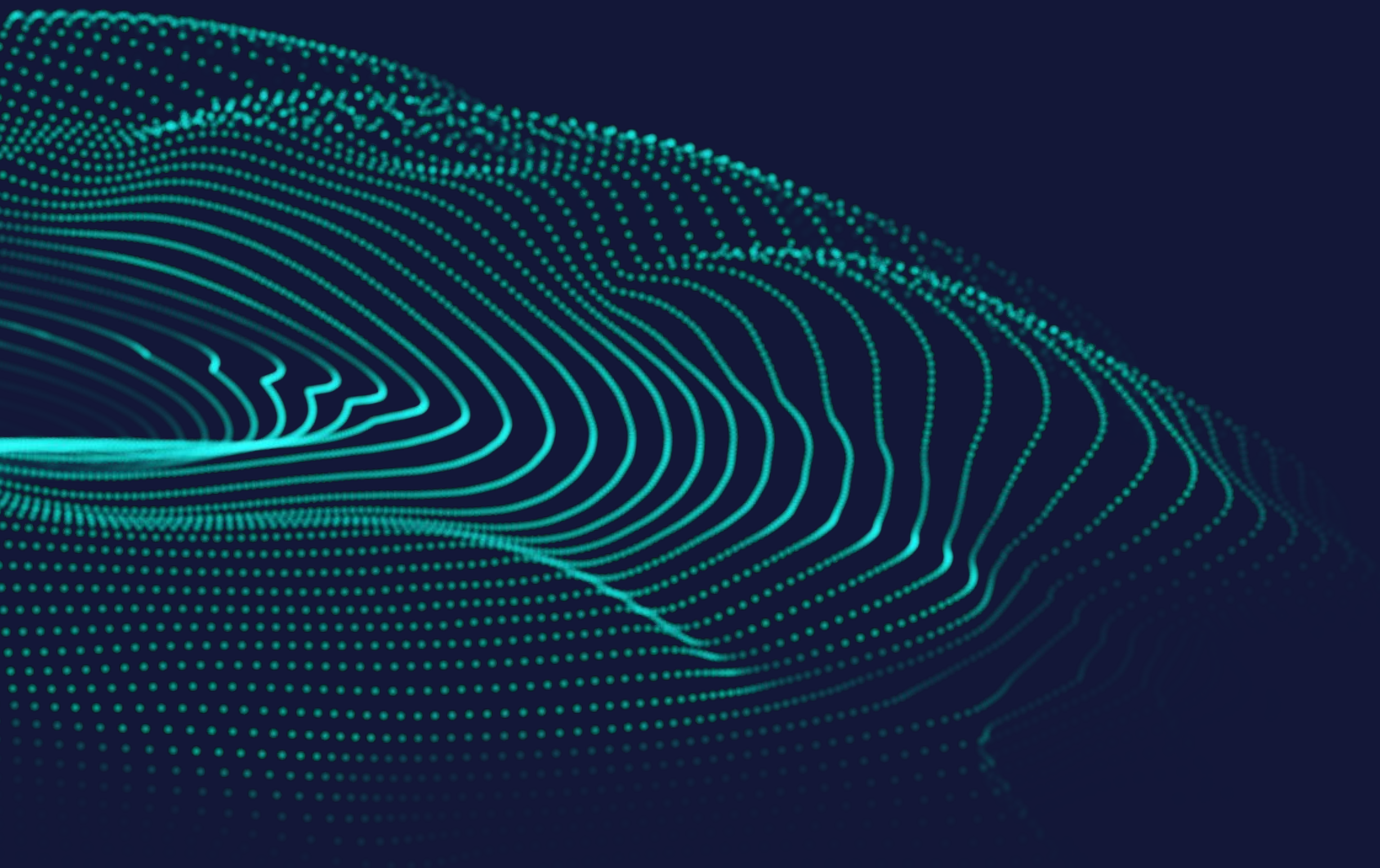


Q3 2022

report

magseis fairfield

Summary

Operational highlights

- Record acquisition activity in July
- Successful completion of a project in the Mediterranean and the North Sea season
- Reservoir Monitoring and Source performing strongly on seasonal projects in the North Sea
- XHR test on Sleipner CCS project successfully completed
- Technical downtime on a node handler and delayed start-up of a project negatively impacted financials

Q3 financials

- Revenue of USD 99.3 million and gross margin of 21%
- EBITDA of USD 8.2 million and margin of 8% including USD 7.2 million in one-off costs relating to change of control
- Operating loss of USD 7.5 million and net loss after tax of USD 8.8 million
- Cash balance of USD 31.9 million
- Maintained the USD 15 million temporary increase of the RCF until the end of first quarter 2023

Corporate affairs including TGS ASA transaction

- As part of the voluntary exchange offer for all shares in Magseis Fairfield ASA by TGS, the offeror amended the minimum acceptance condition to 66.67%
- TGS executed the settlement of the Offer and holds a total of shares representing approximately 75.40%, in addition TGS holds 18.24m warrants in Magseis Fairfield
- TGS has announced that conditions for completion of the Offer have been fulfilled and has called for an Extraordinary General Meeting

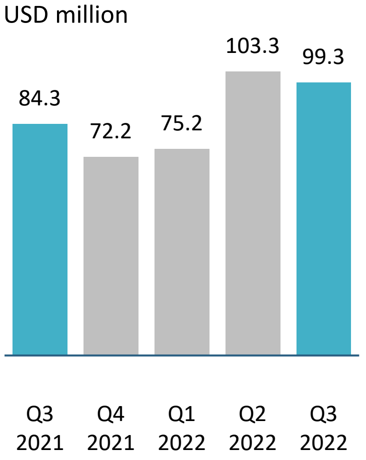
Record high backlog

- Awarded USD 231 million in new contracts in Q3 2022, including a 14 month OBN project in Guyana for ExxonMobil
- Total backlog of USD 306 million at the end of Q3, of which ~USD 64 million for delivery in 2022 and USD 242 million in 2023 and beyond

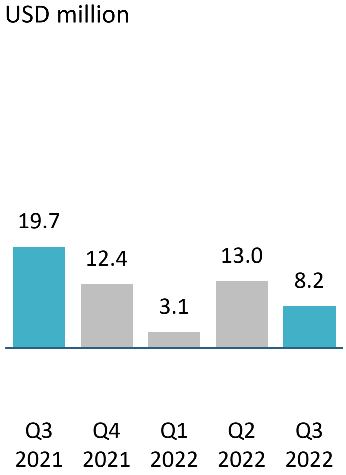
Market and Outlook

- Significant shift in energy market dynamics because of the war in the Ukraine and the continuing energy crisis
- Strong market fundamentals for Magseis Fairfield with the total market exceeding USD 1 billion in 2023
- ~54% of visible projects for execution in 2023 have been awarded
- Renewables strategy being executed as planned, with a CCS pilot being executed in the third quarter and further opportunities being pursued in North America, Europe and Asia

