Q3 2021

report

magseis fairfield

Summary

Continued strong operational execution

- Higher activity and strong project execution
- Successfully executed the renewables pilot project over a windfarm area in Denmark
- Launched Echova – a platform integrating the OBN seismic value chain
- Continued strong safety record with 12 months rolling TRCF at 1.16
- Received ISO certification for all Magseis Fairfield sites and operations

Q3 financials

- High utilization on all crews and overall strong project execution
- Revenue of USD 84.3 million and gross margin of 30%
- EBITDA of USD 19.7 million
- Operating profit of USD 4.0 million and net profit after tax of USD 0.6 million
- Cash holding of USD 26.2 million
- Available cash of USD 41.2 million including undrawn RCF of USD 15 million

Continued increase in order backlog

- Order backlog of USD 247 million as of end September, of which USD 67 million for delivery in 2021
- Awarded three new contracts in Q3 2021
    - Two-month OBN contract in the North Sea, commencing in the third quarter with Z700 technology
    - Five-month project award for a customer in Asia. 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
- As the market continues to strengthen, we are submitting proposals at ever increasing margins, although they have not yet recovered to pre-Covid-19 levels.

Launching first OBN Technology platform

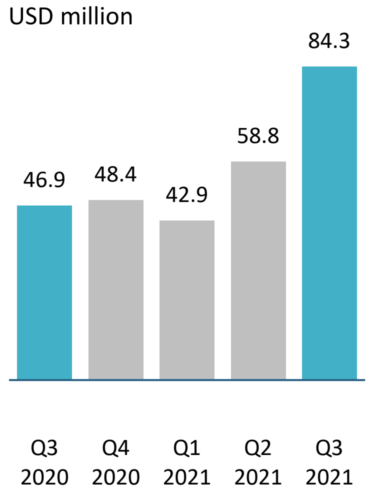
- Launched Echova™, the first OBN technology platform integrating the OBN seismic value chain
- While current OBN deliveries typically are limited to the acquisition phase, the Echova™ OBN platform integrates technology, workflows and expertise in collaboration with our customers
- Echova™ brings customer value through faster data delivery and allows for better decision-making at reduced project cost. This will also enable us to grow existing markets and enter new ones

Market and Outlook

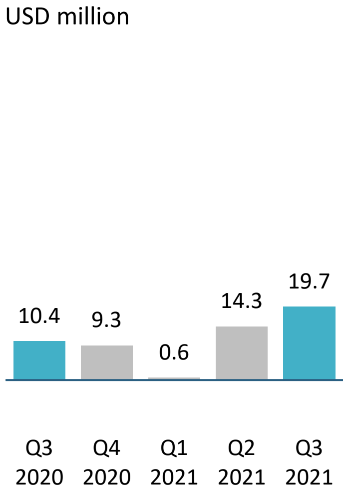
- With oil and gas demand returning to pre-COVID levels, the effects of the under-investments are becoming evident in the energy market
- The need for increased oil and gas supply in the short-term to medium-term will translate into investments for increased recovery from already explored assets
- Sharp recovery for greenfield projects expected from 2022, with CAGR of 20% between 2022-2025
- 2022 market opportunities continue to grow in most regions, forecasting a 15% YoY market growth. About 50% of visible projects have been awarded, with key opportunities remaining in Europe, Americas, and Asia
- Multiple tendering opportunities for renewables projects in 2022

USD millions

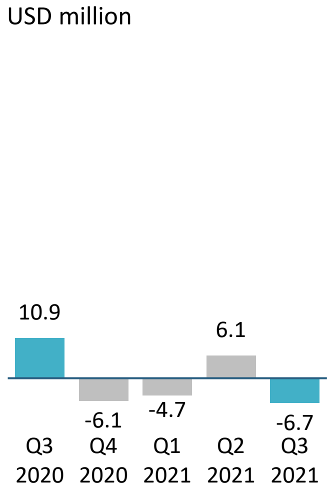
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020	Full Year 2020
As per IFRS					
Revenues	84.3	46.9	185.9	144.9	193.4
Gross profit	25.1	16.2	49.9	47.5	62.8
Gross margin	*30%*	*35%*	*27%*	*33%*	*32%*
EBITDA	19.7	10.4	34.6	26.2	35.5
%	*23%*	*22%*	*19%*	*18%*	*18%*
EBITDA excluding special items	19.7	10.4	31.0	26.2	38.4
%	*23%*	*22%*	*17%*	*18%*	*20%*
EBIT	4.0	3.7	(12.3)	(7.3)	(14.6)
Net profit/(loss)	0.6	3.1	(17.2)	(11.8)	(19.7)
Segment reporting					
Revenues	85.2	50.8	186.8	154.4	205.7
Gross profit	21.0	19.7	37.8	47.6	62.6
Gross margin	*25%*	*39%*	*20%*	*31%*	*30%*
EBITDA	15.2	13.6	22.2	25.3	32.4
%	*18%*	*27%*	*12%*	*16%*	*16%*
EBITDA excluding special items	15.2	13.6	18.6	25.3	36.8
%	*18%*	*27%*	*10%*	*16%*	*18%*
EBIT	4.2	3.9	(9.9)	(6.2)	(11.1)
Other key figures					
Net cash from operating activities	(6.7)	10.9	(5.2)	26.5	20.5
Net cash used in investing activities	(2.9)	(1.0)	(10.8)	(28.2)	(25.2)
Net cash from financing activities	(5.8)	(5.3)	(12.8)	9.5	4.7
Total assets	313.6	333.1	313.6	333.1	344.6
Equity ratio	56%	60%	56%	60%	56%
Cash and cash equivalents	26.2	61.8	26.2	61.8	54.8
Net interest-bearing debt/(cash)	5.2	(29.0)	5.2	(29.0)	(21.9)
Book value multi-client library IFRS	25.8	19.6	25.8	19.6	20.9
Book value multi-client library Segment	17.0	13.4	17.0	13.4	12.8
Backlog at end of reporting period	247.0	170.0	247.0	170.0	198.0

