Q3 2019

report

magseis fairfield

Summary

Q3 financial results significantly affected by impairments

- Revenue of USD 134.2 million
- EBITDA of USD 9.2 million, including restructuring costs and write-offs of USD 6.9 million
- Impairment of PPE and intangibles of USD 14.1 million
- Goodwill impairment of USD 81.1 million, reflecting the goodwill acquired through the Fairfield acquisition
- Reported operating loss of USD 103.6 million
- Net loss after tax of USD 104.1 million
- Cash flow from operating activities of USD 50.2 million
- Remaining in compliance with loan covenants, and maintaining 50% equity ratio covenant through 2020

Restatement of results for 1H 2019

- Results for previous periods in 2019 have been restated, mainly to reflect changes in purchase price allocation (PPA) and reclassification of costs
- The overall negative non-cash effect of the restatements was USD 5.6 million on EBITDA and USD 6.8 million on operating profit and net profit for the first half year 2019

Maintained guidance for the full year 2019

- Magseis Fairfield on 14 October issued a financial and operational update where the full year 2019 EBITDA guidance was revised to USD 45-55 million before adjustments for certain non-cash elements and costs related to reorganization and restructuring. Such adjustments are currently estimated to approximately USD 14.0 million
- The Company also maintains the revenue guidance of USD 455-465 million

Restructuring program initiated

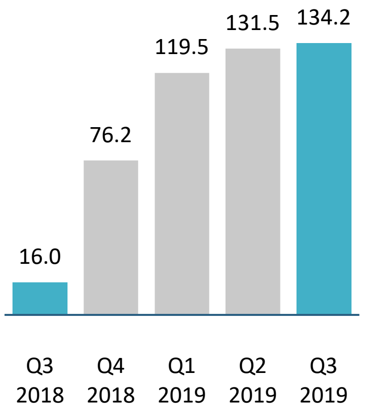
- The new management has taken immediate steps to reduce costs and align the organization and capital expenditure program to the current activity level and financial situation
- Measures include the integration into a common contract manufacturing philosophy for the Company, reduction of employees and contracted personnel, co-locations, and reductions of other operational costs
- The number of FTEs, including contractors, is expected to be reduced by around 120 (18%)
- Annual cost base being reduced by approximately USD 20 million with full effect during H2 2020
- Identified restructuring costs of around USD 4.5 million to be recognized in the fourth quarter. Additional restructuring costs may materialize
- Reduced capital expenditure for 2019 and H1 2020 by approximately USD 15 million
- Continuing to work with banks, advisors, main shareholders and other stakeholders to strengthen the capital structure

Backlog update

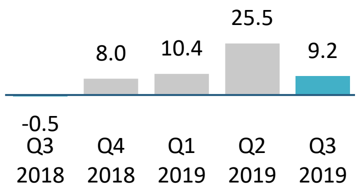
- Total backlog of USD 134 million per end of September 2019
- Contracts received in Q4 add USD 23 million to a 2020 backlog currently amounting to USD 82 million

USD millions

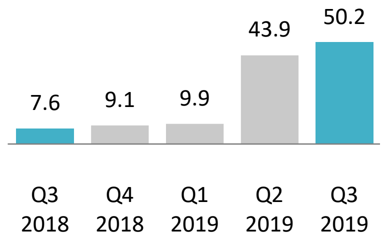
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q3 2019	Q2 2019	Q1 2019	YTD 2019	FY 2018
Profit and loss					
Revenues	**134.2**	**131.5**	**119.5**	**385.2**	**136.5**
Cost of sales	(106.7)	(91.3)	(96.2)	(294.2)	(86.8)
Gross Profit	27.5	40.2	23.3	91.0	49.7
SG&A and R&D	(18.3)	(14.7)	(12.9)	(45.9)	(26.7)
EBITDA	**9.2**	**25.5**	**10.4**	**45.1**	**23.0**
Of which: one-off items affecting EBITDA	*(6.9)*	*(1.6)*	*(5.6)*	*(14.1)*	-
Depreciation	(15.2)	(13.9)	(15.4)	(44.5)	(19.1)
Amortization	(2.3)	(2.4)	(2.4)	(7.1)	(0.8)
Impairments	(95.2)	-	-	(95.2)	-
EBIT	(103.6)	9.2	(7.4)	(101.7)	3.1
Net financial items	(0.8)	1.5	(2.1)	(1.4)	(2.4)
Net profit/(loss) before tax	(104.3)	10.7	(9.5)	(103.2)	0.6
Net profit/(loss)	**(104.1)**	**9.7**	**(11.2)**	**(105.6)**	**(2.8)**
Other key figures					
Net cash from operating activities	50.2	43.9	9.9	105.8	13.7
Net cash used in investing activities	(49.4)	(25.9)	(16.6)	(93.7)	(196.8)
Net cash from financing activities	(5.9)	(13.7)	(11.4)	(31.1)	221.4
Total assets	415	555	582	415	527
Equity ratio	55 %	60 %	55 %	55 %	63 %
Cash and cash equivalents	49.1	54.2	50.0	49.1	68.1
Net interest-bearing cash/(debt)	8.5	8.8	(2.5)	8.5	4.6

Note: The YTD 2019 figures includes restated figures for Q1 and Q2. Finalisation of Purchase Price Allocation (PPA) affected EBITDA for 1H 2019 negatively by USD 5.6 million. The updated PPA further increased depreciation charges by USD 1.2 million, resulting in total restatements of second quarter results of USD 6.8 million. Restated Operating profit (EBIT), Profit (loss) before tax and Net profit (loss) being USD 6.8 million below the figures previously reported for first half 2019. The company has also reclassified costs from SG&A to Cost of sales as part of the restatement. Details of restated figures are found in note 13.

Comment from the CEO

After taking over as CEO of Magseis Fairfield on October 1st, it quickly became clear that the guidance to the Market needed to be revised and that decisive action was needed to urgently rectify the situation. Together with the newly appointed CFO Mark Ivin, the following parallel actions have been initiated:

1. On the 14th of October we provided a financial and operational update to the market to revise the full year 2019 guidance
2. SG&A needed to be reset to a materially reduced annual run rate
3. Capex needed to be brought back in-line with activity and secured backlog
4. The capital structure of the Company needs to be strengthened to navigate the ups and downs in the business
5. The 2020 backlog needs to be strengthened

I am pleased with the progress over the last 6 weeks, but clearly a lot of work still needs to be done.

The financial and operational update was followed by numerous constructive analyst and investor calls and meetings. I appreciate the positive encouragements received during these meetings to execute the necessary actions to turn around the financial performance of the Company.

Cost cuts have been initiated and are estimated to reduce the annual cost base in the range of USD 20 million with full effect during H2 2020. The cuts include, but are not limited to, headcount reductions, integration of manufacturing philosophies to a common contract manufacturing philosophy and closure of small offices.

With the limited time available for us to impact 2019 capex, we still managed to cut 2019 and 1H 2020 Capex by approximately USD 15 million. These are necessary cuts to bring capex in line with activity and secured backlog.

Our third quarter impairment test of assets under IAS 36 led us to impair the goodwill acquired through the acquisition of Fairfield last year.

