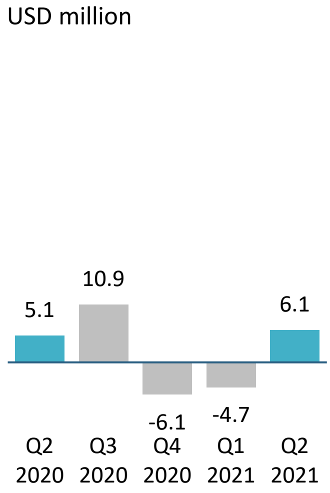
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q2 2021	Q2 2020	YTD Q2 2021	YTD Q2 2020	Full Year 2020
As per IFRS					
Revenues	58.8	44.7	101.6	98.0	193.4
Gross profit	16.8	18.9	24.8	31.2	62.8
Gross margin	*29%*	*42%*	*24%*	*32%*	*32%*
EBITDA	14.3	9.9	14.9	15.8	35.5
%	*24%*	*22%*	*15%*	*16%*	*18%*
EBITDA excluding special items	10.8	9.9	11.4	15.8	38.4
%	*18%*	*22%*	*11%*	*16%*	*20%*
EBIT	(1.3)	(2.9)	(16.3)	(11.0)	(14.6)
Net profit/(loss)	(1.9)	(2.9)	(17.8)	(14.9)	(19.7)
Segment reporting					
Revenues	58.8	49.4	101.6	103.6	205.7
Gross profit	11.6	19.0	16.9	27.8	62.6
Gross margin	*20%*	*39%*	*17%*	*27%*	*30%*
EBITDA	9.0	10.0	6.9	11.7	32.4
%	*15%*	*20%*	*7%*	*11%*	*16%*
EBITDA after MCL amortization and excluding special items	5.4	6.9	3.4	8.0	28.6
%	*9%*	*14%*	*3%*	*8%*	*14%*
EBIT	(1.5)	(1.6)	(14.1)	(10.1)	(11.1)
Other key figures					
Net cash from operating activities	6.1	5.1	1.4	15.6	20.5
Net cash used in investing activities	(4.8)	(11.1)	(7.9)	(27.3)	(25.2)
Net cash from financing activities	11.3	(4.9)	(7.0)	14.8	4.7
Total assets	309.0	351.5	309.0	351.5	344.6
Equity ratio	57%	56%	57%	56%	56%
Cash and cash equivalents	41.5	56.6	41.5	56.6	54.8
Net interest-bearing debt/(cash)	(10.0)	(23.9)	(10.0)	(23.9)	(21.9)
Book value multi-client library IFRS	24.3	16.4	24.3	16.4	20.9
Book value multi-client library Segment	16.2	13.3	16.2	13.3	12.8
Backlog at end of reporting period	230.0	151.0	230.0	151.0	198.0

Comment from the CEO

The second quarter was a good quarter for Magseis Fairfield. We delivered a gross profit margin of 29% and an EBITDA margin of 24%. This performance was fueled by the flawless execution on our crews, higher margin contracts, and a special item which favorably impacted the financial performance.

From an HSE perspective, we unfortunately had two recordable incidents which brought our Total Recordable Case Frequency (TRCF) to 1.2 over the past 12 months. This nevertheless represents continued improvement from the 2020 performance and still keeps us on target to achieve our 2021 goal of 1.51.

New backlog

We increased our order backlog slightly to USD 230 million during the second quarter. In our core area of the Gulf of Mexico, we were awarded a four-month project for a multi-client company, and we were awarded a 4D OBN monitoring survey in our core area of the North Sea. The latter survey has started in the third quarter 2021 and has a duration of just under one month. The survey will be conducted using Magseis Fairfield's MASS node technology.

At the time of reporting, the backlog has increased to USD 339 million on the back of two contract awards after the quarter ended. The first one is a two-month project for a multi-client company in the North Sea. The second one is a substantial five-months project award for a customer in Asia. The revenue generation from this project requires our full Z700 inventory and two node handling vessels and will therefore be equivalent to ten single node handling vessel acquisition months. These awards further increase the remaining backlog for 2021 and hence our near-term visibility. Margins on new awards have been improving, although they have not yet recovered to pre-Covid-19 levels.

With the current backlog, the focus remains on project execution. While we still have some sales opportunities for execution in 2021, our customers are clearly moving their focus towards tendering for projects in 2022. This puts us in a position to extend our visibility into 2022. The tendering activity for 2022 extends beyond the core areas in Gulf of Mexico and North Sea and we are now receiving more tenders for work in Latin America and Asia.

With our clients committing to the energy transition, they are putting less focus on exploration and instead prioritize cash and value generation from already explored assets. In addition, they are prioritizing lower carbon barrels that they can deliver quickly to the market with a short payback on investment. IOCs are very much maintaining capital discipline during this time while NOCs continue to invest for the long cycle. The recent contract awards show that OBN is very much part of the solution in the new business environment. Our crews are ready to execute on the growing order backlog for the remainder of the year, and into next year.

Operations

Our strict adherence to our Covid-19 protocols meant that we continued to have no Covid-19 cases offshore on our crews. We have adapted our protocols for those crew members who have been fully vaccinated, significantly reducing the amount of quarantine days. However, we continue to remain extremely vigilant and adaptive as we continue to navigate the Covid-19 pandemic. This applies equally to our onshore personnel as we expect our offices to reopen during the second half of the year.

In the second quarter, we not only completed our 100th OBN survey but also managed to make this the first carbon neutral survey ever in the industry. This milestone underscores our leadership and our vision to continue to innovate and provide new solutions to our customers. Our strategy is to become Carbon Neutral by 2040 or earlier.