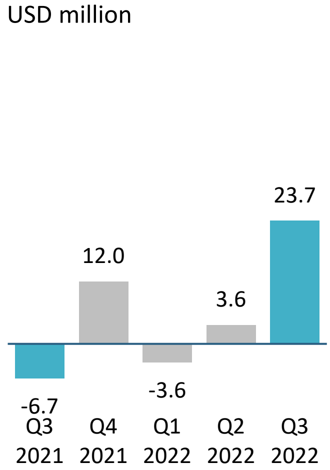
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Full Year 2021
As per IFRS					
Revenues	99.3	84.3	277.9	185.9	258.1
Gross profit	20.9	25.1	50.0	49.9	71.5
Gross margin	*21%*	*30%*	*18%*	*27%*	*28%*
EBITDA	8.2	19.7	24.3	34.6	47.0
%	*8%*	*23%*	*9%*	*19%*	*18%*
EBITDA excluding special items	8.2	19.7	23.4	31.0	41.3
%	*8%*	*23%*	*8%*	*17%*	*16%*
EBIT	(7.5)	4.0	(16.1)	(12.3)	(25.1)
Net profit/(loss)	(8.8)	0.6	(25.0)	(17.2)	(32.3)
Segment reporting					
Revenues	94.4	85.2	272.4	186.8	248.6
Gross profit	9.4	21.0	24.8	37.8	44.1
Gross margin	*10%*	*25%*	*9%*	*20%*	*18%*
EBITDA	(3.6)	15.2	(1.7)	22.2	18.9
%	*(4%)*	18%	*(1%)*	*12%*	*8%*
EBITDA excluding special items	(3.6)	15.2	(2.6)	18.6	15.4
%	*(4%)*	*18%*	*(1%)*	*10%*	*6%*
EBIT	(9.6)	4.2	(19.6)	(9.9)	(28.8)
Other key figures					
Net cash from operating activities	23.7	(6.7)	23.7	(5.2)	6.8
Net cash used in investing activities	(6.2)	(2.9)	(13.4)	(10.8)	(12.9)
Net cash from financing activities	(7.8)	(5.8)	(7.5)	(12.8)	(18.7)
Total assets	300.1	313.6	300.1	313.6	305.0
Equity ratio	46%	56%	46%	56%	53%
Cash and cash equivalents	31.9	26.2	31.9	26.2	29.7
Net interest-bearing debt/(cash)	12.7	5.2	12.7	5.2	1.7
Book value multi-client library IFRS	19.3	25.8	19.3	25.8	22.5
Book value multi-client library Segment	19.3	17.0	19.3	17.0	20.7
Backlog at end of reporting period	306.0	247.0	306.0	247.0	293.0

Comment from the CEO

Magseis Fairfield achieved revenue of USD 99.3 million in the third quarter. Gross margin improved to 21% from 20% in the second quarter, whereas the EBITDA margin was 8% due to one-off items relating to bonus accruals and transaction cost, excluding these the EBITDA margin was 14% compared to 13% in the second quarter. This means that we have seen margins improve every quarter for the first three quarters of 2022. Cash flow from operations increased sharply from USD 3.6 million in the second quarter to USD 23.7 million in the third quarter.

The improved financial performance comes despite technical downtime on a node handler on the ZXPLR1 crew in the US GoM. As earlier communicated, we also had some idle time on our ZXPLR2 crew in the US GoM as it transitioned to a new project. This was partially offset by strong performance on the other crews.

In the quarter we were awarded USD 231 million in new contracts. This includes a 14 months OBN acquisition contract from ExxonMobil in Guyana. As a result, the backlog increased to USD 306 million during the third quarter. This represents a record high acquisition backlog for the company. Approximately USD 64 million of the order backlog is for delivery in 2022. New contracts continue to be secured at increasing margins.

Customer interest continues to extend beyond the core areas of the US GoM and North Sea. Tendering activity is very active for 2023.

We continue to run safe operations with no industry recordable events in the quarter. The year-to-date Total Recordable Case Frequency (TRCF) is 1.15. This is below the 2022 target (TRCF < 1.95). We continue to emphasize the importance of situational awareness and contractor management.

While the number of vessel days increased 38% from the second quarter, the fuel consumption per vessel per day decreased 19%. This is mainly due to all vessels being in operations and not transiting during the quarter. We continue our science and data driven approach to reduce fuel consumption which is starting to make a positive impact.

Our technology development focus remains on Echova™, our new platform to integrate the entire OBN value chain.

Operations

Our ZXPLR1 crew in the US GoM has performed well on a higher-margin project over the summer. At the end of the project the node handler experienced a vessel propulsion failure which impacted the completion date of the project. These issues were resolved by the vessel owner.

The ZXPLR2 crew continued to execute well on a project in the US GoM but experienced some idle time before it could start a new project towards the end of the third quarter.

The Z700 crew was working on higher-margin contracts in the North Sea, after completing a project in India.

The MASS crew successfully completed a project in the Mediterranean early in the third quarter, and the crew is currently demobilizing with its next project scheduled for the first quarter in Asia.

Finally, we have seen our Reservoir Monitoring and Source teams performing strongly on their seasonal projects in the North Sea.

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

New backlog

The current backlog of approximately USD 306 million represents a record high acquisition backlog and reflects strong demand for our OBN services well into 2023. This provides us with good visibility to focus on project execution and further margin expansion on the remaining available capacity.

The main award in the quarter was the signing of a major agreement with ExxonMobil affiliate, Esso Exploration and Production Guyana Limited for a large project offshore Guyana. The project is expected to be conducted using our ZXPLR technology and last for a minimum of 14 months.

During the third quarter we also converted a conditional award in the US GoM into a firm contract. Acquisition has started in the third quarter using our ZXPLR technology and is expected to take approximately three months.

We also converted a conditional award for a 4D project with our MASS technology into a firm contract. Acquisition was originally scheduled for the fourth quarter but will now start in the first quarter and is expected to take approximately one month.

Our customers have experienced project delays due to permits not being issued by the authorities in the US GoM. The recent issuance of new permits and letters was an important step forward for our customers and Magseis Fairfield, allowing for activity to continue in this core area. As a result of this we converted a conditional award into a firm contract. The project is scheduled to start in the fourth quarter 2022, with an expected duration of 4 months, using our ZXPLR technology.

Building a renewables business

The Greensand Carbon Capture and Storage project in Denmark continues to progress as planned, with engineering ongoing and project execution expected in the fourth quarter of 2022. As part of our strategy, we continue to do fundamental research together with the Center of Geophysical Forecasting.

We have also executed a carbon capture and storage (CCS) pilot project in the North Sea this quarter. We are now processing the data and will use these results in our sales and marketing efforts in this exciting new market.

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

Energy Security taking center stage

We continue to see a significant shift in energy market dynamics because of the war in the Ukraine and the continuing energy crisis. There are no quick fixes, and energy security will continue to be a focus area for governments globally going forward.

In this environment, our clients are refocusing on investment and reserve security in stable geographies, with sustainability and competitiveness as key priorities. These are the geographies we work in. Our customers' priority is to extract more from existing reserves and deliver more oil and gas as quickly as possible to make up for the reduction in Russian exports and the effects of global E&P underinvestment over the last years.

This provides strong market fundamentals for Magseis Fairfield. Increasing cash generation and value creation from existing reserves is precisely at the heart of the services we provide, and this supports our positive market outlook. This is also the rationale for the offer we as shareholders have received from TGS to acquire our Magseis Fairfield shares.

TGS has now acquired more than 75% of the Magseis Fairfield shares. We thank you for your support which allows us to start writing the next chapter for Magseis Fairfield.

Thank you

On a personal note, I would like to thank our shareholders for your continued support over the last three years. It has been an honor to be the CEO of Magseis Fairfield and to work for you. We have come a very long way from when I joined in October 2019. The TGS transaction provides a great opportunity for you. I also want to thank the Magseis Fairfield team. We couldn't have done this without working as One Team. What we have achieved so far is a great recognition for all of you and sets us up well for the future.

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 2022 was USD 99.3 million, up from USD 84.3 million reported for the third quarter 2021 and down from USD 103.3 million in the second quarter 2022.

Multi-client revenues of USD 5.4 million from prefunding were recognized during the quarter.

Revenue for the first three quarters of 2022 amounted to USD 277.9 million, compared to USD 185.9 million in the same period last year, an increase of 49%.

The order backlog was USD 306 million at the end of the third quarter, up from USD 182 million at the end of second quarter 2022.

Operational costs

Cost of sales amounted to USD 78.4 million in the third quarter 2022, compared to USD 59.2 million in the third quarter 2021 and USD 82.6 million in the second quarter 2022.