The financial development has been weaker than expected since the transaction. This reflects organizational challenges and operational performance rather than our technology, and we are confident that the ongoing reorganization and restructuring will improve the profitability and longer-term outlook.

The Company will meet all covenants throughout 2019, and after constructive discussions with DnB we will maintain the 50% equity ratio covenant through 2020.

We will however continue to work with banks, advisors and other stakeholders to strengthen the capital structure, and will provide further information in due course.

Last but not least, we need to strengthen our quality backlog. In the third quarter, we were awarded one contract for delivery in the fourth quarter. After the end of the quarter we have received two more contracts expected to start in the first quarter 2020. These contracts add USD 23 million to our 2020 backlog. While this is positive, it remains a key focus to secure contracts and materially increase the backlog going forward.

I believe that the reorganization and restructuring of Magseis Fairfield will enable the Company to maintain a leading position in a growing Ocean Bottom Node market. This confidence is based on a 2020 opportunity pipeline of more than USD 1 billion.

Carel Hooijkaas
CEO Magseis Fairfield

Financial review

Note that the Financial Statements for Q1 and Q2 2019 have been restated. Please refer to Note 13.

Revenues

Revenues for the third quarter of 2019 amounted to USD 134.2 million, an increase from USD 131.5 million in the previous quarter and USD 119.5 million in the first quarter.

The revenue reflected an active quarter for both the data acquisition and reservoir monitoring businesses, as well as the final deliveries under a large system sales contract for MASS I nodes.

System sales of MASS I nodes accounted for USD 41.6 million of revenues, compared to USD 39.9 million in the previous quarter and USD 28.1 million in the first quarter.

Revenue for the first nine months amounted to USD 385.2 million.

Operational costs

Group cost of sales (CoS) amounted to USD 106.7 million in the third quarter of 2019, generating a gross margin of 21%.

The operating costs for the first half year have been restated, and changes in purchase price allocation (PPA) and reclassification of certain SG&A costs to cost of sales increased the Group's CoS in the first half year to USD 187.5 million from previously reported USD 175.5 million.

CoS amounted to USD 294.2 million for the first nine months 2019.

Selling, general and administrative expenses (SG&A) amounted to USD 14.4 million in the third quarter of 2019, including USD 3.0 million in one-off restructuring costs mainly related to change of management.

R&D expenses amounted to USD 3.9 million, mainly reflecting a one-off write-off of previously capitalised development projects/work-in-progress which is no longer expected to materialize.

SG&A for the first half year 2019 has been restated to USD 26.1 million from USD 32.5 million, mainly because of the reclassification of certain cost items to cost of sales. SG&A for the first nine months totalled USD 40.5 million.

R&D expenses amounted to USD 1.5 million for the first half of 2019, and USD 5.4 million for the first nine months, including write-offs recognised in third quarter.

Depreciation, amortization and impairment

Depreciation amounted to USD 15.2 million in the third quarter.

Depreciation was USD 29.4 million for the first half year, restated from USD 28.1 million, and depreciation thus amounted to USD 44.5 million for the first nine months.

Amortization was USD 2.3 million in the third quarter 2019, mainly relating to amortization of excess values allocated to technology and customer relations in the purchase price allocation (PPA) of the acquisition of Fairfield and WGP in 2018. Amortization amounted to USD 4.8 million for the first half year, and USD 7.1 million for the first nine months.

Following review of Property, Plant and Equipment (PPE) and capitalized development projects, an impairment of USD 14.1 million was charged to the Income Statement in third quarter 2019.

The Income Statement has also been charged with a goodwill impairment of USD 81.1 million, following the Company's impairment test in accordance with International Financial Reporting Standard (IFRS) and IAS 36 Impairment of Assets.

This goodwill was acquired through the acquisition of Fairfield in 2018, and the impairment reflects accounting judgements following the financial development and assessments of the uncertainty of the amounts and timing of new projects.

Profits

EBITDA

Reported EBITDA was USD 9.2 million in the third quarter 2019, including USD 3.0 million in one-off restructuring costs mainly related to the change of management, and non-cash one-off costs of USD 3.9 million reflecting a write-off of previously capitalized R&D/work in progress.

Reported EBITDA for the first half year 2019 has been restated to USD 36.0 million from the previously reported USD 41.6 million, reflecting the non-cash inventory adjustment of PPA charged to the Income Statement in the first quarter 2019.

Reported EBITDA for the first nine months 2019 was USD 45.1 million.

The EBITDA for the third quarter included USD 9.3 million related to system sales of MASS nodes. As communicated in the second quarter report, the EBITDA contribution from this contract was lower than in previous quarters, due to close-out and warranty costs, as well as a higher share of new nodes in the final deliveries under the contract.

Operating result (EBIT)

The reported operating loss was USD 103.6 million in the third quarter 2019, including restructuring costs, write-offs and impairments totalling USD 102.1 million.

The operating profit for the first half year has been restated to USD 1.8 million from the previously reported USD 8.6 million.

For the first nine months, the reported operating loss was hence USD 101.7 million.

Net financial items

Net financial expenses were USD 0.8 million in the third quarter 2019 and USD 1.4 million for the first nine months 2019.

Net profit or loss

Net loss for the Group was USD 104.1 million in the third quarter 2019.

The net loss for the first half year has been restated to USD 1.4 million from the previously reported net profit of USD 5.4 million.

The reported net loss for the first nine months was USD 105.6 million.

Balance Sheet

As per 30 September 2019, total assets amounted to USD 415.3 million, compared to USD 527.3 million at the end of 2018.

The decline mainly reflects the impairments of USD 95.2 million recognized in Q3 2019.

Current assets amounted to USD 177.3 million, of which USD 33.1 million related to inventories and USD 60.0 million to trade receivables.

Cash and cash equivalents amounted to USD 49.1 million, compared to USD 68.1 million at the end of 2018.

The Group's equity amounted to USD 229.9 million per 30 September 2019, compared to USD 333.6 million at the end of 2018. The decline mainly reflects the losses for the first nine months, including impairment charges.

The equity ratio was 55%, compared to 63% at 31 December 2018.

The adoption of IFRS 16 has had the following effect on the balance sheet: A total right-of-use asset of USD 19.9 million and a corresponding lease liability of USD 19.9 was established in January 2019. At 30 September 2019 the lease liability was USD 28.9 million, of which USD 14.1 million was non-current and USD 14.8 million current. Adjusting for IFRS 16, the equity ratio would have been 60 %.

As per 30 September 2019, total non-current liabilities were USD 52.3 million, of which interest-bearing liabilities accounted for USD 23.9 million.

Funding has been received from Shell Global Solutions for a cooperation agreement for development of a deepwater solution for seismic operations. This funding is recognised as a long-term finance arrangement in the financial statements, considered a contingent liability.

Current liabilities amounted to USD 133.1 million as per 30 September 2019, compared to USD 142.9 million at year-end 2018. The current portion of interest-bearing liabilities amounted to USD 16.7 million, compared to USD 27.3 million at the end of 2018.

Trade payables amounted to USD 35.7 million at the end of September. Other current liabilities amounted to USD 63.2 million.

The company has also restated the Balance Sheet for previous periods in 2019, both to reflect revised PPA and necessary reclassifications and nettings.