Comment from the CEO

The third quarter was a solid quarter for Magseis Fairfield. The gross profit margin was 30% with an EBITDA margin of 23%, generating an operating cash flow excluding net working capital movements of USD 20 million and a positive net profit.

Our available cash balance was USD 26 million at the end of September, reflecting net working capital requirements for two large projects. Available cash including our loan facility was USD 41 million.

From an HSE perspective the 12-month rolling average for TRCF Total Recordable Case Frequency (TRCF) was 1.16 as of end of Q3 2021. This remains below the 2021 goal of 1.51. In the quarter we completed the ISO certification audits by ABS QE. The company received ISO 9001:2015 certification for all Magseis Fairfield sites and operations, and certification for ISO 14001 and 45001 for our Warminster site in the UK.

Operations

We remain extremely vigilant and adaptive as we continue to navigate the Covid-19 pandemic. Our stringent protocols meant that we have continued to avoid cases on our offshore crews. Onshore, we have so far reopened our offices in Norway and the UK and expect to reopen our US office in Q4.

Overall, we were engaged in 13 different projects during the quarter, involving all technologies and business areas. Our ZXPLR1 crew completed a project in the Gulf of Mexico and started a second project during the quarter. The crew experienced technical challenges with sources which impacted the project's profitability. The ZXPLR2 crew had outstanding performance and acquired and completed a project in Angola.

The Z700 crew mobilized and started the acquisition for the new project in the North Sea. The operations have been impacted by bad weather, and project completion is now estimated to be early in the fourth quarter.

Our Reservoir Monitoring and Source teams have been busy executing their regular summer season projects in Norway.

The MASS crew successfully completed a project which is part of the long-term contract we have with ConocoPhillips and mobilized for the newly awarded project for a Multi-Client company.

The Renewables XHR crew successfully mobilized and executed the pilot project over a windfarm area in Denmark.

Processing of the main survey area of the Cornerstone multi-client data is progressing as planned, with final products on schedule to be delivered towards the end of the year. As this moves the project into the late-sales phase, it remains a key focus area to secure late-sales in the final quarter of the year. The remainder of the Cornerstone multi-client data is on schedule for delivery in H1 2022.

New backlog

The order backlog of USD 247 million provides us with good visibility to focus on project execution.

In our core area of the North Sea, we were awarded a two month OBN survey for a multi-client company with Z700 technology, starting in the third quarter. The contract includes a right of first offer for further multi-client surveys in 2022. We were also awarded a small project for another multi-client company in the North Sea.

In Asia, we were awarded a substantial OBN survey with Z700 technology for an undisclosed customer. The duration of the survey is approximately five months and is scheduled to commence in the fourth quarter 2021. Revenue generation from this project requires our full Z700 inventory and two node handling vessels, and the value is equivalent to ten vessel acquisition months.

As the market continues to strengthen, we are submitting proposals at ever increasing margins, although they have not yet recovered to pre-Covid-19 levels.

The ZXPLR2 crew was scheduled to return to the Gulf of Mexico for a Multi-Client project after it completed the Angola project in the third quarter. However, the customer had not secured desired pre-commit levels and the project start has been delayed to early Q1 2022. The ZXPLR2 crew vessels were on short term charters and were returned to their owners following the completion of the Angola project, limiting the financial impact of the delay. This once again shows the strength and advantage of having an asset light business model.

Our crews are ready to execute on a growing order backlog for the remainder of the year and into 2022. The 2022 market opportunities continue to grow in most regions. We are forecasting a 15% YoY market growth and continue to see customer 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. As the market continues to strengthen, we are submitting proposals at ever increasing margins.

Launching first OBN Technology platform

During the third quarter we launched Echova™, the first OBN technology platform integrating the OBN seismic value chain. While current OBN deliveries typically are limited to the acquisition phase, the Echova™ OBN platform integrates technology, workflows and expertise in collaboration with our customers. This brings value to our customers through faster data delivery and visualization which allows for better decision-making at reduced project cost.

Through the Echova™ OBN platform we not only continue to lead the OBN acquisition market but also expand our offering to include planning and survey design and data delivery after completion of the acquisition projects. This integrated offering will enable project optimization from planning to data delivery, reducing total project cost, and enabling us to grow existing markets and enter new ones. This will generate value for both our customers and Magseis Fairfield.

I am very excited about the launch of Echova™ and the roll-out of this platform over the coming years.

Building a renewables business

During the third quarter we successfully executed a wind farm pilot project in the North Sea and look forward to executing a CCS pilot project in the North Sea at the start of the 2022 summer season.

This will provide us with a real dataset that we can leverage to develop new Multi-Client and proprietary acquisition opportunities in the renewables space.

We are very encouraged by the renewables opportunity pipeline for 2022, and see opportunities in both North America, Europe and Asia.