The gross profit amounted to USD 20.9 million in the third quarter 2022, compared to USD 25.1 million in the third quarter 2021 and USD 20.6 million in the second quarter 2022. The gross margin of 21% compares to 30% in the third quarter 2021 and 20% in the second quarter 2022.

The increase in gross margin in the third quarter 2022 compared to second quarter 2022 is mainly explained by the recognition of multi-client prefunding revenues in the third quarter partly offset by professional fees and bonus accruals in relation to change of control. The decline of gross margin compared to third quarter 2021 is explained by the anticipated difference in the mix of services provided, with a higher amount of high-margin product sales delivered in the third quarter 2021.

Note that changes in gross margin from quarter-to-quarter is also affected by the share of long-term (more than one 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 2022, gross profit amounted to USD 50.0 million and a gross margin of 18%, compared to USD 49.9 million and 27%, respectively, in the same period last year. This is again explained by the difference in the mix of services provided, with a higher amount of high-margin product sales delivered in 2021.

Selling, general and administrative (SG&A) costs amounted to USD 12.8 million in the third quarter 2022, compared to USD 5.5 million reported for the third quarter 2021 and USD 7.6 million in the second quarter 2022. SG&A expenses for second quarter 2022 include (non-recurring) special items of USD 1.1 million. Non-recurring expenses in the third quarter related to professional fees and accruals for bonuses in relation to change of control (USD 5.0 million).

For the first three quarters of 2022 SG&A costs amounted to USD 25.7 million, compared to USD 15.3 million in the same period last year. Increased SG&A costs in 2022 compared to 2021, are mainly explained by non-recurring special items (USD 3.6 million in loan forgiveness in 2021 compared to USD 0.9 million in 2022), bonus cost of USD 5.4 million and an increase in professional fees of USD 1.4 million.

Including the non-recurring items above, the company expects a SG&A cost in 2022 of USD 30-35 million. However, excluding the non-recurring items the SG&A spend is still expected in line with the previously communicated level of USD 25-30 million.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 15.6 million in the third quarter 2022, compared to USD 15.6 million in the third quarter 2021 and USD 12.0 million in the second quarter 2022.

Amortization in the third quarter 2022 includes the amortization of the multi-client library of USD 3.9 million.

For the first three quarters of 2022 depreciation and amortization amounted to USD 39.7 million, compared to USD 46.9 million in the first three quarters 2021.

Results

EBITDA

EBITDA was USD 8.2 million in the third quarter 2022, compared to USD 19.7 million in the third quarter 2021 and USD 13.0 million in the second quarter 2022.

For the first three quarters of 2022, EBITDA amounted to USD 24.3 million, compared to USD 34.6 million in the first three quarters of 2021.

Operating result (EBIT)

The company reports an operating loss of USD 7.5 million in the third quarter 2022, compared to a profit of USD 4.0 million in third quarter 2021 and a profit of USD 0.5 million in the second quarter 2022.

For the first three quarters of 2022 the operating loss was USD 16.1 million, compared to a loss of USD 12.3 million in the first three quarters of 2021.

Net financial items

Net financial costs were USD 1.3 million in the third quarter 2022, compared to a net financial cost of USD 1.3 million in third quarter 2021 and net financial costs of USD 3.7 million in the second quarter 2022.

For the first three quarters of 2022, net financial costs amounted to USD 5.8 million, compared to net financial costs of USD 2.4 million in the first three quarters of 2021.

Increased net financial costs for the first three quarters of 2022, compared to same period last year mainly reflects unfavourable currency movements, increased interest costs on the RCF, leases, and revaluation of warrants.

Net profit/ loss

Net loss before tax was USD 8.8 million in the third quarter 2022, compared to a profit of USD 2.7 million in the third quarter 2021 and a loss of USD 3.2 million in the second quarter 2022.

For the first three quarters of 2022, net loss before tax was USD 21.9 million, compared to a loss of USD 14.7 million in the first three quarters of 2021.

Income tax expense was USD zero in the third quarter 2022, compared to USD 2.1 million in the third quarter 2021 and USD 0.7 million in the second quarter 2022.

Net loss was USD 8.8 million for the third quarter 2022, compared to a net profit of USD 0.6 million in the third quarter 2021 and a net loss of USD 4.0 million for the second quarter 2022.

For the first three quarters of 2022 the net loss was USD 25.0 million, compared to a net loss of USD 17.2 million in the first three quarters of 2021.

Balance Sheet

Total assets for the Group were USD 300.1 million at the end of the third quarter 2022 (USD 313.6 million), compared to USD 305.0 million at the end of 2021.

Property, plant, and equipment (PPE) increased to USD 117.3 million (USD 115.1 million) from USD 115.9 million at year-end 2021. The changes from year-end 2021 were mainly due to the addition of long-term leases (IFRS 16) of USD 22.3 million and capex of USD 12.4 million, partly offset by depreciation of USD 29.1 million.

The multi-client library is recognised as a non-current asset of USD 19.3 million (USD 25.8 million), down from USD 22.5 million at the end of 2021. The changes from year-end 2021 were mainly due to capitalized processing costs of USD 0.7 million, offset by amortization of USD 3.9 million.

Other intangible assets stood at USD 46.4 million (USD 53.0 million), compared to USD 49.8 million at the end of 2021. The changes from year-end 2021 are mainly due to capex and reclassifications of USD 3.3 million, offset by amortization of USD 6.7 million.

Total non-current assets hence decreased to USD 183.0 million (USD 193.9 million) from USD 188.2 million at the end of 2021.

Inventories increased to USD 6.9 million (USD 8.9 million) from USD 6.2 million at year-end 2021, whereas trade receivables increased to USD 42.6 million (USD 44.5 million) from USD 17.4 million at the end of 2021. Other current assets declined to USD 35.7 million (USD 40.1 million) from USD 63.0 million at the end of 2021.

Cash and cash equivalents amounted to USD 31.9 million at the end of the third quarter 2022 (USD 26.2 million), up from USD 29.7 million at the end of 2021.

Total current assets hence amounted to USD 117.0 million at the end of third quarter 2022 (USD 119.6 million), compared to USD 116.8 million at the end of 2021.

The Group's equity amounted to USD 137.5 million at the end of third quarter 2022 (USD 176.3 million), down from USD 161.5 million at the end of 2021. This mainly reflects the losses in the period. The equity ratio decreased to 46% at the end of third quarter 2022 (56%), from 53% at the end of 2021.

Non-current liabilities reduced to USD 10.8 million (USD 42.1 million) from USD 42.3 million at the end of 2021. The reduction mainly relates to reclassification of Interest-bearing liabilities of USD 29.6 million from long-term to short-term. (USD 31.3 million), compared to USD 29.4 million at the end of 2021. Lease liabilities increased to 8.6 million (USD 6.1 million) from USD 8.3 million at the end of 2021 and non-interest-bearing liabilities reduced to USD 2.2 million (USD 4.7 million) from USD 4.6 million at the end of 2021.

Current liabilities increased to USD 151.8 million (USD 95.1 million) from USD 101.2 million at the end of 2021, with trade payables increasing to USD 24.4 million (USD 16.9 million) from USD 20.9 million at the end of 2021. Current interest-bearing liabilities amounted to USD 44.6 million at the end of third quarter 2022. Other current liabilities increased to USD 82.8 million (USD 78.2 million) from USD 78.3 million at the end of 2021, with the current portion of lease liabilities at USD 18.3 million, current tax payable at USD 4.0 million, derivatives at USD 0.5 million, and other current liabilities at USD 60.0 million. The latter comprises project accruals, warranty accruals, deferred revenue, and other operational accruals.

Cash Flow and Investments

Net cashflow from operating activities was USD 23.7 million in the third quarter 2022, compared to cash outflow of USD 6.7 million in the third quarter 2021 and a cash inflow of USD 3.6 million in the second quarter 2022. The operating cash flow in the quarter included positive net working capital movements and other operational items of USD 13.7 million, explained by bonus accruals, derigging of the MASS crew and a reduction in unbilled revenues.