A preliminary purchase price allocation (PPA) was presented in the Annual Report of 2018. A review of the PPA has increased the excess purchase values allocated to nodes and inventory. Reference is made to note 12 Business combinations, Purchase Price Allocation and Impairment for further details.

Cash Flow and Investments

Cash inflow from operations in the third quarter of 2019 was USD 50.2 million, compared to USD 43.9 million in the previous quarter.

Net cash used for investing activities amounted to USD 49.4 million in the third quarter, compared to USD 25.9 million in the previous quarter. Cash flow used for investing activities relates to investments in seismic equipment, payment of seller's credit and earn-out.

The Company has reclassified spending for nodes under construction in the first and second quarter from inventory to PPE, which increased cash flow from operating activities in the first half year by USD 25.4 million and increased cash used in investing activities correspondingly.

Cash flow from operating activities was USD 105.8 million in the first nine months of 2019, whereas net cash used for investing activities amounted to USD 93.7 million.

The new management has worked to reduce and postpone growth capex planned for the fourth quarter 2019 and first half of 2020 by approximately USD 15 million. The full-year capex for 2019 is now expected at approximately USD 91 million.

Cash outflow from financing activities was USD 5.9 million in the third quarter of 2019, related to lease payments. Cash outflow from financing activities was USD 31.1 million in the first nine months of the year relating to lease payments and payment of interest bearing debt.

Funding and Covenants

The required equity ratio for a USD 50 million loan facility with DnB was in May reduced to 50% for all quarters in 2019, from an original covenant requirement of 60%. The 50% covenant has now been extended through 2020.

The leverage is defined as "the ratio of Total Debt less Cash on the last day of the Relevant Period to EBITDA in respect of that Relevant Period."

Further to the DnB USD 50 million loan facility, the bank guarantee towards a customer was previously secured by cash collateral of USD 15 million. The cash collateral has been released. The guarantee commission thereby increased from 1.00% to 3.00%.

Magseis Fairfield Group is not in breach of the loan covenant as per 30 September 2019. Based on the Group's financial forecasts, the company expects to remain in compliance with the covenants also at the end of 2019.

The Company continues to work with banks, advisors and other stakeholders to strengthen the capital structure. Further information will be provided in due course.

Please see note 8 for further details on covenants.

Operations

Management changes

Magseis Fairfield in September appointed Carel Hooijkaas as CEO with effect from 1 October 2019.

This succeeded the appointment of Mark Ivin as CFO with effect from 1 September 2019.

Restructuring program

The new management's initial review of the business development and financial position resulted in the issuance of a financial and operational update on 14 October, where the guidance for full year revenue and EBITDA was lowered significantly.

Mr Hooijkaas and Mr Ivin immediately started preparing a reorganization and restructuring of the company, with the aim to align the organization to the current activity level, realize the synergies from the combination of Magseis and Fairfield in 2018, and lower the cost base to improve profitability and the long-term margin outlook.

The outline of the planned restructuring program comprises the following main points:

- Cost reduction to a materially reduced annual run rate
- Capex reduction to align with activity and secured backlog

The cuts in cost include the integration of the different manufacturing philosophies by the legacy companies, into a common contract manufacturing philosophy for the Company, reduction of employees and contracted personnel, closure of small offices, and reductions of other operational costs.

Overall, the company expects to reduce the number of FTEs by approximately 120 (18%). About half of the redundancies involve own employees and the other half contracted third parties, and the reductions will affect operations in Bergen, Singapore and the headquarters in Oslo as well as the Houston office.

The restructuring is estimated to entail lay-off and severance pay costs of approximately USD 4.5 million which will be recognized in the Income Statement for the fourth quarter and full year 2019. Further restructuring costs may materialize in the fourth quarter.

The cost cuts are estimated to reduce the annual cost base in the range of USD 20 million with full effect during the second half of 2020.

As described under cash flow and investments above, the new management has also taken steps to reduce and postpone planned capital expenditure significantly. Fourth quarter 2019 and first half 2020 capex has been cut by approximately USD 15 million, deemed necessary to bring capex in line with activity and secured backlog.

Operations in the third quarter

In the third quarter 2019, Magseis Fairfield worked on 4 different seismic acquisition projects, of which 2 were completed in the quarter. Work commenced on 1 new project in the third quarter, and 2 so far in the fourth quarter.

Magseis Fairfield also delivered the final batch to BGP Offshore during September, concluding the delivery of 17,000 MASS I nodes and four node handling systems over the past four quarters.

The Company was awarded a contract for supply of nodes, modular system and some crew for a node and systems lease contract in Malaysia in Q3 2019, commencing mid-October.

The order backlog stood at USD 134 million at the end of the third quarter 2019, of which USD 63 million was for delivery in 2019, USD 59 million in 2020 and USD 12 million in 2021.

After the end of the reporting period, Magseis Fairfield has received a signed contract from an established multi-client company for a joint project, as well as a signed contract for equipment rental of Z700 nodes. Both projects are expected to commence in the first quarter 2020. These orders add a further USD 23 million to the 2020 order backlog, which amounts to USD 82 million as of this report.

Reservoir monitoring/source

In the Norwegian sector, Magseis Fairfield's Reservoir monitoring crew completed a survey focused on improving 4D repeatability. The vessel Skandi Nova returned to port for a few days before heading out to a repeat ocean bottom node survey in the Norwegian sector.

The first shots were taken on a new Permanent Reservoir Monitoring (PRM) source system and acquisition contract awarded earlier this year, after system assembly over the Summer. The first project was completed in early October.

Technology

The Technology business unit had several node building and system handling projects ongoing in the third quarter, including the MASS III project which will go through qualification tests during Q4.

Other engineering projects include the building of fully automated, compact and scalable container-based node handling system for storage, charging and data harvesting of ZXPLR, and designs of a sub-systems for the MASS III node handling and cable back deck system for high speed deployment and recovery.

QHSE

In third quarter 2019, Magseis Fairfield registered just over 1,200,000 exposure hours. This was in-line with the previous quarter.

The company recorded 6 personnel related incidents, the same as in the previous quarter, of which 2 required minor medical care. Total Recordable Case Frequency (TRCF) for the quarter was 1.58 and running yearly TRCF of 0.78. This is within Magseis Fairfield's annual target.

Employees and contractors

As of 30 September 2019, the Group had a total of 686 FTEs, split by 429 employees and 257 contractors, up from 614 FTEs at the end of 2018.

Outlook

The new management issued an updated financial guidance for the year on 14 October 2019, in which the revenue estimate for the full year was lowered to USD 455-465 million and the full year EBITDA estimate was lowered to USD 45-55 million.

The revenue shortfall compared to the previous outlook reflected lower utilization in the fourth quarter, whereas the new EBITDA guidance also reflected lower average project margins and a generally excessive cost level given the current activity level and capacity utilization.

In the financial update, the company noted that adjustments for certain non-cash elements and costs related to reorganization and restructuring might further impact EBITDA negatively.

Having concluded the consolidation of accounts for the first nine months of 2019, the company expects such adjustments to affect the full year EBITDA negatively by approximately USD 14 million. Further restructuring costs may materialize in the fourth quarter.

Taking these items into account, the company maintains the EBITDA guidance issued on 14 October, as well as the full year revenue guidance.