Overall, we were engaged in 15 different projects during the quarter, involving all technologies and business areas. Our ZXPLR1 crew completed a project in the Gulf of Mexico and successfully started a second project during the quarter. The ZXPLR2 crew finished a low-margin contract in the Gulf of Mexico before successfully starting the acquisition of a project in Angola. The Z700 crew completed a project in the North Sea during the second quarter and has now secured work in the third quarter, and our Reservoir Monitoring and Source teams have been busy working on their regular summer season projects in Norway.

The MASS I crew successfully mobilized for a project which is part of the long-term contract we have with ConocoPhillips.

The processing of the main survey area of the Cornerstone multi-client data is progressing as planned with the final products on schedule to be delivered towards the end of the year. This will move the project into the late-sales phase. Securing late-sales in Q4 2021 remains a key focus area. The remainder of the Cornerstone multi-client data is on schedule for delivery in H1 2022.

Technology

We have made significant progress in the integration of the technology organization and the technology stacks. Using agile, cross-functional, and cross-geography teams, the new organization is delivering fit-for-purpose and differentiated solutions to our operations and our clients. This will further differentiate the company going forward and provides us with the technology platform for the projects we have in our pipeline to 2025.

Building a renewables business

We have ramped-up for client tests both in the Carbon Capture and Storage (CCS) and Windfarm markets in the North Sea this Summer. We have made the initial capex investments for a new crew for these test programs. We will be executing these projects together with TGS, where Magseis Fairfield will be responsible for the acquisition and TGS for the data processing and interpretation. We will have joint marketing and show rights to use this data to build our renewables business. This will provide us with a real dataset that can be used to develop new Multi-Client and proprietary acquisition opportunities in the renewables space.

We have also signed an MOU to become part of the Greensand project in Denmark. The scope will initially focus on the node technology application for this long-term CCS acquisition opportunity.

Consistent delivery of our strategy

While the pace of the pandemic recovery continues to vary geographically and is particularly impacted by the Delta variant, the overwhelming macro trends continue to support our view of a market recovery for OBN services in 2022 and beyond.

The new contract awards and our strengthening backlog has turned our focus for the remainder of 2021 to project execution, while from a sales perspective the focus is on securing the right projects for 2022. We continue to take proactive decisions to set us up in the best possible way to secure our success in 2021 and 2022 and take full benefit from a market recovery.

Our available cash balance was USD 42 million at the end of June, and with more opportunities arising we saw increasing working capital requirements. We would like to thank DNB for their continued support by providing us with a temporary increase in our RCF, which provides us with the necessary working capital to successfully ramp-up projects through the second half of the year.

I am confident about the future and that our continued technology leadership, 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 second quarter 2021 was USD 58.8 million, up from USD 44.7 million reported for the second quarter 2020 and USD 42.9 million in the first quarter 2021.

The increase mainly reflects the higher crew capacity utilization. The offshore projects in the second quarter included three projects in the Gulf of Mexico (GoM), two in the North Sea, start-up of a project in West Africa and several reservoir source and monitoring projects in the North Sea.

Revenue for the first half year amounted to USD 101.6 million, compared to USD 98.0 million in the same period last year.

As earlier communicated, Magseis Fairfield completed 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 fully acquired and processed. The main survey area of the Cornerstone multi-client data is scheduled to be delivered towards the end of the year, with the remainder scheduled for delivery in H1 2022. Received prefunding is recognized as deferred revenue until completion date.

The order backlog increased to USD 230 million at the end of the second quarter 2021, which was an increase of 52% from USD 151 million at the end of the second quarter 2020, and slightly above the USD 228 million reported at the end of the first quarter 2021. USD 140 million of the backlog is scheduled for delivery in 2021. After the end of the quarter, the company has received a two-month ocean bottom node contract in the North Sea for delivery in the third quarter this year, as well as a material five-month contract for a customer in Asia for delivery from late Q4 this year to early Q2 next year.

Operational costs

Cost of sales amounted to USD 41.9 million in the second quarter of 2021, compared to USD 25.8 million in the second quarter 2020 and USD 34.9 million in the first quarter 2021.

The gross profit thus declined to USD 16.8 million from USD 18.9 million in the second quarter last year but increased from USD 7.9 million in the first quarter 2021. The gross margin of 29% compares to 42% in the second quarter last year and 19% in the first quarter this year.

The year-on-year decline mainly reflect changes in the market at the time of signing of contracts.

As communicated in the interim report for the first quarter 2021, Magseis Fairfield expected gross margins in the remaining quarters of the year to improve from the levels seen in the first quarter, with improved capacity utilization on higher-margin contracts.

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 cost to be reflected as depreciation and not cost of sales.

For the first half year 2021, gross profit amounted to USD 24.8 million and the gross margin to 24%, compared to USD 31.2 million and 32%, respectively, in the same period last year.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 2.5 million in the second quarter, after remission of USD 3.6 million in Covid-19 related loans in the US.

This compares with SG&A costs of USD 9.0 million in the same quarter last year and USD 7.4 million in the first quarter 2021.

Excluding the loan remission, the decline reflects somewhat lower costs related to Covid-19 and capitalization of a larger portion of technology development costs compared to the previous quarter.

For the first half year SG&A costs amounted to USD 9.8 million, compared to USD 15.5 million in the same period last year.

As earlier communicated, the company expects to maintain a cost level at or below USD 25 million for

2021, supported by the effects of the cost measures implemented in 2020.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 15.6 million in the second quarter, compared to USD 12.8 million in the second quarter last year and unchanged from the previous quarter.

For the first half year depreciation and amortization amounted to USD 31.3 million, compared to USD 26.8 million in the first half 2020.

Results

EBITDA

EBITDA was USD 14.3 million in the second quarter 2021, compared to USD 9.9 million in the second quarter last year and USD 0.6 million in the first quarter this year.

As described above, the second quarter EBITDA was supported by loan remission of USD 3.6 million, with the underlying quarter-on-quarter improvement mainly being higher capacity utilization, better project mix, and improved contract margins.