Consistent delivery of our strategy

As oil and gas demand is returning to pre-COVID levels, the effects of the pandemic and under-investment are becoming evident in the energy market. This incentivizes oil and gas companies to extract more from already explored assets, and further strengthens the case for OBN data acquisition technology. The macro trends clearly continue to support our view of a market recovery for OBN services in 2022 and beyond.

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 third quarter 2021 was USD 84.3 million, up from USD 46.9 million reported for the third quarter 2020 and USD 58.8 million in the second quarter 2021.

The increase mainly reflects the higher crew utilization. During the third quarter, Magseis Fairfield worked on 13 revenue generating projects in West Africa, the Gulf of Mexico and the North Sea.

Revenue for the first three quarters amounted to USD 185.9 million, compared to USD 144.9 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 247 million at the end of the third quarter 2021, which was an increase of 45% from USD 170 million at the end of the third quarter 2020, and above the USD 230 million reported at the end of the second quarter 2021. USD 67 million of the backlog is scheduled for delivery in 2021, USD 123 million next year and USD 57 million beyond 2022.

Operational costs

Cost of sales amounted to USD 59.2 million in the third quarter of 2021, compared to USD 30.7 million in the third quarter 2020 and USD 41.9 million in the second quarter 2021.

The gross profit thus increased to USD 25.1 million from USD 16.2 million in the third quarter last year and increased from USD 16.8 million in the second quarter 2021. The gross margin of 30% compares to 35% in the third quarter last year, 29% in the second quarter and 19% in the first quarter this year.

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 increased 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 three quarters of 2021, gross profit amounted to USD 49.9 million and the gross margin to 27%, compared to USD 47.5 million and 33%, respectively, in the same period last year.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 5.5 million in the third quarter.

This compares with SG&A costs of USD 5.8 million in the same quarter last year and USD 2.5 million in the second quarter 2021.

For the first three quarters SG&A costs amounted to USD 15.3 million, compared to USD 21.3 million in the same period last year.

The company expects an SG&A cost level at or slightly above USD 25 million for the full year 2021, depending on certain performance related costs in the fourth quarter.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 15.6 million in the third quarter, compared to USD 6.7 million in the third quarter last year and unchanged from the previous quarter. The change reflects that the company last year acquired a multi-client library where all costs related to that survey were capitalized, including depreciation.

For the first three quarters depreciation and amortization amounted to USD 46.9 million, compared to USD 33.5 million for the same period last year.

Results

EBITDA

EBITDA was USD 19.7 million in the third quarter 2021, compared to USD 10.4 million in the third quarter last year and USD 14.3 million in the second quarter this year.

The third quarter EBITDA was supported by the underlying quarter-on-quarter improvement mainly being higher crew utilization, strong operational performance giving improved margins, as well as tight overall cost control.

For the first three quarters EBITDA amounted to USD 34.6 million, compared to USD 26.2 million in the same period last year.

Operating result (EBIT)

The company reports an operating profit of USD 4 million in the third quarter, compared to a profit of USD 3.7 million in the same period last year and a loss of USD 1.3 million in the second quarter 2021.

For the first three quarters of the year the operating loss was USD 12.3 million, compared to a loss of USD 7.3 million same period last year.

Net financial items

Net financial costs were USD 1.3 million in the third quarter 2021, compared to a net income of USD 0.6 million in the same period last year and net financial costs of USD 0.2 million in the second quarter 2021.

For the first three quarters of the year, net financial costs amounted to USD 2.4 million, compared to net financial costs of USD 2.6 million in the same period last year.

Net profit/ loss

Net profit before tax was USD 2.7 million in the third quarter 2021, compared to a profit of USD 4.3 million in the same quarter last year and a loss of USD 1.5 million in the second quarter 2021.

For the first three quarters, net loss before tax was USD 14.7 million, compared to a loss of USD 9.9 million in the same period last year.

Income tax expense was USD 2.1 million in the third quarter, compared to USD 1.3 million in the third quarter last year. The increase is driven by the project in West Africa.

Net profit was hence USD 0.6 million, compared to a profit of USD 3.1 million in the same period last year. For the first three quarters, the net loss was USD 17.2 million, compared to a net loss of USD 11.8 million in the same period last year.

Balance Sheet

(Figures for the corresponding period in 2020 in brackets)

Total assets for the Group were USD 313.6 million at the end of third quarter 2021 (333.1), compared to USD 344.6 million at the end of 2020.

Property, plant, and equipment (PPE) declined to USD 115.1 million (146.6) 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 25.8 million (19.6), up from USD 20.9 million at the end of last year. The investment in 2021 relates to data processing costs.

Other intangible assets stood at USD 53 million (59.8), 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 193.9 million (226.0) from USD 228.7 million at the end of 2020.

Inventories increased to USD 8.9 million (7.9) from USD 7.7 million at year-end 2020, whereas trade receivables increased to USD 44.5 million (21.5) from USD 38.1 million at the end of 2020. Other current assets increased to USD 40.1 million (15.8) from USD 15.3 at the end of 2020.

Cash and cash equivalents amounted to USD 26.2 million at the end of the first three quarters (61.8), down from USD 54.8 million at the end of 2020. This is mainly due to temporary negative net working capital movements of USD 26.2 million reflecting two large projects.

Total current assets hence amounted to USD 119.6 million (107.0), compared to USD 115.9 million at the end of 2020.