Below the EBITDA line, the results have been significantly affected by impairments of fixed assets and goodwill. The Company remains in compliance with its loan covenants.

The ongoing reorganization and restructuring of Magseis Fairfield are estimated to reduce the annual cost base by approximately USD 20 million with full effect during the second half of 2020, which will improve the profitability and longer-term margin outlook.

The company believes that the reorganization and restructuring of Magseis Fairfield will enable the company to maintain a leading position in a growing Ocean Bottom Node market. This confidence is based on a 2020 opportunity pipeline of over USD 1 billion.

Magseis Fairfield continues to see a large number of tenders and tender programs coming to the market for 2020 and beyond, as well as multiclient opportunities and potential system sales and leases.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 September 2019 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 2018 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 18 November 2019

Sign.

Condensed consolidated statement of comprehensive income

USD thousands	Note	Q3 2019 (unaudited)	Q3 2018 (unaudited)	YTD 2019 (unaudited)	YTD 2018 (unaudited)	Full Year 2018 (audited)
Revenues and other income						
Revenues	3	134 190	15 996	385 231	60 279	136 477
Total revenues and other income		134 190	15 996	385 231	60 279	136 477
Operating expenses						
Cost of sales		(106 711)	(11 084)	(294 192)	(30 890)	(86 764)
Research and development expenses		(3 917)	(581)	(5 390)	(1 812)	(3 995)
Selling, general and administrative expenses		(14 401)	(4 862)	(40 533)	(12 545)	(22 705)
Depreciation	5	(15 191)	(3 940)	(44 545)	(11 505)	(19 097)
Amortisation	6	(2 301)	(191)	(7 084)	(573)	(839)
Impairment	5,6,12	(95 231)	-	(95 231)	-	-
Total operating expenses		(237 752)	(20 658)	(486 974)	(57 325)	(133 400)
Operating Profit/(Loss)		(103 562)	(4 662)	(101 743)	2 954	3 077
Finance income and expenses						
Finance income		1 673	546	6 027	1 737	2 628
Finance expenses		(2 435)	(836)	(7 442)	(3 529)	(5 058)
Net finance income/(expenses)	4	(762)	(290)	(1 415)	(1 792)	(2 430)
Net Profit/(Loss) before tax		(104 324)	(4 952)	(103 158)	1 162	647
Income tax expense		188	(997)	(2 417)	(1 984)	(3 468)
Net Profit/(Loss)		(104 136)	(5 949)	(105 575)	(822)	(2 821)
Basic earnings/(loss) per weighted average shares (USD)		(0.56)	(0.08)	(0.57)	(0.01)	(0.04)
Diluted earnings/(loss) per weighted average shares (USD)		(0.56)	(0.08)	(0.57)	(0.01)	(0.04)
Other comprehensive income						
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the period		(104 136)	(5 949)	(105 575)	(822)	(2 821)

Condensed consolidated statement of financial position

USD thousands	Note	YTD 2019 (unaudited)	YTD 2018 (unaudited)	Full Year 2018 (audited)
Non-current assets				
Goodwill	12	-	-	93 731
Other intangible assets	6	67 306	4 760	80 280
Property, Plant and Equipment	5	170 724	96 380	148 598
Total non-current assets		238 030	101 140	322 609
Current assets				
Cash and cash equivalents		49 140	33 504	68 110
Trade receivables		59 986	15 743	75 335
Inventories		33 085	-	32 538
Other current assets		35 016	9 090	28 718
Total current assets		177 227	58 337	204 701
Total assets		415 257	159 477	527 310
Equity				
Shareholders' equity				
Share capital		1 167	545	1 166
Share premium		382 148	178 508	382 152
Other equity		5 150	3 229	3 244
Retained earnings		(153 442)	(45 866)	(47 864)
Currency translation reserve		(5 124)	(5 124)	(5 124)
Total equity attributable to equity holders of the Company	7	229 899	131 292	333 573
Non-current liabilities				
Interest bearing liabilities	8	23 946	4 427	36 175
Non-interest bearing liabilities		14 167	7 344	14 662
Obligation under finance lease	9	14 143	-	9
Total non-current liabilities		52 256	11 771	50 846
Current liabilities				
Trade payables		35 733	6 408	48 037
Current portion of interest-bearing liabilities	8	16 667	2 148	27 301
Current portion of obligation under finance leases	9	14 764	-	-
Current tax payable		2 690	889	1 855
Other current liabilities		63 248	6 968	65 698
Total current liabilities		133 101	16 414	142 891
Total liabilities		185 358	28 185	193 737
Total equity and liabilities		415 257	159 477	527 310

Condensed consolidated statement of changes in equity

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2018	438	141 486	3 284	(45 044)	(5 124)	95 040
Profit / (loss)	-	-	-	(2 821)	-	(2 821)
Other comprehensive income	-	-	-	-	-	-
Share issuance 1 February	40	14 229	-	-	-	14 269
Transaction costs	-	(1 351)	-	-	-	(1 351)
Share issuance 21 February	68	24 244	-	-	-	24 312
Transaction costs	-	(101)	-	-	-	(101)
Share issuance 17 December	428	144 814	-	-	-	145 243
Transaction costs	-	(6 146)	-	-	-	(6 146)
Share issuance 19 December	192	64 975	-	-	-	65 168
Share-based payments (options)	-	-	(40)	-	-	(40)
Balance at 31 December 2018	**1 166**	**382 152**	**3 244**	**(47 864)**	**(5 124)**	**333 573**

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2019	1 166	382 152	3 244	(47 864)	(5 124)	333 573
Share issuance 14 January	-	4	-	-	-	4
Expense related to share issuance	-	(1)	-	-	-	(1)
Share based payments	-	-	13	-	-	13
Profit/loss for the period	-	-	-	(11 164)	-	(11 164)
Balance 30 March 2019	1 166	382 155	3 257	(59 028)	(5 124)	322 426
Profit/loss for the period	-	-	-	9 724	-	9 724
Share issuance	1	(6)	-	-	-	5
Share based payments	-	-	1 465	-	-	1 465
Other adjustments	-	-	-	(3)	-	(3)
Balance 30 June 2019	1 167	382 148	4 722	(49 306)	(5 124)	333 608
Share based payments	-	-	428	-	-	428
Profit/loss for the period	-	-	-	(104 136)	-	(104 136)
Balance at 30 September 2019	**1 167**	**382 148**	**5 150**	**(153 442)**	**(5 124)**	**229 899**