For the first half year EBITDA amounted to USD 14.9 million, compared to USD 15.8 million in the same period last year.

EBITDA is expected to improve somewhat from H1 2021 to H2 2021 on higher revenue.

Operating result (EBIT)

The company reports an operating loss of USD 1.3 million in the second quarter, compared to a loss of USD 2.9 million in the same period last year and a loss of USD 15.0 million in the first quarter 2021.

For the first half year the operating loss was USD 16.3 million, compared to a loss of USD 11.0 million in the first half year 2020.

Net financial items

Net financial costs were USD 0.2 million in the second quarter 2021, compared to a net income of USD 0.2 million in the same period last year and net financial costs of USD 0.8 million in the first quarter 2021.

For the first half year, net financial costs amounted to USD 1.1 million, compared to net financial costs of USD 3.2 million in the same period last year.

Net profit/ loss

Net loss before tax was USD 1.5 million in the second quarter 2021, compared to a loss of USD 2.7 million in the same quarter last year and a loss of USD 15.9 million in the first quarter 2021.

For the first half year, net loss before tax was USD 17.4 million, compared to a loss of USD 14.3 million in the first half 2020.

Income tax expense was USD 0.4 million in the second quarter, compared to USD 0.2 million in the second quarter last year. Net loss was hence USD 1.9 million, compared to a loss of USD 2.9 million in the same period last year. For the first half year net loss was USD 17.8 million, compared to a net loss of USD 14.9 million in the first half 2020.

Balance Sheet

(Figures for the corresponding period in 2020 in brackets)

Total assets for the Group were USD 309.0 million at the end of the first half 2021 (351.5), compared to USD 344.6 million at the end of 2020.

Property, plant, and equipment (PPE) declined to USD 126.7 million (160.0) from USD 150.1 million at year-end 2020. The changes are mainly due to depreciation.

The multi-client library is recognised as a non-current asset of USD 24.3 million (16.4), up from USD 20.9 million at the end of last year. The investment in 2021 relates to processing costs.

Other intangible assets stood at USD 53.7 million (62.0), compared to USD 57.7 million at the end of 2020. The changes are mainly due to amortization.

There is no goodwill on the balance sheet.

Total non-current assets hence declined to USD 204.7 million (238.4) from USD 228.7 million at the end of 2020.

Inventories increased to USD 9.8 million (7.1) from USD 7.7 million at year-end 2020, whereas trade receivables declined to USD 24.7 million (34.2) from USD 38.1 million at the end of 2020. Other current assets increased to USD 28.1 million (15.2) from USD 15.3 at the end of 2020.

Cash and cash equivalents amounted to USD 41.5 million at the end of the first half year (56.6), down from USD 54.8 million at the end of 2020.

Total current assets hence amounted to USD 104.2 million (113.1), compared to USD 115.9 million at the end of 2020.

The Group's equity amounted to USD 175.6 million at the end of the first half year 2021 (196.4), down from USD 192.5 million at the end of 2020. This mainly reflects the losses in the period. The equity ratio increased slightly to 57% (56%), from 56% at the end of 2020.

The share capital increased to USD 1 584k from USD 1 578k at year-end 2020. This reflects issuance of 275 000 new shares at nominal value of NOK 0.05 per share, reflecting the AGM approved Board compensation package.

Non-current liabilities declined to USD 42.7 million (45.0) from USD 44.5 million at the end of 2020. Interest-bearing liabilities was USD 31.5 million (31.7), compared to USD 30.6 million at year-end, whereas lease liabilities declined to 6.5 million (9.2) from USD 8.8 million and non-interesting liabilities to USD 4.7 million (4.0) from USD 5.1 million.

Current liabilities declined to USD 90.7 million (110.1) from USD 107.6 million at the end of 2020, with trade payables declining to USD 15.3 million (15.0) from USD 17.2 million at year-end. Other current liabilities declined to USD 75.4 million (95.0) from USD 90.4 million at the end of 2020, with the current portion of lease liabilities at USD 13.8 million, current tax payable at USD 4.1 million, and other current liabilities at USD 57.4 million. The latter comprises project accruals, warranty accruals, deferred revenue, and other operational accruals. The company has no current interest-bearing liabilities.

Cash Flow and Investments

Net cashflow from operating activities was USD 6.1 million in the second quarter 2021, compared to a cashflow of USD 5.1 million in the same quarter last year and a cash outflow of USD 4.7 million in the previous quarter.

The operating cash flow in the quarter included negative net working capital movements of USD 4.4 million.

For the first half year 2021 the net cashflow from operating activities amounted to USD 1.4 million, compared to USD 15.6 million in the same period last year.

Cash outflow from investing activities amounted to USD 4.8 million in the second quarter, compared to a cash outflow of USD 11.1 million in the same quarter last year and USD 3.1 million in the first quarter this year. The investments mainly reflect equipment acquisitions and investment in multi-client library.

For the first half year 2021, the net cash outflow from investing activities was USD 7.9 million, compared to USD 27.3 million in the same period last year.

The company reiterates its previous expectation for full-year capital expenditure (excluding multi-client) at or below USD 15 million in 2021, although increased demand and potential new contract awards could trigger additional equipment investments.

Net cashflow from financing activities was an inflow of USD 11.3 million in the second quarter, compared to a cash outflow of USD 4.9 million in the same quarter last year and a cash outflow of USD 18.3 million in the previous quarter.

Note that the company made a down payment of USD 15 million on its RCF in the first quarter and redrew USD 15 million in the second quarter. In addition, the company received USD 2 million of Covid-19 related loans in US in the second quarter. Payment of finance lease liabilities amounted to USD 5.1 million in the second quarter, and interest payments amounted to USD 0.6 million.

For the first half year 2021, the net cashflow from financing activities was an outflow of USD 7.0 million, compared to a cash inflow of USD 14.8 million in the same period last year.