For the first three quarters of 2022 the net cashflow from operating activities amounted to USD 23.7 million, compared to net cash outflow of USD 5.2 million for the first three quarters of 2021.

Cash outflow from investing activities amounted to USD 6.2 million in the third quarter 2022, compared to a cash outflow of USD 2.9 million in the third quarter 2021 and USD 3.9 million in the second quarter 2022. The investments for the third quarter 2022 mainly reflect equipment acquisitions and intangibles investments.

For the first three quarters of 2022, the net cash outflow from investing activities was USD 13.4 million, compared to USD 10.8 million in first three quarters of 2021.

Net cashflow from financing activities was a cash outflow of USD 7.8 million in the third quarter 2022, compared to a cash outflow of USD 5.8 million in the third quarter 2021 and a cash inflow of USD 7.6 million in the second quarter 2022.

For the first three quarters of 2022, the net cashflow from financing activities was a cash outflow of USD 7.5 million, compared to a cash outflow of USD 12.8 million in the first three quarters of 2021.

Funding and liquidity

The company's cash position was USD 31.9 million at the end of the third quarter 2022, compared to a cash position of USD 29.7 million at the end of 2021 and a cash position of USD 22.7 million at the end of the second quarter 2022.

Due to the high operational activity in the second quarter 2022, the company secured financing in May 2022 for expected working capital requirements through a temporary increase of its Revolving Credit Facility (RCF) from USD 30 million to USD 45 million to the end of the third quarter 2022. In September 2022, the company secured an extension of the USD 45 million RCF frame until April 1st, 2023. Due to the change of control, with TGS being the new majority shareholder, the RCF is due in full by March 31 2023.

Legal

As described in the Annual Report 2021, the company is involved in a patent lawsuit against Seabed Geosolutions for infringement of four of the Group's U.S. patents where the company demands compensation for monetary damages. As of 30 September 2022, there were no updates in the patent lawsuit compared to what was reported in the Annual Report 2021. Please refer to the subsequent event section.

The arbitration with Fairfield Industries Inc. is scheduled to take place in June 2023.

Operations

Safety and welfare the main priority

Magseis Fairfield's primary concern remains the health, safety and welfare of its employees, their families, and their local communities. Regarding the COVID-19 pandemic, there has been an overall reduction in global outbreak numbers, hospitalizations, and deaths, which has resulted in the relaxation of regulatory restrictions on travel and quarantine requirements. Magseis Fairfield successfully operated numerous offshore projects throughout the third quarter, while continuing to apply and enforce the COVID-19 protocols which limit the potential for exposure or an outbreak of the virus on the operating vessels.

Strict Covid-19 protocols

As the risk associated with the virus has been reduced, the company has adapted the COVID-19 Risk Management Plan over the past quarter by removing the preboarding testing requirements for the crews. The company has maintained the vaccine standard requirement and have enhanced the onboard protocols for the first 10 days following a crew change, as the risk at this point for manifesting of the virus and/or spreading has shifted to this time frame. The company has continued to monitor the pandemic and apply learnings and regulatory changes from the different independent regimes to the company's Risk Management Plan.

The latest variants of the COVID-19 virus continue to be extremely transmissible and even with the rigorous protocols, Magseis Fairfield did experience positive cases on several vessels in the quarter. All of these were handled onboard the vessels without any break in operations and all personnel recovered quickly. The worst cases only experienced mild symptoms, which we attribute to having fully vaccinated crews, due to the previous changes in our vaccination standard.

QHSE Management System

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

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

In 2021 Magseis Fairfield received its initial ISO 9001:2015 enterprise-wide certification. In addition, the Warminster (UK) site also received certifications for ISO 14001 & 45001.

Exposure hours and TRCF

Magseis Fairfield registered 591,810 exposure hours during the third quarter 2022, a decrease of 6% from the previous quarter. The company had zero industry recordable events, and six first aid cases in the quarter.

The 12-month rolling average for TRCF Total Recordable Case Frequency (TRCF) was 1.88 at the end of the third quarter. The YTD TRCF was 1.15 for 2022, which is below our 2022 target (TRCF <1.95).

Environmental footprint

During the third quarter, there were a total of 17 vessels on various projects for Magseis Fairfield. There were 1,225 vessel days (port, transit, operations) recorded which is a 38% increase over the second quarter and 38% increase year on year. A total of 10,425 m^3 of MGO were consumed resulting in a quarterly average of 8.5 m^3 of fuel consumed per vessel per day, which is a 19% decrease from Q2. Total vessel emissions for the quarter were 28.1k mT (CO_2), 420k kg (NO_x), and 5.2k kg (SO_x).

The decrease was primarily due to all vessels being in operation instead of transiting which creates a smaller consumption footprint.

All the node handling and source vessels working on Magseis Fairfield projects in the third quarter had the Maress System implemented, which provides fuel and emissions data directly through an online portal. Data from this system is analysed to assist with planning for efficiency improvements related to operational management of fuel consumption and total emissions.

Employees and contractors

As per 30 September 2022, the Group had a total of 447 FTEs, of which 319 employees and 128 contractors. This compares to 401 FTEs on 31 December 2021, and 370 FTEs on 31 December 2020. The increase in 2022 is driven by a higher number of offshore employees and contractors reflecting increased activity.

Operations in the quarter

The high activity at the end of the second quarter continued in the third quarter with all crews in operation at the start of the quarter, with some crews completing their projects through the quarter and ramping down activity.

In the US GoM, the ZXPLR 1 fleet completed a project in July and then moved to another project for the same customer which lasted till the end of the quarter. At the end of this project, one of the vessels experienced a vessel propulsion failure which impacted the completion date of the project. These issues were resolved by the vessel owner. The crew used the time for reconfiguration and maintenance, before transiting to a major project in Guyana that will last for 14 months.

The ZXPLR 2 crew completed a project in the US GoM and started a new project in the same area. The crew had to wait for the customer contract signature which resulted in some idle time before the new project could be started. The crew also needed an additional source vessel, which was delayed, resulting in some inefficiencies. Once the second source vessel was in full operation, the project execution has been good. The crew will continue to work in the US GoM after completion of the current project.

The MASS crew working in the deepwater offshore Egypt completed the project successfully. Upon completion of the survey, the crew demobilized the node handler and shipped the equipment to prepare for the next project.

The Z700 crew was split into two Node on a Rope (NOAR) crews, with each node handler supporting separate projects. One of the projects was completed early in the quarter, with that crew then joining the other crew for the remaining project. Upon completion one node handler was demobilized, while the second node handler began a maintenance period followed by idle time waiting for work.

Two of the RMS crews completed three autumn source campaigns, while one crew was idle as the autumn repeat survey was deferred. All three of the RMS crews demobilized for the winter maintenance period.

The XHR crew successfully conducted a paid pilot over a CCS field in the North Sea.

Technology

The company added another customer launch partner to Echova in the quarter, increasing the number of launch partners to three. There has been close cooperation with the partners to improve the "Echova operational dashboard", which is a dashboard that enables collaboration throughout the survey. The dashboard is expected to result in increased project efficiency and quality and has received good feedback from the partners.

The data delivery improvement track, which focuses on technical solutions that shortens the data delivery process and allows seamless transition from the acquisition phase to the imaging phase, achieved a milestone during the quarter as the Starlink system was installed on two crews. The primary goal of installing the Starlink system is to develop remote operations capabilities and to integrate offshore operations with onshore processing partners. The company is undertaking a series of tests to fully understand the capabilities of the system and will then adjust the operating model based on those findings.