The Group's equity amounted to USD 176.3 million at the end of the first three quarters 2021 (200.1), down from USD 192.5 million at the end of 2020. This mainly reflects the losses in the period. The equity ratio is 56%, the same as 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 951 750 new shares at nominal value of NOK 0.05 per share, reflecting the AGM approved Board and long-term employee incentive compensation package.

Non-current liabilities declined to USD 42.1 million (44.2) from USD 44.5 million at the end of 2020. Interest-bearing liabilities was USD 31.3 million (31.0), compared to USD 30.6 million at year-end, whereas lease liabilities declined to 6.1 million (9.1) from USD 8.8 million and non-interest-bearing liabilities to USD 4.7 million (4.0) from USD 5.1 million.

Current liabilities declined to USD 95.1 million (88.8) from USD 107.6 million at the end of 2020, with trade payables declining to USD 16.9 million (13.0) from USD 17.2 million at year-end. Other current liabilities declined to USD 78.2 million (75.8) from USD 90.4 million at the end of 2020, with the current portion of lease liabilities at USD 9.1 million, current tax payable at USD 5.4 million, and other current liabilities at USD 63.7 million. The latter comprises project accruals, warranty accruals, deferred revenue, and other operational accruals. The current portion of interest-bearing liabilities is nil.

Cash Flow and Investments

Net cash outflow from operating activities was USD 6.7 million in the third quarter 2021, compared to a cashflow of USD 10.9 million in the same quarter last year and a cashflow of USD 6.1 million in the previous quarter.

The operating cash flow in the quarter includes temporary negative net working capital movements of USD 26.2 million reflecting two large projects. In July 2021, the company secured financing of the expected working capital requirements through a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million for the remainder of 2021.

For the first three quarters 2021, the net cash outflow from operating activities amounted to USD 5.2 million, compared to USD 26.5 million cashflow in the same period last year.

Cash outflow from investing activities amounted to USD 2.9 million in the third quarter, compared to a cash outflow of USD 1.0 million in the same quarter last year, and USD 4.8 million in the second quarter this year. The investments mainly reflect equipment acquisitions and investment in multi-client library.

For the first three quarters of 2021, the net cash outflow from investing activities was USD 10.8 million, compared to USD 28.2 million in the same period last year.

The company expects full-year capital expenditure (excluding multi-client) below USD 15 million in 2021.

Net cashflow from financing activities was an outflow of USD 5.8 million in the third quarter, compared to a cash outflow of USD 5.3 million in the same quarter last year and a cash inflow of USD 11.3 million in the previous quarter.

Payment of finance lease liabilities amounted to USD 5.2 million in the third quarter, and interest payments amounted to USD 0.6 million.

For the first three quarters 2021, the net cashflow from financing activities was an outflow of USD 12.8 million, compared to a cash inflow of USD 9.5 million in the same period last year.

Funding and liquidity

The company's cash position was USD 26.2 million at the end of the third quarter 2021, compared to a cash position of USD 61.8 million at the end of the third quarter of 2020, and USD 54.8 million at the end of 2020. The company had drawn USD 30 million of the USD 45 million RCF at the end of third quarter. The RCF will be reduced to USD 30 million by 31 December 2021.

After quarter end, Magseis Fairfield reached an agreement with DNB to amend the covenant structure for the RCF. Under the new covenants, the required equity ratio has been reduced from 50% to 40%. This change will allow for increased flexibility with regards to working capital requirements resulting from higher operational activity.

Operations

Overall, Magseis Fairfield was involved in 13 different projects during the quarter, covering all technologies and business areas.

Safety and welfare the main priority

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

Strict protocols despite easing Covid-19 regulations

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

To significantly reduce the risk of a COVID-19 outbreak, we recommend vaccinating all our employees.

The Covid Task Force is reviewing the outbreak status, testing protocols, impacts of vaccinations, and country specific regulations. Location-specific plans are in place to monitor office use to allow performance of critical tasks, while ensuring proper social distancing and strict hygiene practices. Office personnel in the US continued to work remotely due to the increased Delta variant outbreak, with a plan for return to office by October 25th, 2021. We have started to use a hybrid model where employees can come to the office when required.

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 annual QHSE 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.

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

Exposure hours and TRCF

Magseis Fairfield registered 500,336 exposure hours during the third quarter of 2021, which was an increase of 17.3% from the previous quarter. The company had zero industry recordable events, but three first aid cases with subcontractors.

The 12-month rolling average for TRCF Total Recordable Case Frequency (TRCF) was 1.16 as of end of Q3 2021. This remains below the 2021 goal of 1.51, which represents a 20% reduction from the 2019 IAGC marine seismic average TRCF of 1.89.

Environmental footprint

During the third quarter there was a total of 13 vessels working on various projects for Magseis Fairfield, with a combined 979 vessel days recorded in operation, transit or port. The consumption of 8,201 mT marine gas oil (MGO) translates into an average YTD of 8.1 mT of fuel per vessel per day, which is a 29% decline from the 2020 average and a 1% decrease from Q2 2021.

Total vessel emissions were 26.2k mT (CO_2), 409.2k kg of (NOx), and 5.6k kg (SOx).

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. 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 September 2021, the Group had a total of 410 FTEs, with 325 employees and 85 contractors. This compares to 370 FTEs on 31 December 2020, and 622 FTEs on 31 December 2019.

Operations in the quarter

During the third quarter, Magseis Fairfield worked on 13 revenue generating projects, and continued to experience high utilization for its offshore crews.