Funding and liquidity

The company's net cash position was USD 10.0 million at the end of the first half 2021, compared to USD 23.9 million at the end of the first half 2020 and USD 21.9 million at the end of 2020. The gross cash position was USD 41.5 million, including the RCF

After the end of the first half, Magseis Fairfield reached an agreement with DNB for a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million for the remainder of 2021. The underlying USD 30 million RCF agreement has been extended with one year to December 2023. The terms and conditions, including covenants, are unchanged.

The increased credit facility will solely be used for increasing working capital requirements related to customer contracts.

Operations

Magseis Fairfield's offshore projects in the second quarter included three projects in the Gulf of Mexico (GoM), two in the North Sea, start-up of a project in West Africa, several reservoir monitoring/source (RMS) projects in the North Sea, and systems support for node rental contracts. Overall, the company was involved in 15 different projects covering all technologies.

Safety and welfare the main priority

Magseis Fairfield's primary concern during the Covid-19 pandemic has been the safety and welfare of its employees, their families, and their local communities. During the first half year 2021, 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.

Strict protocols despite easing Covid-19 regulations

The company's Covid-19 Risk Management Plan was impacted by several changes in the guidelines from the Centre for Disease Control (CDC) and from local regulatory agencies during the second quarter.

Coupled with increasing vaccination rates among our offshore crews, these provided opportunity to allow for a quarantine by-pass exemption for fully vaccinated personnel working on crews in the GoM. This was followed by the Norwegian government changing its Covid-19 protocols, allowing quarantine by-pass to include projects working offshore in Norway.

These changes are expected to have a positive impact on reducing stress associated with quarantining and fatigue from longer work sets, as well as reducing the costs associated with quarantine periods. The 5-day quarantine period is still in full effect for those who are not fully vaccinated, and all testing protocols remain unchanged for all personnel, whether vaccinated or not.

Office personnel in all locations including Norway, the US and the UK continued to work remotely during the second 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 needed to work from the offices.

Magseis Fairfield's Covid-19 Task Force is currently reviewing the outbreak status, testing protocols, number and impact of vaccinations, and country specific regulations relative to any return-to-office use practice, and, barring any new major outbreaks or other unexpected events, the company expects to implement an adapted return-to-office plan during the third quarter.

QHSE Management System

Magseis Fairfield's integrated QHSE Management System provides the necessary framework and underpinnings for safe and successful operations, and development of a 'One Team' culture supporting the company's asset light operating model. The 2021 annual QHSE plan was finalized and published in the Management System along with the Strategic Objectives and KPI's in the first quarter. 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 company completed Stage 1 of the ISO 9001:2015 audit in April, with external auditors reporting zero areas of concerns that could result in nonconformity during Stage 2.

The company also underwent an external management system audit for a customer in advance of a project planned for the second half of 2021, with zero non-conformities reported.

Our UK facility is prepared for site specific ISO 14001 and 45001 audits later in the year.

Exposure hours and TRCF

Magseis Fairfield registered 426,476 exposure hours during the second quarter 2021, which was an increase of 13.7% from both the second quarter last year and the previous quarter.

For the first half year, the number of exposure hours increased by 1.6% to 801 339 hours.

The company recorded two industry-recordable medical treatment events and two first aid cases in the second quarter, compared to zero events and one first aid case in the previous quarter.

The 12-month rolling average for the Total Recordable Case Frequency (TRCF) was 1.2 per the end of June 2021. This remains below the 2021 target of 1.51, which represents a 20% reduction from the 2019 IAGC marine seismic average TRCF of 1.89.

Environmental footprint

During the second quarter there was a total of 12 vessels working on various projects, with a combined 651 vessel days recorded in operation, transit or port. The consumption of 5,507 mT marine gas oil (MGO) translates into an average 8.4 mT of fuel per vessel per day, which is a 29% decline from the 2020 average.

For the first half year, the number of vessel days was 1230, with the total fuel consumption of 9975 mT corresponding to an average 8.1 mT of fuel per vessel per day.

Total vessel emissions were 18.2k mT CO_2, 286.8k kg of NOx and 3.3k kg of SOx in the second quarter, and 32.4k mT CO_2, 499.1k kg NOx and 5.6k kg Sox in the first half year.

The increase in emissions from the first to the second quarter reflect a higher activity level, whereas the increase in average fuel consumption per vessel mainly reflects more vessel days in operation or transit relative to the number of days in port.

Magseis Fairfield earlier this year announced 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 will be consistent with ISO 14001, 45002, 26000, and 20400, as well as UN Sustainability Goals 7, 8, 12, and 14.

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 during the second quarter. 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 30 June 2021, the Group had a total of 392 FTEs, with 327 employees and 65 contractors. This compares to 370 FTEs on 31 December 2020, and 622 FTEs on 31 December 2019.

Operations in the quarter

Magseis Fairfield's offshore projects in the second quarter included a Gulf of Mexico (GoM) project for the ZXPLR1 crew, which also included the Wolfspar low frequency source crew for parts of the survey. Upon completion in May, the crew transitioned to another GoM project which continued into the third quarter.

The ZXPLR2 crew also completed a project in the GoM during the second quarter. Upon completion the crew transitioned to another vessel and began a currently ongoing survey in West Africa.

The Z700 node-on-a-rope crew carried out a project in the North Sea in the second quarter and went into maintenance in preparation for new projects. After the end of the quarter, the company was awarded a two-month contract for the crew with a multi-client company in the North Sea, which commences during the third quarter.

The MASS I crew started a project which continued into the third quarter, also in the North Sea.

The company's three reservoir monitoring/source crews have all been busy on programs covering four fields plus a short research and technology trial in the North Sea. Two crews have moved back into maintenance with the third moving to support the ongoing MASS I project.