The company successfully completed a high-resolution 3D seismic data pilot acquisition offshore Norway over a carbon storage area. The project utilized our Extended High-Resolution (XHR) acquisition technology combined with ocean bottom nodes (OBN) to provide detailed imaging of the targeted carbon storage reservoir and the overburden. The nodes were successfully deployed and recovered using our proprietary node-drop and self-recovery technique. This innovative node handling solution removes the need for an ROV vessel, which is a step change towards a more cost effective and efficient node handling solution, a technique that we will develop further.

On the "Modular, Mobile, and Scalable" (M2S) improvement track, the company completed delivery of the containerized solution for the Z700 technology. The modular Z700 system includes storage, maintenance, charging and power containers as well as a skid system that will enable the Z700 nodes to operate with ROV as well as node on a rope.

The manufacturing team is ramping up efforts to deliver new MASS III nodes during the first part of 2023. The team is managing the supply chain well, and delivery remains on schedule.

Risk factors

Magseis Fairfield is exposed to a variety of risk factors, including risks related to global economic growth and demand for and prices of oil and gas products. These factors affect the oil and gas companies' capital spending for exploration and development expenditures such as seismic services.

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

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

Revenue risk

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

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that Magseis Fairfield is not able to meet its payment obligations. The company is dependent on both access to long-term funding and timely payments of receivables from customers, and no assurance can be given with respect to the ability to secure new sources of funds 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 2022, the company had cash and cash equivalents of USD 31.9 million. In May 2022, Magseis Fairfield reached an agreement with DNB to extend maturity of the RCF with one year to December 2024 and a temporary increase of the RCF by USD 15 million to end of the third quarter. In September 2022, the company secured extension of the USD 45 million RCF frame until April 1st, 2023. Due to the change of control, with TGS being the new majority shareholder, the RCF is due in full by March 31 2023.

The liquidity forecast is subject to certain risk factors, such as project execution, timely collections from customers or changes in phasing and scope of projects.

Foreign exchange risk

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

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

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

Currency fluctuations of an investor's currency of reference relative to the USD may adversely affect the value of an investor's investments.

The company's assessment is that the foreign exchange risk was unchanged during the second quarter of the year, but where we have experienced significant volatility.

Subsequent events

In October TGS completed the recommended voluntary exchange offer. As a result, TGS now owns 75.4% of the MSEIS shares. This triggered the following change of control events:

- As per a change of control clause in our debt facility agreement with DNB, the RCF need to be settled by March 31, 2023.
- All unvested RSU/PSU's vest and should be settled based on the offer price in the first of the mandatory or obligatory offer by TGS.

In October Magseis Fairfield signed a settlement agreement which discontinues the Seabed Geosolution's patent litigation.

In October Magseis Fairfield signed a global co-operation agreement with Fugro, a leading Geo-data specialist, to work together on project opportunities including wide area 3D ultra-high resolution surveys (3D UHR) for the offshore renewables and carbon capture and storage (CCS) markets. Under the agreement, both companies will jointly pursue projects that benefit from the combination of Magseis Fairfield's Extended High Resolution (XHR) seismic system and Fugro's Geo-data expertise.

Strategy and outlook

Market fundamentals and outlook

Magseis Fairfield continues to see a significant shift in the energy market dynamics because of the war in the Ukraine and the continuing energy crisis. There are no quick fixes, and the company believes that energy security will continue to be a focus area for governments globally going forward.

In this environment, the oil and gas companies are refocusing on investment and reserve security in stable geographies, with sustainability and competitiveness as key priorities. Their priority is to extract more from existing reserves and to deliver additional lower-carbon barrels as quickly as possible to make up for reduced Russian exports and the effects of global E&P underinvestment over the last years.

This provides strong market fundamentals for Magseis Fairfield's services, which enables increased production from existing reserves and near-field exploration.

Exceeding USD 1 Billion Market

Magseis Fairfield continues to forecast a market which will exceed USD 1 billion in 2023. This is supported by the increased tendering activity for 2023, and the fact that contracts worth approximately 800 million dollars have already been awarded for execution in 2023.

Driving financial performance

Magseis Fairfield is demonstrating leadership as the clear market leader in the OBN market and is seeking both to increase pricing and to strengthen contract terms and conditions to balance risk in the current market. Prioritizing margin improvement over full capacity utilization in the short-term means that we might see the Z700 crew remaining idle for the fourth quarter 2022 and part of the first quarter 2023.

The large contract award in Guyana from ExxonMobil further demonstrates how OBN has become a globally used service. With this award the company rebalances the crew positioning and further tightens the demand/ supply balance in the market. This should lead to further margin expansion going forward.

Given significant supply chain pressures, it may prove difficult to source the components needed to build new equipment in a timely manner in the current market. Magseis Fairfield's sizeable node capacity is therefore expected to present a significant competitive advantage.

To further extend its leadership position, the company has in the third quarter committed to building an additional 3,000 MASS III nodes for delivery in H1 2023, using a material number of parts which were already in inventory.

The next chapter for Magseis Fairfield

The acquisition by TGS is a clear recognition of the results of the tremendous work done by the Magseis Fairfield team. The company has been restructured and established as the clear market leader in the Ocean Bottom Node market.

The company is now in the sweet spot of a market recovery where the oil and gas companies prioritize cash generation and value creation from existing reserves and are securing their investments and reserves in Magseis Fairfield's core geographies. There is however more work to do to further improve returns and cashflow generation. The positive market outlook and the acquisition by TGS provide the opportunity to deliver on this.

The Board of Directors of Magseis Fairfield would like to thank the shareholders and the whole Magseis Fairfield team for their support and hard work. Becoming part of TGS provides a great opportunity, and we are certain that Magseis Fairfield will thrive under TGS' ownership.

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 2022 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and results of the Group. We also confirm, to the best of our knowledge that the condensed consolidated interim financial statements present a fair view of the development and performance of the business during the period, and together with the 2021 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 31 October 2022

Sign.

Wenche Kjølås
Chair of the Board of Directors

Anthony Dowd
Board member

Roar Bekker
Board member

Luis Araujo
Board member

Angela Durkin
Board member

Tone Holm-Trudeng
Board member (employee elected)

Yves Chiffoleau
Board member (employee elected)

Carel Hooijkaas
Chief Executive Officer

Condensed consolidated statement of comprehensive income

USD thousands	Note	Q3 2022 (unaudited)	Q3 2021 (unaudited)	YTD Q3 2022 (unaudited)	YTD Q3 2021 (unaudited)	Full year 2021 (audited)
		Quarter ended		*Nine months ended*		
Revenues and other income						
Revenues and other income	3	99 346	84 301	277 855	185 919	258 129
Operating expenses						
Cost of sales		(78 419)	(59 178)	(227 876)	(136 020)	(186 645)
General and administrative costs		(12 765)	(5 465)	(25 665)	(15 306)	(24 506)
Depreciation	5,6	(9 361)	(13 431)	(29 105)	(40 377)	(51 507)
Amortization	7	(6 283)	(2 178)	(10 602)	(6 499)	(14 156)
Impairment and disposal of non-current assets	5,7,12	(37)	-	(689)	-	(6 458)
Total operating expenses		(106 864)	(80 252)	(293 937)	(198 202)	(283 272)
Operating profit/(loss)		(7 518)	4 049	(16 083)	(12 284)	(25 143)
Finance income and costs						
Finance income		272	(239)	798	391	819
Finance costs		(1 589)	(1 084)	(6 610)	(2 785)	(4 004)
Net finance income/(costs)	4	(1 317)	(1 323)	(5 813)	(2 394)	(3 185)
Net profit/(loss) before tax		(8 835)	2 726	(21 896)	(14 678)	(28 328)
Income tax expense	13	1	(2 117)	(3 113)	(2 477)	(3 926)
Net profit/(loss) and total comprehensive income		(8 833)	609	(25 009)	(17 155)	(32 254)
Earnings per share						
Basic (USD)		(0.03)	0.00	(0.09)	(0.05)	(0.12)
Diluted (USD)		(0.03)	0.00	(0.09)	(0.05)	(0.12)