Condensed consolidated statement of cash flow

USD thousands	Note	Q3 2019 (unaudited)	Q3 2018 (unaudited)	YTD 2019 (unaudited)	YTD 2018 (unaudited)	Full Year 2018 (audited)
Cash flows from operating activities						
Profit / (loss) before tax		(104 324)	(4 952)	(103 158)	1 162	647
Income tax and withholding tax paid		(921)	(699)	(3 225)	(1 789)	(2 904)
Depreciation, amortisation and impairment	5,6,12	112 723	4 012	146 859	11 726	19 498
Share-based payments expense		428	16	1 906	(55)	(40)
Finance expenses	4	2 435	111	7 442	574	1 523
Finance income	4	(1 673)	(44)	(6 027)	(49)	(492)
Cost of sales of nodes, non-cash effect	5	14 412	-	30 322	-	9 221
Other non-cash effects		3 900	-	9 500	-	-
(Increase) / decrease in current assets		19 762	6 041	9 063	(9 237)	(43 033)
Increase / (decrease) in current liabilities		3 416	3 124	13 123	2 277	29 313
Net cash from operating activities		50 158	7 609	105 806	4 609	13 732
Cash flows from investing activities						
Interest received		185	44	579	49	182
Acquisition of equipment	5	(27 396)	(9 247)	(72 115)	(35 100)	(33 765)
Investment in subsidiaries (settlement of seller's credit and earn-out)		(22 170)	-	(22 170)	-	(163 263)
Net cash used in investing activities		(49 381)	(9 204)	(93 707)	(35 052)	(196 845)
Cash flows from financing activities						
Proceeds from loan		-	-	-	27	50 027
Down payments of interest-bearing liabilities	8	-	-	(14 040)	-	-
Payment of finance lease obligation	9	(5 674)	(959)	(13 621)	(2 411)	(4 033)
Proceeds from issue of share capital	7	-	-	5	38 580	183 823
Expenses related to issue of share capital	7	-	-	(7)	(1 451)	(7 597)
Interest paid	4	(283)	(111)	(3 406)	(574)	(772)
Net cash from financing activities		(5 957)	(1 069)	(31 069)	34 171	221 447
Net change in cash and cash equivalents		(5 180)	(2 664)	(18 970)	3 729	38 335
Cash and cash equivalents at period start		54 320	36 168	68 110	29 776	29 776
Cash and cash equivalents at period end		49 140	33 504	49 140	33 504	68 110

Notes to the condensed consolidated Interim financial statements

1. Reporting entity

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Significant accounting judgements, estimates and assumptions

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

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2018, except for impacts from new accounting standards.

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 consolidated 2018 financial statements for the Group are available at www.magseisfairfield.com.

Except as described below, the accounting polices applied in these interim financial statements are the same as those applied in the Group's Annual accounts 2018.

IFRS 16 Leasing

The group adopted IFRS 16 as from 1 January 2019. The Group has elected to apply the modified retrospective approach (with practical expedients) at implementation, with no restatement of comparative figures. There were no transition impacts on equity on transition date. The new standard significantly changed how the company accounts for its lease contracts. IFRS 16 introduces a single, on-balance sheet accounting model for lessees, with optional exemptions for short-term leases and leases of low values assets. A lessee recognises a right-of use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. The Group's EBITDA increases as the lease payments will be presented as depreciation and finance cost rather than operating expenses. Refer to note 9 for implementation effects of IFRS 16 Leases.

Other

The interim financial statements have not been subject to audit. The functional currency of the entities within Magseis Fairfield is determined based on the nature of the economic environment in which they operate. The functional currency and presentation currency of Magseis Fairfield ASA is USD. Numbers are rounded to the nearest million, 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. Magseis Fairfield are in process of evaluating the future segment reporting following the acquisition of Fairfield and WGP in December 2018.

USD thousands	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full Year 2018
Contract revenue	84 739	15 817	236 171	60 056	94 535
Equipment revenue	44 150	0	138 803	0	40 849
Multi- client revenue	0	0	2 175	0	0
Lease revenue	0	0	1 073	0	6
Other revenue	5 302	180	7 010	223	1 087
Total revenue and other income	134 190	15 996	385 231	60 279	136 477

4. Financial items

USD thousands	Q3 2019	YTD 2019
Financial Income		
Revaluation of warrants	1 197	4 757
Interest income	178	572
Currency gain	299	698
Sum financial Income	1 673	6 027
Financial cost		
Interest expense loan facility	820	2 925
Interest expense financial leases	469	1 647
Other external interest	443	992
Bank guarantees and other bank charges	164	864
Currency loss	532	965
Other finance cost	8	49
Sum financial costs	2 435	7 442
Net finance cost	**(762)**	**(1 415)**

5. Property, Plant & Equipment (PPE)

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets IFRS 16	Total
Accumulated Investment					
Balance at 1 January 2019*	153 647	38 092	1 873	4 063	197 675
IFRS 16 Implementation 1 January 2019	-	-	-	19 937	19 937
Additions	17 828	20 494	191	19 560	58 072
Reclassification of inventory	-	39 085	-	-	39 085
Disposals	(41 958)	-	(43)	-	(42 001)
Other reclassifications and adjustments	22 874	(44 982)	4 804	(137)	(17 441)
PPA adjustments	7 400				
Balance at 30 September 2019	159 791	52 689	6 824	43 423	262 727
Accumulated depreciation and impairment					
Balance at 1 January 2019*	(44 338)	-	(701)	(4 063)	(49 103)
Depreciation for the year	(31 018)	-	(493)	(13 034)	(44 545)
Disposals	11 636	-	9	-	11 644
Impairment	(8 200)	(1 600)	(200)	-	(10 000)
Balance at 30 September 2019	(71 921)	(1 600)	(1 385)	(17 097)	(92 003)
Net carrying amounts					
at 1 January 2019	109 309	38 092	1 172	(0)	148 572
at 30 September 2019	87 870	51 089	5 439	26 326	170 724
Depreciation year-to-date	31 018	-	493	13 034	44 545
Impairment year-to-date	8 200	1 600	200	-	10 000

** Minor reclassifications are made between accumulated investment and accumulated depreciation and impairment at 1 January 2019 with no impact on the net opening balance.*

Capital commitments

Future minimum commitments related to equipment are as follows (contracted but not yet provided for and payable):

USD thousands	30 Sep 2019	30 Sep 2018	31 Dec 2018
Capital commitments	38 000	24 952	41 018

6. Other intangibles

USD thousands	Q3 2019	Q3 2018	FY 2018
Cost			
Balance at 1 January	83 169	7 373	7 373
PPA adjustments	(1 800)	-	75 723
Balance at 30 September	81 369	7 373	83 096
Amortisation			
Balance at 1 January	(2 889)	(2 040)	(2 040)
Amortisation for the period	(7 084)	(573)	(776)
Impairment for the period	(4 090)	-	-
Balance at 30 September	(14 063)	(2 613)	(2 816)
Carrying amounts			
Balance at 1 January	80 280	5 333	5 333
Balance at 30 September	67 306	4 760	80 280

7. 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 as at 1 January 2018	60 892 391		438	141 486
Private placement 1 February 2018	6 089 239	18.00	40	14 229
Transaction cost				(1 351)
Private placement 21 February 2018	10 577 428	18.00	68	24 244
Transaction cost				(101)
Private placement 17 and 19 December 2018	107 423 304	16.95	621	209 790
Transaction cost				(6 146)
Balance as at 31 December 2018	184 982 362		1 166	382 151
Private placement 14 January 2019	2 019	16.95	0	4
Transaction cost				(1)
Private placement 24 April 2019	186 211	0.05	1	
Transaction cost				(6)
Balance as at 30 September 2019	185 170 592		1 167	382 148

8. Interest bearing debt

USD thousands	30 Sep 2019	31 Dec 2018
Secured loan facility (nominal outstanding)	41 667	50 000
Of which:		
Non-current portion	23 946	36 175
Current portion	16 667	27 301

The secured loan facility with DNB has a 3-year term payable in 6 instalments of USD 8.3 million. The interest terms are LIBOR + margin of 4.5% calculated every quarter. As of 31 December 2018, the Company also had a loan to GIEK and Innovation Norway (reflected in non-current and current portion above) that was fully repaid in January 2019.