In the Gulf of Mexico, the ZXPR1 crew completed a proprietary project at the end of July and have transitioned to the next project which is for a multiclient provider. The crew experienced technical challenges with sources which impacted the profitability. That project is expected to be complete in the first quarter of 2022.

The ZXPR 2 crew completed a successful survey in West Africa in September. Following completion, the crew used the break between projects to demobilize the node handler and started preparation of equipment for the next project.

In the North Sea the Mass crew worked on multiple projects with back-to-back operations. In July, the crew completed this year's phase of a multiyear contract together with the reservoir monitoring/source fleet. After that, the crew mobilized for a proprietary project that had a one-month duration. The crew is currently working on a node-drop survey for a multiclient provider.

Also in the North Sea, the Z700 Node on a Rope crew started on a project for a Multiclient company. Once this year's North Sea Season is completed the crew will transition to a project in India but will return next summer to commence and complete the project.

The company's three reservoir monitoring/source crews worked on their seasonal multi-year contracts. One crew completed its summer season in July, while the two other crews began their fall seasons in August and September, respectively.

Operations also supported ongoing customer technology trials in the North Sea and global support for system rentals and sales.

Technology

In September, we launched Echova, a revolutionary platform integrating the OBN seismic value chain. While the current OBN system to a large degree is limited to the acquisition phase, the Echova platform integrates workflows and enables customer engagement early on and throughout the whole process. Integration of workflows eliminate waste and drive efficiency throughout the entire project lifecycle. By connecting our customers' understanding of their reservoirs with our expertise in OBN survey design, planning and acquisition coupled with the imaging expertise provided by the processing partners, Echova will deliver increased project value in the most cost-efficient way. In sum, the platform brings value to our customers through better and faster data delivery at a reduced project cost.

In the third quarter, our Technology organization completed delivery of a MASS III node to fulfill customer requirements for a North Sea project. The MASS inventory was used on back-to-back projects in the North Sea during the quarter. The Engineering team is working on completion of the commercialization activities, as the focus is gradually shifted to our new technology platform.

As widely reported in other industries, the supply chains for electronics parts and materials suppliers are stretched due to high demand from the economic recovery. We are proactively managing this with our outsourcing partners and through a procurement program for long-lead items. To that end, close collaboration between our contract manufacturing partners and our manufacturing teams remains a key priority.

Risk factors

Magseis Fairfield is exposed to a variety of risk factors, including risks related to global economic growth and demand for and prices of oil and gas products. These factors affect the oil and gas companies' capital spending for exploration and development expenditures such as seismic services. 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 third quarter 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 third quarter of 2021, the company had cash and cash equivalents of USD 26.2 million and a net debt position of USD 5.2 million. The cash balance at the end of the quarter was impacted by temporary negative net working capital movements of USD 26.2 million, reflecting two large projects. In July 2021, the company secured financing of the expected working capital requirements through a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million for the remainder of 2021, of which USD 15 million was undrawn at the end of the quarter.

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, in order of exposure, in USD, NOK, GBP and EUR. Changes in currency exchange rates may affect operational costs such as salaries paid in local currency.

Changes in currency exchange rates relative to the USD may affect the USD value of the assets and thereby impact the total return on such assets.

Currency fluctuations of an investor's currency of reference relative to the USD may adversely affect the value of an investor's investments. The company's assessment is that the foreign exchange risk was unchanged during the third quarter of the year.

Subsequent events

On 21 October 2021, Magseis Fairfield entered a strategic collaboration with PGS to address the growing hybrid towed streamer and OBN seismic market. The strategic collaboration has a global scope with initial focus on the North Sea, with a duration of one year with options to extend by two plus two years.

In October 2021, Magseis Fairfield reached an agreement with DNB to amend the covenant structure for the RCF. Under the new covenants, the required equity ratio has been reduced from 50% to 40%. This change will allow for increased flexibility with regards to working capital requirements resulting from higher operational activity.

Outlook

As oil and gas demand is returning to pre-COVID levels, the effects of the pandemic and the under-investments are becoming evident in the energy market. The demand is expected to grow further as travel volumes increase. The full investment cycle from exploration to production has a duration making it difficult to address the short-term to medium-term supply needs. With a changing global energy mix the duration of the current business cycle is proving challenging to meet required long-term returns.

With the tightening of the oil and gas markets and increase in commodity prices, our customers are experiencing strong cashflow generation. In previous cycles this would have led to significant increases in seismic spend.

However, this cycle cannot be compared to previous ones. The commitment by our customers to the energy transition means that their oil and gas assets are being used to generate cash for renewables investments, while maintaining capital discipline on their oil and gas spend.

We believe the need for increased oil and gas supply in the short-term to medium-term will translate into investments to increase recovery rates from already explored assets. This provides lower-carbon barrels that can be delivered quickly to the market with attractive payback on investments. These investments will naturally include OBN projects, which forms the basis for the company's increasingly optimistic outlook for a market recovery for OBN services in 2022 and beyond.

We also see another important and fundamental change in the market. Most of our customers have restructured, and the smaller customer organizations responsible for geophysics have broadened their scope from oil and gas to also include renewable projects. The above-mentioned changes in the market and in our customer's organization, provide an opportunity for Magseis Fairfield and its recently launched Echova™ platform.

The Echova™ platform addresses three key market and customer requirements:

- Reduced total project costs, addressing our client's capital constraints.
- Expanded offering, addressing changes in customers' in-house resource base.
- Faster delivery of data, addressing the need to make well-informed and efficient, data-driven field development decisions.