Operations also supported node rental and sales activities, with the closing out of a Z700 node rental project in the Caspian Sea in the second quarter and ongoing sales support for Mass nodes in the Middle East.

Technology

The Technology organization in the second quarter delivered the majority of a MASS III node order to fulfill customer requirements for a North Sea project, with the balance of the order delivered early in the third quarter. These nodes will supplement our inventory of MASS technology, which is being used on back-to-back projects in the North Sea over the summer season.

The company has now moved production lines and test equipment into the facilities of company's contract manufacturers in the US. The commissioning process was completed in July.

In the final stage of the company's transition to contract manufacturing, Magseis Fairfield will complete two small node build projects to ensure that the supply chain and build quality is at the expected levels.

As reported in other industries, the supply chain for electronics parts is stretched due to the pandemic and demands from the economic recovery, and the company is proactively managing this with outsourcing partners and a procurement program for long-lead items.

Magseis Fairfield continues to make progress on its technology roadmap, delivering key phases of tactical and strategic projects. The company is also progressing on the development of a next-generation system building on the combined experiences from its MASS-technology and Z-technology stacks to accelerate the time to market for this product.

Risk factors

Magseis Fairfield is exposed to a variety of risk factors, including risk related to global economic growth and demand for and prices of oil and gas products. These factors affect the oil and gas companies' capital spending for exploration and development expenditures such as seismic services. The company has not established hedging arrangements to mitigate the possible adverse effects of oil price exposure, or for fuel or transportation costs.

Magseis Fairfield operates in competitive markets, and a 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 Annual Report 2020, 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.

Other risk factors include legal risks related to laws and regulations in various jurisdictions, cyber criminality, and intellectual property rights. As described in the Annual Report 2020, the company has been involved in a patent lawsuit against Seabed Geosolutions for infringement of four of the Group's U.S. patents, and this and other IPR disputes may have substantial financial effect. The company is pressing forward with a lawsuit for patent infringements with demands for monetary damages and a permanent injunction in 2021.

For a more detailed review of these risks and other general risk factors, please refer to the Annual Report 2020.

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, and unchanged during the first half of the year.

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 half 2021, the company had cash and cash equivalents of USD 41.5 million and a net cash position of USD 10.0 million. The Group had a revolving credit facility (RCF) of USD 30 million, which was fully drawn at the end of the first half 2021.

After the end of the quarter, the company reached an agreement with its lender DnB for a temporary increase of the RCF until the end of 2021. The sole purpose of the temporary increase was to finance working capital requirements for secured contracts, and it is management's assessment that, based on the current activity level, this provides sufficient liquidity through the second half of the year.

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 operational exposure in NOK and GBP.

The Group's expenses are primarily, and in order of exposure, in USD, NOK, GBP and EUR. Changes in currency exchange rates may affect operational costs, e.g. 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 first half of the year.

Subsequent events

As described above under 'Funding and Liquidity', the company in July reached an agreement with its sole lender DnB to temporarily increase its revolving credit facility from USD 30 million to USD 45 million until the end of the year, with unchanged terms and covenants. The purpose of the increase is to fund working capital requirements for secured contracts.

In July, the company was awarded a two-month OBN contract in the North Sea for a multi-client company, starting in the third quarter. Magseis Fairfield has also obtained a right of first offer to provide OBN acquisition service to the client with respect to adjoining surveys in 2022. In August, the company was awarded a material five-month contract for a customer in Asia. These projects provide additional utilization of the Z700 technology well into 2022.

Outlook

The macro trends continue to support the company's and industry analysts' view of a market recovery for OBN services in 2022 and beyond. The key contributor to this market outlook is high short- and medium-term GDP growth which drives strong demand for oil and gas. In combination with underinvestment during the Covid-19 pandemic and continued discipline by OPEC+, this is expected to translate into a market recovery.

Demand projections indicate that oil and gas will continue to form a key pillar of future energy needs. The current investment cycle is, however, characterized by capital discipline, adoption of differentiated technology, and the energy transition. While this is expected to generate continued investments into oil and gas, we also see our customers increasing their investments in the renewables space.

With our clients committing to the energy transition, they are putting less focus on exploration and instead prioritize cash and value generation from already explored assets. They are also prioritizing lower-carbon barrels that they can deliver quickly to the market with short payback on investment. This fits very well with the Magseis Fairfield offering, and the company continues to forecast double-digit market growth for appraisal and development projects and single-digit growth for production projects in 2021-25.

On this backdrop, the company has managed to increase the order backlog significantly. As the focus is turning to 2022 tenders, we see client interest extending beyond the core areas in the Gulf of Mexico and North Sea to include more tenders for work in Latin America and Asia.

The gross profit recovery in the second quarter was delivered on the back of flawless execution by the crews, higher contract margins, and special items which favorably impacted the financial performance. This puts the company on track to deliver good gross profit generation on higher revenues. The company moved into the third quarter with all acquisition crews booked on projects.

During the quarter, Magseis Fairfield completed its 100th OBN survey and made this the first carbon neutral survey ever in the industry. This milestone underscores the leadership position and the vision to continue to innovate and provide new solutions that customers have come to expect from Magseis Fairfield. The company strategy is to become Carbon Neutral by 2040 or earlier.

At the same time, the company is building a renewables business, and has been ramping up for client tests in the Carbon Capture and Storage (CCS) and Windfarm markets in the North Sea this summer. In addition, the company has signed an MOU to become part of the Greensand project in Denmark, with initial focus on the node technology application for this long-term CCS acquisition opportunity. These operational projects show that Magseis Fairfield is building the necessary partnership and relationships to build a long-term renewables business.

Recent contract awards and tendering activity for 2022 provide a basis for optimism, although the company acknowledges the risk and uncertainties regarding the market development. We work to manage what we can control, and we have a strong and agile organization that can respond to different market conditions with differentiated technical solutions to our clients. This offers the company a clear market advantage that is not available to those who offer commoditized solutions. The company has made significant progress in the integration of the technology stacks, which will further differentiate the company going forward.