Condensed consolidated statement of financial position

USD thousands	Note	30-Sep 2022 (unaudited)	30-Sep 2021 (unaudited)	31-Dec 2021 (audited)
Non-current assets				
Property, Plant and Equipment	5,6,12	117 330	115 148	115 852
Multi-client library	7	19 330	25 780	22 526
Other intangible assets	7	46 389	52 985	49 840
Total non-current assets		183 048	193 913	188 217
Current assets				
Cash and cash equivalents		31 877	26 165	29 737
Trade receivables		42 567	44 487	17 389
Inventories		6 930	8 920	6 182
Derivatives		-	-	519
Other current assets	10	35 650	40 069	62 959
Total current assets		117 025	119 640	116 787
Total assets		300 073	313 555	305 004
Equity				
Share capital	8	1 607	1 584	1 584
Share premium	8	126 012	166 196	151 021
Other equity		9 849	8 548	8 909
Total shareholders' equity		137 469	176 328	161 514
Non-current liabilities				
Interest bearing liabilities	9	-	31 329	29 429
Lease liabilities	6	8 646	6 088	8 275
Non-interest-bearing liabilities	9	2 166	4 678	4 609
Total non-current liabilities		10 812	42 095	42 313
Current liabilities				
Trade payables		24 408	16 912	20 901
Current tax payable	13	3 996	5 413	5 060
Current portion of interest-bearing liabilities	9	44 582	-	2 000
Current portion of lease liabilities	6	18 346	9 114	16 201
Derivatives		486		-
Other current liabilities	10	59 974	63 694	57 015
Total current liabilities		151 792	95 133	101 177
Total liabilities		162 604	137 227	143 490
Total equity and liabilities		300 073	313 555	305 004

Condensed consolidated statement of changes in equity

2022

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2022	1 584	151 021	8 909	-	161 514
Share based payments	24	-	925	-	948
Other changes	-	-	-	15	15
Profit/(Loss) for the period	-	-	-	(25 009)	(25 009)
Allocation of retained deficit	-	(25 009)	-	25 009	-
Balance 30 September 2022	1 607	126 012	9 834	15	137 469

2021

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2021	1 578	407 662	7 496	(224 262)	192 473
Share based payments	6	-	1 413	-	1 419
Other changes	-	-	-	(125)	(125)
Allocation of retained deficit	-	(256 641)	-	256 641	-
Profit/(Loss) for the period	-	-	-	(32 254)	(32 254)
Balance 31 December 2021	1 584	151 021	8 909	-	161 514

Condensed consolidated statement of cash flow

USD thousands	Note	*Quarter ended* Q3 2022 (unaudited)	Q3 2021 (unaudited)	*Nine months ended* YTD Q3 2022 (unaudited)	YTD Q3 2021 (unaudited)	Full year 2021 (audited)
Cash flows from operating activities						
Profit / (loss) before tax		(8 835)	2 726	(21 896)	(14 678)	(28,328)
Income tax paid	13	1	(190)	(3 919)	(2 706)	(4,322)
Depreciation, amortization and impairment	5,6,7	15 644	15 610	39 706	46 877	72,122
Share-based payments expense		345	63	925	1 052	1,413
Finance expense	4	1 589	1 084	6 610	2 785	4,004
Finance income	4	(272)	239	(798)	(391)	(819)
NBV sold and disposed assets		37	-	689		7,594
Other non-cash items		1 568	-	237	(3 600)	(7,093)
(Increase)/decrease in current assets		18 549	(33 593)	1 254	(35 166)	(28 980)
Increase/(decrease) in current liabilities		(4 896)	7 395	940	589	(8 796)
Net cash from operating activities		23 730	(6 667)	23 749	(5 238)	6 795
Cash flows from investing activities						
Interest received	4	-	-	-	2	-
Investment in multi-client library	7	-	(1 452)	-	(4 902)	(881)
Investment in other intangibles	7	(657)	(356)	(2 526)	(683)	(1,538)
Acquisition of equipment	5	(5 548)	(1 063)	(10 891)	(5 194)	(10,454)
Net cash used in investing activities		(6 205)	(2 872)	(13 417)	(10 778)	(12 874)
Cash flows from financing activities						
Net proceeds from new loan	9	(190)	-	14 810	2 000	2,000
Payment of finance lease liabilities	6	(6 505)	(5 166)	(19 297)	(12 943)	(18,044)
Net proceeds from issue of share capital	8	-	-	-	6	6
Interest paid	4	(1 132)	(630)	(3 049)	(1 842)	(2,631)
Net cash from financing activities		(7 828)	(5 796)	(7 536)	(12 780)	(18,669)
Net change in cash and cash equivalents		9 698	(15 335)	2 796	(28 796)	(24 748)
Currency effects on cash		(560)	(34)	(655)	132	(345)
Cash and cash equivalents at period start		22 739	41 534	29 737	54 829	54 829
Cash and cash equivalents at period end		31 877[1]	26 165	31 877[1]	26 165	29 736

[1]Restricted cash as of 30 September 2022 is USD 0.8 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 is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2021.

2.3 Accounting principles

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Magseis Fairfield ASA. The 2021 consolidated financial statements for the Group are available at www.magseisfairfield.com.

The accounting polices applied in these interim financial statements are the same as those applied in the 2021 Group's Annual accounts.

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

2.4 Other

The interim financial statements have not been subject to audit.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD which is Magseis Fairfield ASA's and all other Group entities' functional currency and the Group's presentation currency.

Numbers are rounded to the nearest USD thousands, unless otherwise stated. As a result of rounding differences, numbers or percentages may not add up to the total.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for any subsequent interim period or annual accounts.

3. Revenue and segment information

The Group is operating in one segment being geophysical surveys with respect to products and services. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

For internal reporting purposes, payments for long-term lease contracts under IFRS 16 are recognized as operating cost and included in EBITDA to have consistent accounting treatment for payments of short and long-term leases. Under IFRS 16, long-term leases are capitalized, and the cost of the leases are shown as depreciation and interest expense.

Multi-client revenue is for internal reporting purposes recognized in accordance with industry practice prior to implementation of IFRS 15 where revenue is calculated using a percentage of completion method and the related amortization of multi-client library is based upon the ratio of aggregate capitalized survey costs to forecasted sales. Under IFRS 15, any prefunding amount collected from customers prior to completion of the project is recognized as contract liability and revenue is recognized at the point in time when the data access is transferred to the customer.

The below table reconciles internal (segment) and external (IFRS) reporting.

Q3-22 and Q3-21

	Quarter ended 30-Sep-2022			*Quarter ended 30-Sep-2021*		
USD thousands	Segment	Adj.	As reported	Segment	Adj.	As reported
Acquisition	86 988	-	86 988	77 309	-	77 309
Systems	740	-	740	2 631	-	2 631
Reservoir Monitoring/Source	5 019	-	5 019	4 360	-	4 360
Multi-client prefunding	525	4 924	5 449	890	(890)	-
Renewables	1 150	-	1 150	-	-	-
Total revenues	94 422	4 924	99 346	85 190	(890)	84 301
Cost of sales	(84 979)	6 560[1]	(78 419)	(64 213)	5 035[1]	(59 178)
SG&A and R&D costs	(13 033)	268[2]	(12 765)	(5 746)	282[2]	(5 465)
EBITDA	(3 589)	11 752	8 162	15 231	4 427	19 658
Multi-client amortization	(690)	(3 250)	(3 940)	(587)	587	-
EBITDA after multi-client amortization	(4 280)	8 502	4 222	14 644	5 014	19 658
Depreciation and amortization	(5 285)	(6 418)[3]	(11 703)	(10 465)	(5 145)[3]	(15 610)
Impairments	(37)	-	(37)	-	-	-
EBIT	(9 603)	2 084	(7 518)	4 179	(131)	4 049