Magseis Fairfield is excited about the launch of the Echova™ OBN platform and the possibility to grow existing markets, open new markets, and improve profitability going forward.

The 2022 market opportunities continue to grow in most regions. The company is forecasting a 15% YoY market growth and continues to see customer 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. As the market continues to strengthen, the company is submitting proposals at ever increasing margins.

The company continues to execute on the renewables strategy. This includes the successful execution of a windfarm pilot project in Denmark, and will acquire a Carbon Capture and Storage (CCS) pilot project in early 2022. Engineering work for the Greensand project in Denmark will start in Q1 2022, with acquisition scheduled for Q4 2022. The company is working on multiple renewables tenders for acquisition in 2022, primarily focusing on tenders in North America, Europe and Asia.

Recent contract awards and tendering activity for 2022 provides a basis for optimism, although the company acknowledges the risks and uncertainties regarding future market development. We are dedicated to managing what we can control, and we have a strong and agile organization which responds to changing market conditions aided by differentiated technical solutions for our customers. This presents the company with a clear market advantage, unavailable to companies which offer commoditized solutions.

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 September 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, 29 October 2021

Sign.

Wenche Kjølås
Chair of the Board of Directors

Anthony Dowd

Roar Bekker

Luis Araujo

Angela Durkin

Janie Garcia

Carel Hooijkaas

CEO

Condensed consolidated statement of comprehensive income

USD thousands	Note	Quarter ended Q3 2021 (unaudited)	Q3 2020 (unaudited)	Nine months ended YTD 2021 (unaudited)	YTD 2020 (unaudited)	Full year 2020 (audited)
Revenues and other income						
Revenues and other income	3	84 301	46 916	185 919	144 945	193 391
Operating expenses						
Cost of sales		(59 178)	(30 680)	(136 020)	(97 477)	(130 616)
General and administrative costs		(5 465)	(5 809)	(15 306)	(21 280)	(27 317)
Depreciation	5,6	(13 431)	(4 493)	(40 377)	(26 946)	(39 406)
Amortization	7	(2 178)	(2 191)	(6 499)	(6 538)	(8 719)
Impairment	12	-	-	-	-	(1 940)
Total operating expenses		(80 252)	(43 174)	(198 202)	(152 240)	(207 998)
Operating profit/(loss)		4 049	3 743	(12 284)	(7 296)	(14 607)
Finance income and costs						
Finance income		(239)	1 472	391	3 743	6 647
Finance costs		(1 084)	(880)	(2 785)	(6 373)	(9 833)
Net finance income/(costs)	4	(1 323)	592	(2 394)	(2 629)	(3 185)
Net profit/(loss) before tax		2 726	4 334	(14 678)	(9 925)	(17 793)
Income tax expense	13	(2 117)	(1 267)	(2 477)	(1 917)	(1 857)
Net profit/(loss) and total comprehensive income		609	3 068	(17 155)	(11 842)	(19 650)
Earnings per share						
Basic (USD)		0.00	0.01	(0.05)	(0.06)	(0.08)
Diluted (USD)		0.00	0.01	(0.05)	(0.06)	(0.08)

Condensed consolidated statement of financial position

USD thousands	Note	30-Sep 2021 (unaudited)	30-Sep 2020 (unaudited)	31-Dec 2020 (audited)
Non-current assets				
Property, Plant and Equipment	5,6,12	115 148	146 621	150 075
Multi-client library	7	25 780	19 623	20 906
Other intangible assets	7	52 985	59 831	57 689
Total non-current assets		193 913	226 075	228 669
Current assets				
Cash and cash equivalents		26 165	61 798	54 829
Trade receivables		44 487	21 468	38 141
Inventories		8 920	7 922	7 711
Other current assets	10	40 069	15 834	15 253
Total current assets		119 640	107 022	115 933
Total assets		313 555	333 098	344 602
Equity				
Share capital	8	1 584	1 578	1 578
Share premium	8	166 196	407 662	407 662
Other equity		8 548	(209 142)	(216 767)
Total shareholders' equity		176 328	200 097	192 473
Non-current liabilities				
Lease liabilities	6	6 088	9 129	8 784
Interest bearing liabilities	9	31 329	31 053	30 624
Non-interest-bearing liabilities		4 678	4 000	5 118
Total non-current liabilities		42 095	44 182	44 526
Current liabilities				
Trade payables		16 912	13 005	17 179
Current tax payable	13	5 413	7 239	5 455
Current portion of interest-bearing liabilities	9	-	1 783	2 293
Current portion of lease liabilities	6	9 114	4 104	19 361
Other current liabilities	10	63 694	62 687	63 315
Total current liabilities		95 133	88 818	107 603
Total liabilities		137 227	133 001	152 129
Total equity and liabilities		313 555	333 098	344 602

Condensed consolidated statement of changes in equity

For the nine months ended 30 September 2021

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2021	1 578	407 662	7 496	(224 262)	192 473
Share based payments	6	-	1 052	-	1 057
Other changes	-	-		(49)	(49)
Allocation of retained earnings		(241 466)		241 466	-
Profit/(Loss) for the period	-	-		(17 155)	(17 155)
Balance 30 September 2021	1 584	166 196	8 548	0	176 328

