Q1 2020

report

magseis fairfield

Summary

Organization adapting to COVID-19 and lower oil prices

- Main priorities to ensure the safety and security of our people and safeguard operations
- No Covid-19 cases registered among our employees
- Limited effect on ongoing operations despite challenges related to crew changes
- Reducing cost and capex further to align cash expenses to lower revenue scenarios
- Preserving cash, ensuring business continuity and secure a good entry into 2021

Q1 financial results

- Strong operational performance by the ZXPLR1 crew in the Gulf of Mexico
- Revenue of USD 53.3 million and gross margin of 23%
- EBITDA of USD 5.8 million and operating loss of USD 8.1 million
- Net loss after tax of USD 12.0 million
- Cash inflow from operating activities of USD 10.5 million and total increase in cash of USD 12.3 million

Order and Backlog

- Contract award in Mexico – prolonging the backlog for the ZXPLR crew in GoM through 2020
- Total backlog of USD 169 million, compared to USD 165 million at the end of 2019
- USD 125 million of the backlog is for delivery in 2020

Safeguarding liquidity and ensuring flexibility

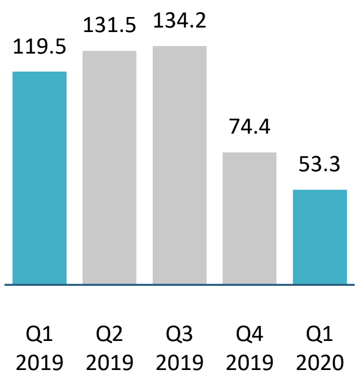
- Completed private placement with gross proceeds of USD 28 million
- Refinanced debt into new USD 30 million RCF
- Reducing annual SG&A cost level by ~60% from 2019 to ~USD 25 million
- Reducing annual Capex level by ~80% from 2019 to ~USD 15 million, excluding multi-client investments
- Cash at hand of USD 65.8 million

Outlook

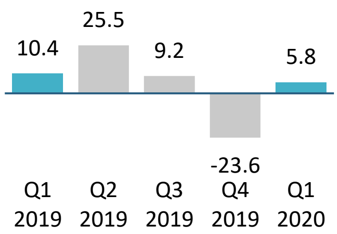
- Uncertain market environment due to the impact of Covid-19 and lower and more volatile oil prices
- Clients refocusing on cash preservation and value generation - Magseis Fairfield is uniquely positioned in this space
- Cost and capex for 2020 have been aligned to lower revenue scenarios
- Safeguarding liquidity and flexibility to secure a good entry into 2021

USD millions

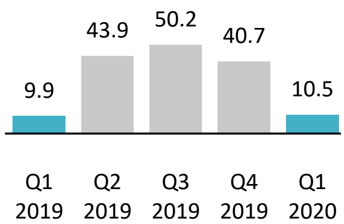
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	Q1 2020	Q1 2019	FY 2019
Profit and loss			
Revenues	**53.3**	**119.5**	**459.6**
Cost of sales	(41.0)	(96.2)	(374.3)
Gross Profit	12.3	23.3	85.3
SG&A and R&D	(6.5)	(12.9)	(63.8)
EBITDA	**5.8**	**10.4**	**21.5**
Special items affecting EBITDA	-	*(5.6)*	*(32.1)*
Margin (%)	*11%*	*9%*	*5%*
Depreciation	(11.8)	(15.4)	(56.7)
Amortization	(2.2)	(2.4)	(8.9)
Impairments	-	-	(106.2)
EBIT	**(8.1)**	**(7.4)**	**(150.4)**
Net financial items	(3.5)	(2.1)	7.0
Net profit (loss) before tax	(11.6)	(9.5)	(143.4)
Net profit (loss)	**(12.0)**	**(11.2)**	**(151.5)**
Other key figures			
Net cash from operating activities	10.5	9.9	144.7
Net cash from in investing activities	(16.1)	(16.6)	(112.6)
Net cash from financing activities	19.7	(11.4)	(46.8)
Total assets	365	582	357
Equity ratio	54 %	55%	52 %
Cash and cash equivalents	65.8	50.0	53.4
Net interest-bearing debt/(cash)	(33.2)	2.5	(20.9)

Comment from the CEO

We find ourselves in a new market reality with the coronavirus pandemic and the low oil price impacting our business. While this poses new challenges, we enter this new market situation as a stronger company than we were only six months ago. We completed a restructuring of the company and cut our capital expenditure in the fourth quarter 2019. In addition, we refinanced our debt and raised new equity in the first quarter 2020. Recognizing the new market reality we find ourselves in, we have initiated further cost and capex reductions going into the second quarter 2020.

In Q1 we saw the first positive effects of the restructuring and new organization established in fourth quarter 2019. While revenue was down sequentially, the quality of our backlog, good execution, and a lower SG&A cost burden generated a double-digit EBITDA margin.

Since the start of the coronavirus pandemic, my main priority has been the health and safety of our employees. I am glad to report that no Magseis Fairfield employees have so far been infected by the coronavirus. We have also been able to sustain operations and Q1 financial performance was not materially impacted. I want to commend the Magseis Fairfield team who have worked tirelessly to achieve this result. This includes but is not limited to our crews, the staff who made crew changes possible despite severe travel restrictions, and our operations management who have worked with our clients to ensure joint sign-off on the mitigation measures to ensure continuous operations.

The coronavirus has had a huge impact on hydrocarbon demand. This was initially met by a price war and supply increase, followed by an insufficient cut in supply. The immediate impact on the E&P industry has been profound and will last for some time with some permanent changes.