[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-22 Segment	Adj.	As reported	Nine months ended 30-Sep-21 Segment	Adj.	As reported
Acquisition	251 801	-	251 801	156 933	-	156 933
Systems	4 966	-	4 966	14 272	-	14 272
Reservoir Monitoring/Source	13 783	-	13 783	14 713	-	14 713
Multi-client prefunding	525	4 924	5 449	890	(890)	-
Multi-client aftersales	173	-	173	-	-	-
Renewables	1 150	-	1 150	-	-	-
Other revenues	-	534	534	-	-	-
Total revenues	272 397	5 458	277 855	186 808	(890)	185 918
Cost of sales	(247 555)	19 679[1]	(227 876)	(148 977)	12 957[1]	(136 020)
SG&A and R&D costs	(26 566)	901[2]	(25 665)	(15 669)	363[2]	(15 306)
EBITDA	(1 725)	26 038	24 313	22 163	12 430	34 593
Multi-client amortization	(690)	(3 250)	(3 940)	(587)	587	-
EBITDA after multi-client amortization	(2 415)	22 788	20 373	21 575	13 017	34 593
Depreciation and amortization	(16 517)	(19 249)[3]	(35 766)	(31 448)	(15 429)[3]	(46 877)
Impairments	(689)	-	(689)	-	-	-
EBIT	(19 622)	3 539	(16 083)	(9 872)	(2 412)	(12 284)

FY 2021

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

4. Finance income and costs

USD thousands	Quarter ended Q3 2022	Q3 2021	Nine months ended YTD Q3 2022	YTD Q3 2021	Full Year 2021
Finance income					
Foreign exchange gains	173	(74)	340	184	360
Interest income	93	-	107	2	4
Other financial items (income)	5	(165)	351	205	454
Total finance income	272	(239)	798	391	819
Finance costs					
Foreign exchange losses	(656)	(77)	(1 543)	(197)	(542)
Interest expense loan facility	(850)	(518)	(1 932)	(1 179)	(1 763)
Interest expense leases	(405)	(238)	(1 432)	(896)	(1 191)
Revaluation of warrants	408	(31)	(194)	197	221
Other financial items	(86)	(220)	(1 510)	(710)	(728)
Total finance costs	(1 589)	(1 084)	(6 610)	(2 785)	(4 004)
Net finance income/(costs)	(1 317)	(1 323)	(5 813)	(2 394)	(3 185)

5. Property, Plant & Equipment (PPE)

2022

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance 1 January 2022	154 587	38 894	1 348	78 804	273 633
Additions	-	12 391	-	22 347	34 737
Disposals/retirement	(890)	(197)	-	-	(1 088)
Reclass- asset under construction	3 602	(3 604)	2	-	-
Reclassification to intangibles	-	(700)	-	-	(700)
Inventory movements and other	19	(2 569)	-	-	(2 550)
Balance 30 September 2022	157 318	44 215	1 350	101 151	304 033
Accumulated depreciation and impairment					
Balance 1 January 2022	(98 011)	(1 336)	(1 159)	(57 276)	(157 782)
Depreciation for the period	(9 746)	-	(109)	(19 249)	(29 105)
Disposals/retirement	182	-	-	-	182
Balance 30 September 2022	(107 575)	(1 336)	(1 268)	(76 525)	(186 704)
Net carrying amounts					
Balance 1 January 2022	56 577	37 558	189	21 529	115 852
Balance 30 September 2022	49 744	42 878	81	24 626	117 330

Capital commitments

USD thousands	Total
Capital commitments as of 31 December 2021	4 000
Capital commitments as of 30 September 2022	19 662

2021

USD thousands	Seismic equipment	Asset under construction	Office machines	Right-of-use assets (IFRS 16)	Total
Accumulated Investment					
Balance 1 January 2021	158 561	35 393	1 821	62 478	258 252
Additions	286	10 124	43	17 624	28 078
Disposals/retirement	(13 553)	(337)	-	-	(13 890)
Reclass- asset under construction	8 916	(8 916)	-	-	-
Reclassification to intangibles	-	(1 066)	-	-	(1 066)
Inventory movements and other	377	3 696	(517)	(1 298)	2 259
Balance 31 December 2021	154 587	38 894	1 348	78 804	273 633
Accumulated depreciation and impairment					
Balance 1 January 2021	(69 254)	-	(1 167)	(37 756)	(108 176)
Depreciation for the period	(31 632)	-	(334)	(19 541)	(51 507)
Disposals/retirement	6 300	-	(4)	-	6 296
Impairment	(3 286)	(1 336)	-	-	(4 622)
Other movements	(139)	-	346	22	229
Balance 31 December 2021	(98 010)	(1 336)	(1 159)	(57 276)	(157 781)
Net carrying amounts					
Balance 1 January 2021	89 307	35 393	654	24 722	150 074
Balance 31 December 2021	56 577	37 558	189	21 529	115 852

6. Leases

The assessment to whether utilize extension and termination options are done by management on a contract-by-contract basis in line with operational requirements for each project. As of 30 September 2022, three 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.

2022

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2022	15 818	5 711	21 529
Additions	21 306	1 040	22 347
Depreciation	(18 169)	(1 080)	(19 249)
Other adjustments	-	-	-
Balance 30 September 2022	18 956	5 671	24 626

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2022	8 275	16 201	24 476
Additions	10 414	11 933	22 347
Lease payments	-	(19 297)	(19 297)
Reclassification	(10 043)	10 043	-
Other adjustments	-	(534)	(534)
Balance 30 September 2022	8 646	18 346	26 992

2021

Right-of-use assets

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

Lease Liabilities

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

7. Intangibles

The multi-client library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. For multi-client projects, Magseis Fairfield may invest in the project with other parties and has cooperation agreements whereby revenues will be shared with other companies. These agreements are initiated and agreed as joint operations where both parties have rights to the assets and share in the liabilities. Magseis Fairfield recognizes its investment net of partner cost sharing as multi-client library and will recognize its 50 percent share of revenues generated by the library. Any pre-funding amount collected from customers prior to completion of the project is recognized as contract liability as revenue is recognized at the point in time when the data access is transferred to the customer.

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

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

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

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

2022

USD thousands	Other intangibles	Multi-client library	Total
Accumulated investment			
Balance 1 January 2022	84 960	28 006	112 966
Additions	2 526	745	3 271
Reclass- asset from PPE	700	-	700
Balance 30 September 2022	88 186	28 750	116 936
Accumulated amortization and impairment			
Balance 1 January 2022	(35 120)	(5 480)	(40 600)
Amortization for the period	(6 662)	(3 940)	(10 602)
Other changes	(16)	-	(16)
Balance 30 September 2022	(41 797)	(9 420)	(51 218)
Net carrying amounts			
Balance 1 January 2022	49 840	22 526	72 365
Balance 30 September 2022	46 389	19 330	65 719

2021

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

8. Share Capital and Reserves

The shares of Magseis Fairfield ASA are listed on the main list at Oslo Stock Exchange.

Share capital issued

USD thousands	Number of shares	Share price at NOK	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid				
Balance 1 January 2021	266 770 592		1 578	407 662
RSU settlements	951 750	0.05	6	-
Allocation of retained earnings				(256 641)
Balance 31 December 2021	267 722 342		1 584	151 021
RSU settlements	3 984 583	0.05	24	-
Allocation of retained earnings				(25 009)
Balance 30 Sep 2022	271 706 925		1 607	126 012

9. Interest bearing liabilities

USD thousands	30-Sep 2022	30-Sep 2021	31-Dec 2021
Nominal value bank facility	45 000	30 000	30 000
Nominal value other loans	-	2 000	2 000
Subtotal nominal value	45 000	32 000	32 000
Prepaid fees bank facility	(418)	(671)	(571)
Total	44 582	31 329	31 429
Long term	-	31 329	29 429
Short term	44 582	-	2 000
Repayment profile at balance sheet date:			
2022	-	2 000	2 000
2023	45 000	30 000	30 000
2024	-	-	-
Total	45 000	32 000	32 000

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

In May 2022, Magseis Fairfield reached an agreement with DNB to extend maturity of the RCF with one year to December 2024. In addition, it was agreed a temporarily increase of USD 15 million to end of third quarter 2022 to support the high activity level expected during the summer season. In September 2022, the company secured extension of the temporary increase of USD 15 million to the end of first quarter 2023. Due to the change of control, with TGS being the new majority shareholder, the RCF is due in full by March 31 2023.