For the year ended 31 December 2020

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2021	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* Q3 2021 (unaudited)	Q3 2020 (unaudited)	*Nine months ended* YTD Q3 2021 (unaudited)	YTD Q3 2020 (unaudited)	Full year 2020 (audited)
Cash flows from operating activities						
Profit / (loss) before tax		2 726	4 334	(14 678)	(9 925)	(17 793)
Income tax paid	13	(190)	(1 022)	(2 706)	(1 673)	(2 803)
Depreciation, amortization and impairment	5,6,7	15 610	6 684	46 877	33 484	50 066
Share-based payments expense		63	591	1 052	1 455	1 712
Finance expense	4	1 084	880	2 785	6 373	9 833
Finance income	4	239	(1 472)	(391)	(3 743)	(6 647)
Other non-cash		-	-	(3 600)	-	
(Increase)/decrease in current assets		(33 593)	11 912	(35 166)	20 137	17 116
Increase/(decrease) in current liabilities		7 395	(10 959)	589	(19 576)	(31 001)
Net cash from operating activities		(6 667)	10 948	(5 238)	26 532	20 481
Cash flows from investing activities						
Interest received	4	0	1	2	77	99
Investment in multi-client library	7	(1 452)	(475)	(4 902)	(15401)	(12 026)
Investment in other intangibles	7	(356)	(52)	(683)	(962)	(1 001)
Acquisition of equipment	5	(1 063)	(454)	(5 194)	(11 959)	(12 304)
Net cash used in investing activities		(2 872)	(979)	(10 778)	(28 245)	(25 232)
Cash flows from financing activities						
Down payments of interest-bearing liabilities	9	-	-	-	(3 333)	(3 333)
Net proceeds from new loan	9	-	-	2 000	3 568	3 568
Payment of finance lease liabilities	6	(5 166)	(4 871)	(12 943)	(13 669)	(17 731)
Net proceeds from issue of share capital	8	-	-	6	25 513	25 513
Interest paid	4	(630)	(452)	(1 842)	(2 591)	(3 326)
Net cash from financing activities		(5 796)	(5 323)	(12 780)	9 488	4 691
Net change in cash and cash equivalents		(15 335)	4 647	(28 796)	7 774	(60)
Currency effects on cash		(34)	536	132	591	1457
Cash and cash equivalents at period start		41 534	56 615	54 829	53 432	53 432
Cash and cash equivalents at period end		26 165	61 797	26 165	61 798	54 829

**Restricted cash as of 30 September 2021 is USD 1 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.

Q3-21 and Q3-20

	Quarter ended 30-Sep-21			*Quarter ended 30-Sep-20*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	77 309	-	77 309	32 398	-	32 398
Systems	2 631	-	2 631	9 311	-	9 311
Reservoir Monitoring/Source	4 360	-	4 360	5 207	-	5 207
Multi-client prefunding	890	(890)	-	3 885	(3 885)	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	85 190	(890)	84 301	50 801	(3 885)	46 916
Cost of sales	(64 213)	5 035[1]	(59 178)	(31 068)	388[1]	(30 680)
SG&A and R&D costs	(5 746)	282[2]	(5 465)	(6 150)	341[2]	(5 810)
EBITDA	15 231	4 427	19 658	13 584	(3 157)	10 427
Multi-client amortization	(587)	587	-	(2 565)	2 565	-
EBITDA after multi-client amortization	14 644	5 014	19 658	11 018	(592)	10 427
Depreciation and amortization	(10 465)	(5 145)[3]	(15 610)	(7 083)	399[3]	(6 684)
Impairments	-	-	-	-	-	-
EBIT	4 179	(131)	4 049	3 936	(192)	3 743

[1] Vessel lease payments

[2] Office lease payments

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

USD thousands	Nine months ended 30-Sep-21 Segment	Adj.	As reported	Nine months ended 30-Sep-20 Segment	Adj.	As reported
Acquisition	156 933	-	156 933	94 629	-	94 629
Systems	14 272	-	14 272	37 841	-	37 841
Reservoir Monitoring/Source	14 713	-	14 713	12 475	-	12 475
Multi-client prefunding	890	(890)	-	9 464	(9 464)	-
Multi-client aftersales	-	-	-	-	-	-
Total revenues	186 808	(890)	185 919	154 409	(9 464)	144 945
Cost of sales	(148 977)	12 957[1]	(136 020)	(106 840)	9 363[1]	(97 476)
SG&A and R&D costs	(15 669)	363[2]	(15 306)	(22 286)	1 007[2]	(21 281)
EBITDA	22 163	12 430	34 593	25 283	906	26 189
Multi-client amortization	(587)	587	-	(6 247)	6 247	-
EBITDA after multi-client amortization	21 575	13 017	34 593	19 036	7 152	26 189
Depreciation and amortization	(31 448)	(15 429)[3]	(46 877)	(25 191)	(8 293)[3]	(33 484)
Impairments	-	-	-	-	-	-
EBIT	(9 872)	(2 412)	(12 284)	(6 155)	(1 140)	(7 296)