The current covenant requirements for the secured loan facility:

- Leverage: Net Debt/Annual EBITDA - below 1
- Minimum liquidity: Cash and Cash Equivalents - above 15 million USD
- Minimum equity ratio: Total Equity/Total Assets - above 50%

Magseis Fairfield are in compliance with all loan covenants as of 30 September 2019 and expect to be in compliance also as of 31 December 2019.

The required equity ratio for the loan facility was in May 2019 reduced to 50% for all quarters in 2019, from an original covenant requirement of 60%. The 50% equity ratio covenant has now been extended through 2020.

9. Leases

Magseis Group adopted IFRS 16 Leases for reporting periods beginning on and after 1 January 2019 using the modified retrospective method. As a result, prior years comparative for 2018 are not disclosed. To facilitate comparison to periods prior to 2019, please refer to Lease payments in the below, that was prior to IFRS 16 shown as cost within EBITDA.

Right-of-use assets

USD thousands	Vessels	Offices	Other	Total
Carrying value				
Balance 1 January 2019	-	-	28	28
Leases capitalized due to implementation of IFRS 16	11 280	7 591	1 072	19 943
Balance right-of-use assets at 1 January 2019	11 280	7 591	1 100	19 971
Additions	16 415	3 145	-	19 560
Depreciation	(11 630)	(1 318)	(86)	(13 034)
Other adjustments	-	(115)	(56)	(171)
Balance at 30 September 2019	16 065	9 303	958	26 326

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Leases capitalized due to implementation of IFRS 16	10 731	9 212	19 943
Balance right-of-use assets at 1 January 2019	10 731	9 212	19 943
Additions	10 207	9 353	19 560
Reclassification to current	(9 820)	9 820	-
Lease payments	-	(13 621)	(13 621)
Other adjustments	3 025	-	3 025
Balance at 30 September 2019	14 143	14 764	28 906

10. Onerous contracts

The provision for onerous contract in south-east Asia as of 31 December 2018 of USD 7,343 thousand was reversed in first quarter 2019 upon completion of the project. As of 30 September 2019, no onerous contracts are identified.

11. Related parties

Key management personnel and director transactions

Some key management persons and board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Some of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons, board members and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions and outstanding balances related to key management personnel, board members and entities over which they have control or significant influence were as follows:

USD thousands		Transaction value		Balance	
Name	Note	30.sep.19	30.sep.18	30.sep.19	30.sep.18
Westcon Group (shareholder)	(I)	(9 654)	15 336	(815)	(1 550)
Fairfield Geotechnologies (shareholder)	(II)	(3 447)	-	(952)	-
J B Gateman (Geo Innova AS) (shareholder)	(III)	(313)	131	-	-

(I) Relates to time charter (TC) for one vessel and a sale and leaseback agreement. As a part of the TC agreement for Artemis Athene, Westcon Group also delivers marine management services. As at 31 December 2018 the time charter lease was completed. An addendum for extension was signed and Athene is currently on lease until 30 September 2019. Given the short duration of the lease extension, it is not treated as a financial lease according to IFRS 16.

(II) Relates to reimbursable administration cost for Management and other costs of the subsidiary Magseis FF LLC.

(III) J B Gateman is engaged as an independent consultant as Senior Vice President.

12. Business Combinations, Purchase Price Allocation (PPA) and Impairment

Magseis ASA acquired Fairfields' seismic technologies businesses on 18 December 2018, comprising all of the shares of the newly established Magseis FF LLC in the USA (carve out entity) and all of the shares of Fairfield International Limited, being the parent company for the WGP Group in the UK. The rationale for the acquisition is to create the technology leader in the new generation of marine seismic and establish a global scale and reach for the integrated business.

The transactions were determined to constitute business combinations and have been accounted for using the acquisition method of accounting in accordance with IFRS 3. The acquisition date of accounting was determined to be 18 December 2018. See note 26 in the 2018 annual report for further information about the acquisitions.

Purchase Price Allocation (PPA)

A provisional purchase price allocation (PPA) was performed as at 18 December 2018, pending detailed review in particular of the property, plant and equipment (PPE) acquired in the transaction. Following finalisation of the PPA, adjustments are made to the initial allocation of excess value. Excess value not allocated to specific assets are classified as goodwill.

Impairment test

The Group performs an impairment test annually, or more frequently if indicators of impairment exists, to ensure that the recoverable amount related to recognised goodwill exceeds the related carrying value. Recoverable amounts are based on value in use calculations. Following the market developments and current back log for 2020, an impairment test has been performed in accordance with IFRS and IAS 36 Impairment of Assets.

Key assumptions:

- Cash flow projections based on budgets and forecasts. These projections include both awarded projects and assumed project wins
- Terminal value reflect long term steady state revenue and margin levels based on a combination of historic levels and judgements applied
- Annual growth rate of two percent is used in calculating the terminal value
- The post-tax discount rate applied in the testing is 8.8 percent

Following the above impairment test, Magseis Fairfield have recognized a goodwill impairment charge of USD 81.1 million in the quarter, resulting in the unallocated excess value at the acquisition being impaired to zero. The impairment is a result of assessment and the uncertainty of the amounts and timing of new project awards, including increasing price pressure.

The changes related to identified assets in the PPA have been adjusted for retrospectively and the restatement impacts on first quarter, second quarter and the first half year are shown in note 14. The goodwill impairment is recognized in third quarter 2019, when the impairment test was prepared. The changes in the PPA are summarized in the below table:

USD millions	Q3 2019	Q4 2018	Change
PP&E	7.4	-	7.4
Inventory	7.0	-	7.0
Technology	61.2	62.0	(0.8)
Customer Relations	12.1	13.0	(0.9)
Goodwill	-	94.0	(94.0)
Total Excess value	87.8	169.0	(81.1)
Goodwill impairment	81.1	-	
Total Excess value	169.0	169.0	

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

Following final purchase price allocation (PPA), first quarter, second quarter and first half year has been restated. The adjustments are explained below including bridge from reported to restated financial statements. The financial statements also reflect applicable reclassifications to align Group reporting principles.

Adjustment 1

Reclassification of costs from SG&A to CoS, mainly related to manufacturing division in Houston, crew support and other operational costs.

Adjustment 2

Reclassification of sales commissions from CoS to SG&A.

Adjustment 3

Changes to the preliminary purchase price allocation:

- Nodes that was a part of inventory have been written up with USD 7 million to reflect the expected sales value at the time of acquiring Fairfield. 2 000 of 2 500 of these nodes were sold during Q1 2019. Hence, CoS is increased with USD 5.6 million while the remaining USD 1.4 million have been allocated to increased inventory value.

- As a result of reviewing the value allocated to PPE, the value of certain nodes was written up by USD 7.4 million. This has resulted in increased depreciations of USD 0.6 million in Q1 2019 and Q2 2019 respectively.