The increase of the revolving credit facility allows the company to ramp up on projects on all crews and execute on the growth opportunities.

Magseis Fairfield will seek to further develop its leading market position, 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 going forward.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 June 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, 23 August 2021

Sign.

Wenche Kjølås
Chair of the Board of Directors

Janie Garcia

Anthony Dowd

Luis Araujo

Angela Durkin

Johan Jungholm

Roar Bekker

Carel Hooijkaas
CEO

Condensed consolidated statement of comprehensive income

USD thousands	Note	Quarter ended Q2 2021 (unaudited)	Q2 2020 (unaudited)	Six months ended YTD 2021 (unaudited)	YTD 2020 (unaudited)	Full year 2020 (audited)
Revenues and other income						
Revenues and other income	3	58 762	44 746	101 618	98 028	193 391
Operating expenses						
Cost of sales		(41 931)	(25 820)	(76 842)	(66 796)	(130 616)
General and administrative costs		(2 484)	(8 985)	(9 841)	(15 471)	(27 317)
Depreciation	5,6	(13 455)	(10 649)	(26 946)	(22 453)	(39 406)
Amortization	7	(2 176)	(2 191)	(4 321)	(4 347)	(8 719)
Impairment	12	-	-	-	-	(1 940)
Total operating expenses		(60 047)	(47 645)	(117 951)	(109 067)	(207 998)
Operating profit/(loss)		(1 285)	(2 898)	(16 333)	(11 038)	(14 607)
Finance income and costs						
Finance income		(1 788)	1 366	630	2 271	6 647
Finance costs		1 549	(1 123)	(1 701)	(5 492)	(9 833)
Net finance income/(costs)	4	(239)	242	(1 071)	(3 221)	(3 185)
Net profit/(loss) before tax		(1 524)	(2 656)	(17 404)	(14 259)	(17 793)
Income tax expense	13	(360)	(225)	(360)	(650)	(1 857)
Net profit/(loss) and total comprehensive income		(1 884)	(2 881)	(17 764)	(14 910)	(19 650)
Earnings per share						
Basic (USD)		(0.01)	(0.01)	(0.07)	(0.06)	(0.08)
Diluted (USD)		(0.01)	(0.01)	(0.07)	(0.06)	(0.08)

Condensed consolidated statement of financial position

USD thousands	Note	30-Jun 2021 (unaudited)	30-Jun 2020 (unaudited)	31-Dec 2020 (audited)
Non-current assets				
Property, Plant and Equipment	5,6,12	126 708	160 041	150 075
Multi-client library	7	24 327	16 371	20 906
Other intangible assets	7	53 725	61 970	57 689
Total non-current assets		204 761	238 381	228 669
Current assets				
Cash and cash equivalents		41 534	56 615	54 829
Trade receivables		24 697	34 181	38 141
Inventories		9 839	7 073	7 711
Other current assets	10	28 142	15 235	15 253
Total current assets		104 211	113 104	115 933
Total assets		308 972	351 485	344 602
Equity				
Share capital	8	1 584	1 578	1 578
Share premium	8	407 662	407 662	407 662
Other equity		(233 683)	(212 791)	(216 767)
Total shareholders' equity		175 562	196 449	192 473
Non-current liabilities				
Lease liabilities	6	6 528	9 237	8 784
Interest bearing liabilities	9	31 494	31 720	30 624
Non-interest-bearing liabilities		4 692	4 000	5 118
Total non-current liabilities		42 714	44 957	44 526
Current liabilities				
Trade payables		15 322	15 041	17 179
Current tax payable	13	4 136	6 690	5 455
Current portion of interest-bearing liabilities	9	-	1 019	2 293
Current portion of lease liabilities	6	13 841	8 725	19 361
Other current liabilities	10	57 398	78 605	63 315
Total current liabilities		90 696	110 080	107 603
Total liabilities		133 410	155 037	152 129
Total equity and liabilities		308 972	351 485	344 602

Condensed consolidated statement of changes in equity

For the six months ended 30 June 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	-	989	-	994
Other changes	-	-		(141)	(141)
Profit/(Loss) for the period	-	-		(17 764)	(17 764)
Balance 30 June 2021	1 584	407 662	8 485	(242 167)	175 562

For the year ended 31 December 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	Quarter ended Q2 2021 (unaudited)	Quarter ended Q2 2020 (unaudited)	Six months ended YTD Q2 2021 (unaudited)	Six months ended YTD Q2 2020 (unaudited)	Full year 2020 (audited)
Cash flows from operating activities						
Profit / (loss) before tax		(1 524)	(2 656)	(17 404)	(14 259)	(17 793)
Income tax paid	13	(641)	(225)	(2 516)	(650)	(2 803)
Depreciation, amortization and impairment	5,6,7	15 631	12 840	31 267	26 800	50 066
Share-based payments expense		448	476	989	864	1 712
Finance expense	4	(1 549)	1 123	1 701	5 492	9 833
Finance income	4	1 788	(1 366)	(630)	(2 271)	(6 647)
Other non-cash		(3 600)	-	(3 600)	-	
(Increase)/decrease in current assets		(1 456)	1 998	(1 572)	8 225	17 116
Increase/(decrease) in current liabilities		(2 984)	(7 117)	(6 806)	(8 617)	(31 001)
Net cash from operating activities		6 114	5 073	1 429	15 583	20 481
Cash flows from investing activities						
Interest received	4	1	-	2	77	99
Investment in multi-client library	7	(1 725)	(7 827)	(3 450)	(14 926)	(12 026)
Investment in other intangibles	7	(283)	(126)	(327)	(911)	(1 001)
Acquisition of equipment	5	(2 832)	(3 158)	(4 131)	(11 506)	(12 304)
Net cash used in investing activities		(4 839)	(11 111)	(7 907)	(27 266)	(25 232)
Cash flows from financing activities						
Down payments of interest-bearing liabilities	9	-	(3 333)	-	(3 333)	(3 333)
Net proceeds from new loan	9	17 000	3 568	2 000	3 568	3 568
Payment of finance lease liabilities	6	(5 104)	(3 794)	(7 777)	(8 798)	(17 731)
Net proceeds from issue of share capital	8	4	(307)	6	25 513	25 513
Interest paid	4	(571)	(1 031)	(1 212)	(2 140)	(3 326)
Net cash from financing activities		11 328	(4 897)	(6 983)	14 810	4 691
Net change in cash and cash equivalents		12 603	(10 934)	(13 461)	3 127	(60)
Currency effects on cash		(15)	1 799	166	56	1 457
Cash and cash equivalents at period start		28 947	65 751	54 829	53 432	53 432
Cash and cash equivalents at period end*		41 534	56 615	41 534	56 615	54 829