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 Q3 2021	Q3 2020	Nine months ended YTD 2021	YTD 2020	Full Year 2020
Finance income					
Foreign exchange gains	(74)	1 473	184	3 404	6 681
Revaluation of warrants	-	(1)	-	262	(135)
Interest income	0	0	2	77	101
Other financial items	(165)	-	205	-	-
Total financial Income	(239)	1 472	391	3 743	6 647
Finance costs					
Foreign exchange losses	(77)	(538)	(197)	(3 601)	(6 198)
Interest expense loan facility	(518)	(346)	(1 179)	(1 620)	(2 046)
Interest expense leases	(238)	(378)	(896)	(1 222)	(1 547)
Revaluation of warrants	(31)	-	197	-	-
Other financial items	(220)	161	(710)	(150)	(245)
Capitalized lease interests (MCL)	-	220	-	220	203
Total finance costs	(1 084)	(880)	(2 785)	(6 373)	(9 833)
Net finance income/(costs)	(1 323)	592	(2 394)	(2 629)	(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	286	4 865	43	-	5 194
Disposals/retirement	(2 427)	(9)	-	-	(2 436)
Reclass - asset under construction	8 651	(8 878)	227	-	-
Reclassification to intangibles	-	(1 066)	-	-	(1 066)
Inventory movements and other	5	2 432	(52)	22	2 407
Balance 30 September 2021	165 076	32 737	2 039	62 500	262 351
Accumulated depreciation and impairment					
Balance 1 January 2021	(69 254)	-	(1 167)	(37 756)	(108 176)
Depreciation for the period	(24 678)	-	(270)	(15 429)	(40 377)
Accumulated depreciation disposed/retired	1 349	-	-	-	1 349
Other	-	-	-	-	
Impairment	-	-	-	-	-
Balance 30 September 2021	(92 583)	-	(1 437)	(53 185)	(147 205)
Net carrying amounts					
Balance 1 January 2021	89 307	35 393	654	24 722	150 075
Balance 30 September 2021	72 493	32 737	602	9 315	115 148

Capital commitments

USD thousands	Total
Capital commitments 31 December 2020	5 000
Capital commitments 30 September 2021	1 400

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 September 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	(14 231)	(1 198)	(15 429)
Impairment	-	-	-
Other adjustments	-	21	21
Balance 30 September 2021	3 201	6 114	9 315

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2021	8 784	19 361	28 145
Additions	-	-	-
Lease payments	-	(12 943)	(12 943)
Reclassification	(2 696)	2 696	-
Other adjustments	-		-
Balance 30 September 2021	6 088	9 114	15 202

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	683	4 874	5 558
Reclassification from PPE	1 066	-	1 066
Other changes	46	-	46
Balance 30 September 2021	84 093	25 780	109 873
Accumulated amortization and impairment			
Balance 1 January 2021	(24 608)	-	(24 608)
Amortization for the period	(6 499)	-	(6 499)
Balance 30 September 2021	(31 107)	-	(31 107)
Net carrying amounts			
Balance 1 January 2020	57 689	20 906	78 595
Balance 30 September 2021	52 985	25 780	78 766

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/PSU settlements	951 750	0.05	6	-
Allocation of retained earnings				(241 466)
Balance 30 September 2021	267 722 342		1 584	166 196

9. Interest bearing liabilities

USD thousands	30 Sep 2021	30 Sep 2020	31 Dec 2020
Nominal value bank facility	30 000	30 000	30 000
Nominal value other loans	2 000	3 583	3 592
Subtotal nominal value	*32 000*	*33 583*	*33 592*
Prepaid fees bank facility	(671)	(746)	(675)
Total	31 329	32 837	32 917
Long term	*31 329*	*31 053*	*30 624*
Short term	-	*1 783*	*2 293*
Repayment profile at balance sheet date:			
2021	-	1 783	2 293
2022	2 000	31 800	31 299
2023	30 000	-	-
Total	32 000	33 583	33 592

The Revolving Credit Facility (RCF) was in third quarter extended with one year to December 2023.

Financial covenants

Covenants as of 30 September 2021:

- 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
- RCF debt/book value seismic equipment < 50 percent

After quarter end, Magseis Fairfield reached an agreement with DNB to amend the covenant structure for the RCF. Under the new covenants, the required equity ratio has been reduced from 50% to 40%. This change will allow for increased flexibility with regards to working capital requirements resulting from higher operational activity.

Magseis Fairfield is in compliance with all financial covenants as of 30 September 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 Sep 2021	31 Dec 2020
Contract assets (unbilled revenue and mobilization costs)	28 958	7 532
Prepayments	6 090	5 324
Other receivables	5 021	2 397
Total	40 069	15 253

Other current liabilities

USD thousands	30 Sep 2021	31 Dec 2020
Accrued expenses	44 931	37 456
Deferred revenue (contract liabilities)	13 662	13 790
Accrued warranties	803	5 477
Other	4 298	6 592
Total	63 694	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 Q3-21	YTD Q3-20	FY 2020	Sep-21	Sep-20	Dec-20
Westcon Group (shareholder)	(I)	7 063	9 766	14 125	1 230	1 227	798
Fairfield Geotechnologies (shareholder)	(II)	932	567	969	20	85	-
J B Gateman (Geo Innova AS) (shareholder)	(III)	88	92	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 Sep 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 Q3-21, 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 2023 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 12.5%

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 9%
Long-term EBITDA margin reduction	Δ 7%
Discount rate increase	Δ 15%

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 21 October 2021, Magseis Fairfield entered a strategic collaboration with PGS to address the growing hybrid towed streamer and OBN seismic market. The strategic collaboration has a global scope with initial focus on the North Sea, with a duration of one year with options to extend by two plus two years.

In October 2021, Magseis Fairfield reached an agreement with DNB to amend the covenant structure for the RCF. Under the new covenants, the required equity ratio has been reduced from 50% to 40%. This change will allow for increased flexibility with regards to working capital requirements resulting from higher operational activity.

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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