- As a result of the PPA adjustments above, allocation to Goodwill was reduced by USD 12.6 million and allocation to Customer Relations was reduced by USD 1.8 million.

- As stated in the Q2 report, a review of the estimated useful life of technology assets was performed which led to an adjustment of the amortization period from 5 to 10 years and hence the lower amortization charge in the quarter. The revised amortization period of 10 year is also in line with the preliminary and final purchase price allocation.

Adjustment 4

Reclassification of the following items in the balance sheet:

- Reclassifications from Trade Receivables to Other Current Assets for project accruals (not billed revenues). In Q2, an additional reclassification of USD 22.5 million was done to net offsetting positions.

- Reclassification of nodes under construction from inventory to PPE.

Profit and loss restatement of Q1 2019

USD thousands	Q1 2019 Reported	Adj. 1)	Adj. 2)	Adj. 3)	Adj. 4)	Q1 2019 Restated
Revenue and other income						
Revenue	119 502	-	-	-	-	119 502
Operating expenses						
Cost of sales	(88 293)	(4 682)	2 393	(5 600)	-	(96 182)
Research and development costs	(640)	-	-	-	-	(640)
SG&A	(14 532)	4 682	(2 393)	-	-	(12 243)
Depreciation	(14 797)	-	-	(614)	-	(15 411)
Amortisation	(3 958)	-	-	1 530	-	(2 428)
Impairment	-	-	-	-	-	-
Total operating expenses	(122 220)	-	-	(4 685)	-	(126 905)
Gross profit	31 209	(4 682)	2 393	(5 600)	-	23 320
EBITDA	16 037	-	-	(5 600)	-	10 437
EBIT	(2 718)	-	-	(4 685)	-	(7 403)
Financial income and expenses						
Finance income	1 058	-	-	-	-	1 058
Finance costs	(3 177)	-	-	-	-	(3 177)
Net finance costs	(2 119)	-	-	-	-	(2 119)
Net Profit/(Loss) Before Tax	(4 837)	-	-	(4 685)	-	(9 522)
Income tax expense	(2 417)	-	-	-	-	(2 417)
Net Profit/(Loss)	(7 254)	-	-	(4 685)	-	(11 939)

Profit and loss restatement of Q2 2019

USD thousands	Q2 2019 Reported	Adj. 1)	Adj. 2)	Adj. 3)	Adj. 4)	Q2 2019 Restated
Revenue and other income						
Revenue	131 539	-	-	-	-	131 539
Operating expenses						
Cost of sales	(87 191)	(4 378)	269	-	-	(91 299)
Research and development costs	(833)	-	-	-	-	(833)
SG&A	(17 997)	4 378	(269)	-	-	(13 889)
Depreciation	(13 327)	-	-	(614)	-	(13 941)
Amortisation	(825)	-	-	(1 530)	-	(2 355)
Impairment	-	-	-	-	-	-
Total operating expenses	(120 173)	-	-	(2 144)	-	(122 317)
Gross profit	44 348	(4 378)	269	-	-	40 240
EBITDA	25 518	-	-	-	-	25 518
EBIT	11 366	-	-	(2 144)	-	9 222
Financial income and expenses	-	-	-	-	-	-
Finance income	3 295	-	-	-	-	3 295
Finance costs	(1 830)	-	-	-	-	(1 830)
Net finance costs	1 465	-	-	-	-	1 465
Net Profit/(Loss) Before Tax	12 831	-	-	(2 144)	-	10 687
Income tax expense	(963)	-	-	-	-	(963)
Net Profit/(Loss)	11 868	-	-	(2 144)	-	9 724

Profit and loss restatement of YTD Q2 2019

USD thousands	YTD Q2 2019 Reported	Total adjustments	YTD Q2 2019 Restated
Revenue and other income			
Revenue	251 041	-	251 041
Operating expenses			
Cost of sales	(175 484)	(11 997)	(187 481)
Research and development costs	(1 473)	-	(1 473)
SG&A	(32 529)	6 397	(26 132)
Depreciation	(28 125)	(1 228)	(29 353)
Amortisation	(4 783)	-	(4 783)
Impairment	-	-	-
Total operating expenses	(242 394)	(6 828)	(249 222)
Gross profit	75 557	(11 997)	63 560
EBITDA	41 555	(5 600)	35 955
EBIT	8 647	(6 828)	1 819
Financial income and expenses			
Finance income	4 354	-	4 354
Finance costs	(5 007)	-	(5 007)
Net finance costs	(653)	-	(653)
Net Profit/(Loss) Before Tax	7 994	-	1 166
Income tax expense	(2 605)	-	(2 605)
Net Profit/(Loss)	5 389	-	(1 439)

Balance sheet restatement of Q1 2019

USD thousands	Q1 2019 Reported	Adj. 1)	Adj. 2)	Adj. 3)	Adj. 4)	Q1 2019 Restated
Non-current assets						
Goodwill	93 731	-	-	(12 600)	-	81 131
PPE	153 810	-	-	6 785	17 187	177 782
Other intangibles	76 332	-	-	(270)	-	76 062
Total non-current assets	323 873	-	-	(6 085)	17 187	334 975
Current assets						
Cash	50 006	-	-	-	-	50 006
Trade receivables	130 960	-	-	-	(42 272)	88 688
Inventories	55 364	-	-	1 400	(17 187)	39 577
Other current assets	26 943	-	-	-	42 272	69 215
Total current assets	263 273	-	-	1 400	(17 187)	247 486
Total assets	587 146	-	-	(4 685)	-	582 461
Equity						
Share capital	1 166	-	-	-	-	1 166
Share premium	382 155	-	-	-	-	382 155
Other equity	3 257	-	-	-	-	3 257
Retained earnings	(54 344)	-	-	(4 685)	-	(59 029)
Currency translation reserve	(5 124)	-	-	-	-	(5 124)
Total equity	327 109	-	-	(4 685)	-	322 424
Non-current liabilities						
Interest bearing liabilities	32 067	-	-	-	-	32 067
Non-interest bearing liabilities	19 445	-	-	-	-	19 445
Obligation under finance leases	17 863	-	-	-	-	17 863
Total non-current liabilities	69 375	-	-	-	-	69 375
Current liabilities						
Trade payables	66 971	-	-	-	-	66 971
Current tax payable	2 828	-	-	-	-	2 828
Current portion of interest-bearing liabilities	20 474	-	-	-	-	20 474
Current portion of obligation under finance leases	18 417	-	-	-	-	18 417
Other current liabilities	81 973	-	-	-	-	81 973
Total current liabilities	190 662	-	-	-	-	190 663
Total liabilities	260 037	-	-	-	-	260 038
Total equity and liabilities	587 146	-	-	(4 685)	-	582 461