**Restricted cash as of 30 June 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 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 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.

Some amendments to standards and interpretations are effective from 1 January 2021, 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.

Q2-21 and Q2-20

	Quarter ended 30-Jun-21			*Quarter ended 30-Jun-20*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	45 101	-	45 101	25 770	-	25 770
Systems	4 806	-	4 806	12 598	-	12 598
Reservoir Monitoring/Source	8 856	-	8 856	6 378	-	6 378
Multi-client prefunding	-	-	-	4 652	(4 652)	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	58 762	-	58 762	49 398	(4 652)	44 746
Cost of sales	(47 189)	5 258[1]	(41 931)	(30 353)	4 533[1]	(25 820)
SG&A and R&D costs	(2 614)	129[2]	(2 484)	(9 089)	105[2]	(8 985)
EBITDA	8 959	5 388	14 346	9 955	(14)	9 941
Multi-client amortization	-	-	-	(3 024)	3 024	-
EBITDA after multi-client amortization	8 959	5 388	14 346	6 931	3 010	9 941
Depreciation and amortization	(10 488)	(5 143)[3]	(15 631)	(8 497)	(4 343)[3]	(12 840)
Impairments	-	-	-	-	-	-
EBIT	(1 530)	245	(1 285)	(1 566)	(1 332)	(2 898)

[1] Vessel lease payments

[2] Office lease payments

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

H1-21 and H1-20

USD thousands	Six months ended 30-Jun-21 Segment	Adj.	As reported	Six months ended 30-Jun-20 Segment	Adj.	As reported
Acquisition	79 627	-	79 627	62 260	-	62 260
Systems	11 641	-	11 641	28 497	-	28 497
Reservoir Monitoring/Source	10 350	-	10 350	7 271	-	7 271
Multi-client prefunding	-	-	-	5 579	(5 579)	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	101 618	-	101 618	103 607	(5 579)	98 028
Cost of sales	(84 764)	7 922[1]	(76 842)	(75 796)	8 999[1]	(66 796)
SG&A and R&D costs	(9 923)	81[2]	(9 841)	(16 113)	643[2]	(15 471)
EBITDA	6 931	8 003	14 934	11 698	4 063	15 761
Multi-client amortization	-	-	-	(3 682)	3 682	-
EBITDA after multi-client amortization	6 931	8 003	14 934	8 016	7 745	15 761
Depreciation and amortization	(20 983)	(10 284)[3]	(31 267)	(18 107)	(8 692)[3]	(26 799)
Impairments	-	-	-	-	-	-
EBIT	(14 052)	(2 281)	(16 333)	(10 092)	(946)	(11 038)

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[1]	(130 616)
SG&A and R&D costs	(30 175)	2 858[2]	(27 317)
EBITDA	32 397	3 062	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)[3]	(48 126)
Impairments	(627)	(1 313)[3]	(1 940)
EBIT	(11 061)	(3 548)	(14 607)

4. Finance income and costs

USD thousands	Quarter ended Q2 2021	Q2 2020	Six months ended YTD 2021	YTD 2020	Full Year 2020
Finance income					
Foreign exchange gains	(2 026)	1 371	258	1 931	6 681
Revaluation of warrants	-	-	-	263	(135)
Interest income	1	(5)	2	77	101
Other financial items	237	-	370	-	-
Total finance income	(1 788)	1 366	630	2 271	6 647
Finance costs					
Foreign exchange losses	1 997	13	(120)	(3 063)	(6 198)
Interest expense loan facility	(309)	(638)	(661)	(1 274)	(2 046)
Interest expense leases	(297)	(372)	(658)	(844)	(1 547)
Revaluation of warrants	438	-	227	-	-
Other financial items	(281)	(127)	(490)	(311)	(245)
Capitalized lease interests (multi-client)	-	-	-	-	203
Total finance costs	1 549	(1 123)	(1 701)	(5 492)	(9 833)
Net finance income/(costs)	(239)	242	(1 071)	(3 221)	(3 185)

5. Property, Plant & Equipment (PPE)

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	1 176	3 493	41	-	4 710
Disposals/retirement	(2 343)	(9)	-	-	(2 352)
Reclass- asset under construction	2 656	(2 883)	227	-	-
Other	206	(3)	(51)	22	174
Balance 30 June 2021	160 256	35 991	2 038	62 500	260 784
Accumulated depreciation and impairment					
Balance 1 January 2021	(69 254)	-	(1 167)	(37 756)	(108 176)
Depreciation for the period	(16 475)	-	(187)	(10 284)	(26 946)
Accumulated depreciation disposed/retired	1 045	-	-	-	1 045
Other	-	-	-	-	
Impairment	-	-	-	-	-
Balance 30 June 2021	(84 684)	-	(1 354)	(48 040)	(134 078)
Net carrying amounts					
Balance 1 January 2021	89 307	35 393	654	24 722	150 075
Balance 30 June 2021	75 572	35 991	685	14 460	126 708

Capital commitments

USD thousands	Total
Capital commitments as of 31 December 2020	5 000
Capital commitments as of 30 June 2021	4 700

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	25 452	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. As of 30 June 2021, two vessels are on long-term contracts and are recognized as right of use asset and lease liability in the table below. Options to extend are not reflected in the numbers, but this assessment will be updated during the lease period.