Financial covenants bank facility (RCF)

- 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 > 40 percent
- Equipment loan to value: RCF debt / book value seismic equipment and assets under construction < 50 percent

In addition, the RCF agreement include a financial covenant that NIBD shall be at or below zero for 5 successive business days in each quarter. The Company has received a waiver of this financial covenant from the lender until second quarter 2023.

Magseis Fairfield is in compliance with all financial covenants as of 30 September 2022.

10. Other current assets and liabilities

Other current assets

USD thousands	30-Sep 2022	30-Sep 2021	31-Dec 2021
Contract assets (unbilled revenue and mobilization costs)	22 859	28 958	50 621
Prepayments	11 138	6 090	8 363
Other receivables	1 654	5 021	3 976
Total	35 650	40 069	62 959

Other current liabilities

USD thousands	30-Sep 2022	30-Sep 2021	31-Dec 2021
Accrued expenses	41 914	44 931	46 847
Deferred revenue (contract liabilities)	6 920	13 662	4 893
Accrued warranties	574	803	880
Other	10 566	4 298	4 396
Total	59 974	63 694	57 015

11. Related parties

Related parties' relationships are defined to be entities outside the Group that are under control (either directly or indirectly), joint control or significant influence by the owners, Board of Directors or Management of Magseis Fairfield ASA. Related parties are in a position to enter into transactions with the company that would potentially not be undertaken between unrelated parties. The terms and conditions of the transactions with related parties are considered to be on an arm's length basis.

The aggregate value of transactions and outstanding trade payables with related parties were as follows:

USD thousands		Transaction value		Accounts payable	
Name	Note	YTD Q3 22	YTD Q3 21	30 Sep 2022	30 Sep 2021
Westcon Group (shareholder)	(I)	7 928	7 063	1 352	1 230
Fairfield Geotechnologies (shareholder)	(II)	615	932	-	20
J B Gateman (Geo Innova AS) (shareholder)	(III)	-	88	-	-

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

(II) In 2022, the only transactions are related to office sublease. The office lease agreement ends in October 2030 and the total lease liability is USD 3.0 million as of 30 September 2022.

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

In October 2022, TGS became a majority shareholder in the company, acquiring 75.4% of the shares in Magseis Fairfield ASA. TGS is a customer of Magseis Fairfield, and the company has executed projects for TGS both in 2022 and 2021.

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

An impairment test was performed as a part of the third quarter reporting.

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

The need for increased oil and gas supply in the short- to medium-term is expected to translate into investments to increase recovery rates from already explored assets. This is supported by the high level of activity at the end of second quarter which continued in to the third quarter and forms the basis for an increasingly optimistic outlook for a market recovery for OBN services.

The impairment test is based on a value-in-use calculation in accordance with IAS 36, where assumptions about future market development, cashflows, the weighted average cost of capital (WACC), growth rate and other factors are subject to management's judgement.
Key assumptions when assessing the recoverable amounts as of 30 September 2022 were:

- Utilization and other cash flow assumptions are based on a continued growth in the medium term.
- We have applied 0% growth rate in the terminal value
- Terminal value reflects long term steady state revenue and margin levels based on a combination of historic levels and judgements applied.
- Capex levels are aligned with revenue assumptions
- Climate risk is assessed to be low and not significant, hence not reflected in the valuation model
- Weighted average cost of capital applied in the model is 9.8%

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

Sensitivities

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

Sensitivities (break-even analysis)	
Long-term revenue reduction	Δ 11%
Long-term EBITDA margin reduction	Δ 20%
Discount rate increase	Δ 151%

13. Tax

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

One of the Group entities is currently undergoing a tax audit for prior years where certain claims for tax deductibility have been challenged by local tax authorities. Based on management's assessment of local tax laws and available information provided by local tax experts, a provision for the uncertain tax position has been recognized, 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

In October TGS completed the recommended voluntary exchange offer. As a result, TGS now owns 75.4% of the MSEIS shares. This triggered the following change of control events:

- As per a change of control clause in our debt facility agreement with DNB, the RCF need to be settled by March 31, 2023.
- All unvested RSU/PSU's vest and should be settled based on the offer price in the first of the mandatory or obligatory offer by TGS.

In October Magseis Fairfield signed a settlement agreement which discontinues the Seabed Geosolution's patent litigation.

In October Magseis Fairfield signed a global co-operation agreement with Fugro, a leading Geo-data specialist, to work together on project opportunities including wide area 3D ultra high resolution surveys (3D UHR) for the offshore renewables and carbon capture and storage (CCS) markets. Under the agreement, both companies will jointly pursue projects that benefit from the combination of Magseis Fairfield's Extended High Resolution (XHR) seismic system and Fugro's Geo-data expertise.

15. Alternative Performance Measures (APMs)

The Group reports its financial results in accordance with accounting principles (IFRS) as issued by the IASB and as endorsed by the EU. However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing the Group's ongoing performance.

Management, the board of directors and the long-term lenders regularly uses supplemental non-GAAP financial measures to understand, manage and evaluate the business and its operations. These non-GAAP measures are among the factors used in planning for and forecasting future periods, including assessment of financial covenants compliance.

Profit measures

EBITDA and EBIT terms are presented as they are used by financial analysts and investors. Special items are excluded from EBITDA and EBIT as alternative measures to provide enhanced insight into the financial development of the business operations and to improve comparability between different periods.

Gross profit is revenue less cost of sales.

EBITDA is a measure of earnings (operating profit/loss) before deducting interest expense, taxes, depreciation, amortization and impairment. See note 3 for further details.

Special items may not be indicative of the ongoing operating result or cash flows of the company. Profit measure excluding special items is presented as an alternative measure to improve comparability of the underlying business performance between the periods. Special items include restructuring costs.

Segment revenue is based on those reported but excluding the impact of IFRS 15, so accounted for based on the revenue recognition principles prevailing before the mandatory adoption of IFRS 15 on 1 January 2018. See note 3 for further details.

Segment gross profit is segment revenue less cost of sales. Payments for long-term lease contracts under IFRS 16 are recognized as operating cost. Revenues from multi-client prefunding are recognized based on industry practice prior to implementation of IFRS 15. See note 3 for further details.

Segment EBITDA is a measure of earnings (operating profit/loss) using segment revenue before deducting interest expense, taxes, depreciation, amortization and impairment. Payments for long-term lease contracts under IFRS 16 are recognized as operating cost. Revenues from multi-client prefunding are recognized based on industry practice prior to implementation of IFRS 15. See note 3 for further details.

EBIT is a measure of earnings (operating profit/loss) before deducting interest expense and taxes. See note 3 for further details.

Segment EBIT is a measure of earnings using segment revenue before deducting interest expense and taxes. See note 3 for further details.

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

Financing and investment measures

Alternative financing and equity measures are presented as they are indicators of the company's ability to obtain financing and service its debts.

Working capital is a measure of the current capital necessary to maintain operations. Working capital includes trade receivables, inventory, other current assets, trade payables and other current liabilities.

Net interest-bearing debt/(cash) is defined as interest-bearing liabilities less cash.

Equity ratio is calculated as total equity divided by total assets.

Capital Expenditures (capex) means investments in property, plant and equipment and intangible assets (excluding multi-client library), irrespective of the whether the amount is paid for in the period.

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

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