Balance sheet restatement of Q2 2019

USD thousands	Q2 2019 Reported	Adj. 1)	Adj. 2)	Adj. 3)	Adj. 4)	Q2 2019 Restated
Non-current assets						
Goodwill	93 731	-	-	(12 600)	-	81 131
PPE	149 406	-	-	6 171	27 982	183 559
Ohter intangibles	75 507	-	-	(1 800)	-	73 707
Total non-current assets	318 643	-	-	(8 229)	27 982	338 396
Current assets						
Cash	54 230	-	-	-	-	54 230
Trade receivables	121 440	-	-	-	(32 632)	88 808
Inventories	68 929	-	-	1 400	(27 982)	42 347
Other current assets	21 492	-	-	-	10 177	31 669
Total current assets	266 092	-	-	1 400	(50 436)	217 056
Total assets	584 735	-	-	(6 829)	(22 455)	555 452
Equity						
Share capital	1 167	-	-	-	-	1 167
Share premium	382 148	-	-	-	-	382 148
Other equity	4 722	-	-	-	-	4 722
Retained earnings	(42 479)	-	-	(6 829)	-	(49 308)
Currency translation reserve	(5 124)	-	-	-	-	(5 124)
Total equity	340 434	-	-	(6 829)	-	333 605
Non-current liabilities						
Interest bearing liabilities	23 946	-	-	-	-	23 946
Non-interest bearing liabilities	15 364	-	-	-	-	15 364
Obligation under finance leases	18 494	-	-	-	-	18 494
Total non-current liabilities	57 804	-	-	-	-	57 804
Current liabilities						
Trade payables	54 838	-	-	-	-	54 838
Current tax payable	3 540	-	-	-	-	3 540
Current portion of interest-bearing liabilities	21 467	-	-	-	-	21 467
Current portion of obligation under finance leases	17 796	-	-	-	-	17 796
Other current liabilities	88 855	-	-	-	(22 455)	66 400
Total current liabilities	186 497	-	-	-	(22 455)	164 043
Total liabilities	244 302	-	-	-	(22 455)	221 847
Total equity and liabilities	584 735	-	-	-	(22 455)	555 452

Cash flow restatement Q1 2019, Q2 2019 and YTD Q2 2019

The above adjustments have also impacted the group's cash flow statement. Reclassification of nodes under construction from inventory to PPE have resulted in an improved operating cash flow and increased cash flow used in investing activities.

USD thousands	Q1 2019 Reported	Total adjustments	Q1 2019 Restated
Cash flows from operating activities			
Profit / (loss) before tax	(4 837)	(4 685)	(9 522)
Income tax and withholding tax paid	(456)	-	(456)
Depreciation and amortisation	18 755	(915)	17 840
Share-based payments expense	13	-	13
Interest expense	2 574	-	2 574
Interest income	(289)	-	(289)
Cost of sales of nodes, non-cash effect	6 599	-	6 599
Other non-cash effects	-	5 600	5 600
(Increase) / decrease in current assets	(59 468)	11 827	(47 641)
Increase / (decrease) in current liabilities	35 208	-	35 208
Net cash from operating activities	(1 898)	11 827	9 928
Cash flows from investing activities			
Interest received	286	-	286
Acquisition of equipment and prepayments	(5 105)	(11 827)	(16 932)
Net cash used in investing activities	(4 819)	(11 827)	(16 645)
Cash flows from financing activities			
Downpayments of interest-bearing liabilities	(9 600)	-	(9 600)
Proceeds from issue of share capital	4	-	4
Expenses related to issue of share capital	(1)	-	(1)
Interest paid	(1 790)	-	(1 790)
Net cash from financing activities	(11 387)	-	(11 387)
Net change in cash and cash equivalents	(18 104)	-	(18 104)
Cash and cash equivalents at 1 January	68 110	-	68 110
Cash and cash equivalents at period end	50 006	-	50 006

USD thousands	Q2 2019 Reported	Total adjustments	Q2 2019 Restated
Cash flows from operating activities			
Profit / (loss) before tax	12 831	(2 144)	10 687
Income tax and withholding tax paid	(1 848)	-	(1 848)
Depreciation and amortisation	14 153	2 144	16 297
Share-based payments expense	(1 490)	-	(1 490)
Interest expense	2 433	-	2 433
Interest income	(4 068)	-	(4 068)
Cost of sales of nodes, non-cash effect	9 311	-	9 311
(Increase) / decrease in current assets	865	11 778	12 643
Increase / (decrease) in current liabilities	(89)	-	(89)
Net cash from operating activities	32 098	11 778	43 876
Cash flows from investing activities			
Interest received	108	-	108
Acquisition of equipment and prepayments	(14 256)	(11 778)	(26 034)
Net cash used in investing activities	(14 148)	(11 778)	(25 926)
Cash flows from financing activities			
Downpayments of interest-bearing liabilities	(12 387)	-	(12 387)
Proceeds from issue of share capital	1	-	1
Expenses related to issue of share capital	(6)	-	(6)
Interest paid	(1 333)	-	(1 333)
Net cash from financing activities	(13 725)	-	(13 725)
Net change in cash and cash equivalents	4 225	(0)	4 225
Cash and cash equivalents at 1 January	50 006	-	50 006
Cash and cash equivalents at period end	54 231	(0)	54 231

USD thousands	YTD Q2 2019 Reported	Total adjustments	YTD Q2 2019 Restated
Cash flows from operating activities			
Profit / (loss) before tax	7 994	(6 828)	1 166
Income tax and withholding tax paid	(2 304)	-	(2 304)
Depreciation and amortisation	32 908	1 228	34 136
Share-based payments expense	(1 478)	2 956	1 478
Interest expense	5 007	-	5 007
Interest income	(4 354)	-	(4 354)
Cost of sales of nodes, non-cash effect	15 910	-	15 910
Other non-cash effects	-	-	5 600
(Increase) / decrease in current assets	(58 603)	47 813	(10 790)
Increase / (decrease) in current liabilities	35 119	(25 411)	9 708
Net cash from operating activities	30 199	25 358	55 557
Cash flows from investing activities			
Interest received	394	-	394
Acquisition of equipment and prepayments	(19 361)	(25 358)	(44 719)
Net cash used in investing activities	(18 967)	(25 358)	(44 325)
Cash flows from financing activities			
Down payments of interest-bearing liabilities	(8 333)	-	(8 333)
Payment of finance lease obligation and loan	(7 947)	-	(7 947)
Settlement seller credit	(5 707)	-	(5 707)
Proceeds from issue of share capital	5	-	5
Expenses related to issue of share capital	(7)	-	(7)
Interest paid	(3 123)	-	(3 123)
Net cash from financing activities	(25 112)	-	(25 112)
Net change in cash and cash equivalents	(13 880)	-	(13 880)
Cash and cash equivalents at 1 January	68 110	-	68 110
Cash and cash equivalents at period end	54 230	-	54 230

14. Alternative Performance Measures (APMs)

Magseis Fairfield discloses alternative performance measures as part of its financial reporting as a supplement to the financial statements prepared in accordance with IFRS. Magseis Fairfield believes that the alternative performance measures provide useful supplemental information to management, investors, security analysts and other stakeholders and are meant to provide an enhanced insight into the financial development of business operations and to improve comparability between periods.

Profit measures

EBITDA is short for Earnings before interest, taxes, depreciation and amortisation and is a term commonly used by analysts and investors and facilitates comparing operating performance with that of other companies.

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

Financing measures

Working capital Inventories and trade receivables and other current assets less trade payables and other current liabilities

Net interest bearing debt defined as cash less interest bearing liabilities.

Equity ratio is calculated as total equity divided by total assets

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