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	-	-	-
Depreciation	(9 487)	(797)	(10 284)
Impairment	-	-	-
Other adjustments	-	21	21
Balance 30 June 2021	7 945	6 515	14 460

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2021	8 784	19 361	28 145
Additions	-	-	-
Lease payments	-	(7 777)	(7 777)
Reclassification	(2 256)	2 256	-
Other adjustments	-		-
Balance 30 June 2021	6 528	13 841	20 368

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 31 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 31 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.

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.

2021

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2021	82 297	20 906	103 203
Additions	327	3 422	3 749
Other changes	30	-	30
Balance 30 June 2021	82 654	24 328	106 982
Accumulated amortization and impairment			
Balance 1 January 2021	(24 608)	-	(24 608)
Amortization for the period	(4 321)	-	(4 321)
Balance 30 June 2021	(28 929)	-	(28 929)
Net carrying amounts			
Balance 1 January 2020	57 689	20 906	78 595
Balance 30 June 2021	53 725	24 327	78 053

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
RSU settlements	275 000	0.05	2	-
Not registered share capital increase after RSU settlements	-		4	-
Balance 30 June 2021	267 045 592		1 584	407 662

9. Interest bearing liabilities

USD thousands	30 Jun 2021	30 Jun 2020	31 Dec 2020
Nominal value RCF	30 000	30 000	30 000
Nominal value other loans	2 000	3 568	3 592
Subtotal nominal value	*32 000*	*33 568*	*33 592*
Prepaid fees bank facility	(506)	(829)	(675)
Total	31 494	32 739	32 917
Long term	*31 494*	*31 720*	*30 624*
Short term	-	*1 019*	*2 293*
Repayment profile at balance sheet date:			
2020	-	-	-
2021	-	2 293	2 293
2022	32 000*	31 275	31 299
Total	32 000	33 568	33 592

** In July 2021 the Revolving Credit Facility (RCF) was extended with one year to December 2023.*

Financial covenants

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

Magseis Fairfield is in compliance with all financial covenants as of 30 June 2021.

In April 2020, the Company received U.S. loan program of USD 3.6 million which was fully forgiven in June 2021. An additional loan of USD 2 million was received in April 2021. 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 fully or partially forgiven on certain conditions.

10. Other current assets and liabilities

Other current assets

USD thousands	30 Jun 2021	31 Dec 2020
Contract assets (unbilled revenue and mobilization costs)	20 115	7 532
Prepayments	4 936	5 324
Other receivables	3 091	2 397
Total	28 142	15 253

Other current liabilities

USD thousands	30 Jun 2021	31 Dec 2020
Accrued expenses	35 521	37 456
Deferred revenue (contract liabilities)	14 145	13 790
Accrued warranties	2 985	5 477
Other	4 746	6 592
Total	57 398	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	YTD Q2-21	YTD Q2-20	FY 2020	30-Jun-21	30-Jun-20	31-Dec-20
Westcon Group (shareholder)	(I)	4 260	5 867	14 125	1 110	1 227	-
Fairfield Geotechnologies (shareholder)	(II)	705	325	969	34	85	-
J B Gateman (Geo Innova AS) (shareholder)	(III)	79	44	144	-	-	-

(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) In 2020, the only transactions are related to office sublease. In 2019, transactions were related to sublease, consultancy and other operating services. The office lease agreement ends in October 2030 and the total lease liability is USD 3.3 million as of 30 June 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 Q2-21, 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 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 11.6%

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 10%
Long-term EBITDA margin reduction	Δ 9%
Discount rate increase	Δ 20%

13. Tax

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

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

14. Subsequent events

On 13 July, Magseis Fairfield reached an agreement with DNB for a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million. The credit facility will be reduced back to the original USD 30 million level by 31 December 2021. The terms and conditions for the increased RCF, including covenants, are unchanged. The Company intends to utilize the increased credit facility solely for working capital purposes related to secured contracts.

On 2 August, Magseis Fairfield was awarded an Ocean Bottom Node survey in the North Sea for a Multi-Client company. The duration of the survey is approximately 2 months and will start in Q3 2021 using the Z700 technology. Magseis Fairfield has a right of first offer to provide OBN acquisition services to the Multi-Client company with respect to future surveys undertaken by them in 2022 that adjoin this 2021 survey, subject to certain conditions.

On 13 August, Magseis Fairfield was awarded a large Ocean Bottom Node survey in Asia for an undisclosed customer. The duration of the survey is approximately five (5) months and is scheduled to commence in the fourth quarter 2021. The survey will be performed using the Z700 node technology. he revenue generation from this project will reflect that it requires our full Z700 inventory and two node handling vessels and will therefore be equivalent to ten single node handling vessel acquisition months.

On 17 August, Magseis Renewables AS, a wholly owned subsidiary of Magseis Fairfield ASA, entered into a memorandum of understanding (MoU) to join phase 2 of the Greensand carbon capture and storage (CCS) project consortium. Project Greensand aims to demonstrate that CO2 can be injected into the Nini West reservoir offshore Denmark, and to validate cost-effective and environmentally safe monitoring technologies.

On 20 August, Magseis Fairfield was awarded a small size Ocean Bottom Node contract in the North Sea for a Multi-Client company. The survey will be executed during Q3 2021 using approximately 500 MASS nodes.

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.

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