Our clients have cut their capex and cancelled or postponed their investment plans. Their focus, like ours, is on cash preservation. Our clients are therefore sharply reducing their exploration spend and deferring abandonments. Their focus is on already explored fields rather than new reserves. They are concentrating their efforts on a smaller number of projects which will deliver near-term cash and value creation. Magseis Fairfield is uniquely positioned in this new focus area for our clients.

Given this backdrop, our OBN data quality will be more important than ever for our clients. From an imaging perspective, the superior data quality will allow for better well placement and production management. In addition, OBN is unmatched compared to any other seismic acquisition technique from a repeatability/4D perspective, giving our clients superior imaging and the tools to better manage their reservoirs over time.

Taking decisive action

Having managed through several cycles in the seismic industry before, my experience tells me that cycles are always deeper and take longer than is first expected. At Magseis Fairfield we are therefore taking a multi-layered approach to managing this particular cycle.

First, we have built a low case revenue scenario based on our secured backlog. This low case revenue scenario is not our ambition, and new orders represent upside potential.

Second, over the last seven months we have taken decisive actions to reduce our fixed cash costs by approximately 75%, to align the cost base to our low case revenue scenario.

Third, we are leveraging our lean organization and asset light business model to navigate this new environment. Our priority is to protect and preserve our cash position in order to have a good entry in to 2021, and our asset light model allows us to match revenue and cash outflow.

Fourth, we will use our technology differentiation and entrepreneurial spirit to reduce the cost for our services and improve our competitive advantage.

Good execution of backlog

The safe, efficient and reliable execution of our existing backlog is hugely important. I am very pleased with the performance of the ZXPLR1 crew in the GoM in the first quarter. The crew operated very well and with good margins. This continues to build our confidence that our people, technology and relentless focus on performance drives results. This crew has started up a new project early in the second quarter and has full backlog for the remainder of the year. In the first quarter we also successfully started the Multi-client survey in the North Sea. This is the joint project with an established Multi-Client player for a multi-year project in the North Sea, for which we have received pre-funding. Our Reservoir Monitoring and Source projects started in Norway early in the second quarter.

New backlog
In the environment we are in today, quality backlog is key. In the first quarter we announced the equipment sale of Z100-nodes to an existing client in Asia.

While the number of potential new acquisition projects has clearly been reduced, there are still opportunities we are discussing with our clients. Our recently awarded deepwater project in Mexico shows that there are projects to be won and executed also in this market environment.

Adjusting to a new market reality
In summary, we are entering this new market as a stronger company and with a crystal-clear strategy to protect and preserve a cash position which will enable us to have a good entry into 2021. This is based on a low case revenue scenario built on secured backlog and a cost base that has been aligned with this low case revenue scenario.

We have a good cash starting position, prudent cost management and an asset light business model. Combined with our people and technology leadership this differentiates us and will allow us to successfully navigate this new market environment. We will continue our tireless efforts to be the trusted partner to make Ocean Bottom Nodes the technology of choice for seismic data.

Carel Hooijkaas
CEO Magseis Fairfield

Financial review

Figures in brackets reflect figures for the corresponding period in the previous year, as per restatements announced with the Q3 2019 report (note 13)

Revenues

Revenues for the first quarter of 2020 amounted to USD 53.3 million (119.5), which was a decline from USD 74.4 million in the fourth quarter 2019.

The decline from the previous quarter reflects that a large Middle East acquisition project was finalized in the fourth quarter and that the crew demobilized in January and transited to the North Sea for a multi-client project. The year-on-year decline also reflects that the company had significant revenue from node sales in the first quarter 2019.

The order backlog for data acquisition and RMS stood at USD 168.6 million at the end of the first quarter 2020, of which USD 125 million is scheduled for delivery in 2020. This compares to a total backlog of USD 165 million at the end of 2019, of which USD 133 million was scheduled for delivery in 2020.

Operational costs

Group cost of sales (CoS) amounted to USD 41.0 million in the first quarter of 2020 (96.2), down from USD 80.1 million in the fourth quarter last year. The gross profit was hence USD 12.3 million (23.3), compared to a negative USD 5.7 million in the fourth quarter. The gross margin of 23% compares to 19% in the first quarter 2019 and a negative 8% in the previous quarter.

The gross margin reflects both better project margins and improved operational execution, particularly when taking into consideration a significant positive contribution from node sales in the first quarter last year.

In the previous quarter CoS included negative special items of USD 10.7 million. Adjusting for these items, gross margin was 7% in the fourth quarter 2019.

Selling, general and administrative expenses (SG&A) and R&D costs amounted to USD 6.5 million in the first quarter of 2020 (12.9), compared to USD 17.9 million in the previous quarter.

The SG&A level was positively affected by reversal of 2019 bonus accruals of approximately USD 4 million.

SG&A in the fourth quarter 2019 included USD 7.4 million in negative special items related to restructuring and reorganization. Full effect from the restructuring will materialize from the second half of 2020.

Given the current market situation with Covid-19 and lower and more volatile oil price scenarios, the company in April 2020 announced further cost and capex reductions in order to preserve cash and ensure operational flexibility and safeguard business continuity.

The company now expects a total SG&A cost level of around USD 25 million for the full year 2020, which corresponds to a decline of around 60% from the full-year SG&A cost level in 2019.

Depreciation, amortization and impairment

Depreciation and amortization amounted to USD 14.0 million in the first quarter (17.8), compared to USD 14.0 million in the previous quarter.

This included amortization of USD 2.2 million, which mainly relates to excess values allocated to technology and customer relations in the purchase price allocation (PPA) of the acquisition of Fairfield and WGP in 2018.

The company recorded no impairments in the first quarter 2020. The company has performed an impairment assessment taking into account the recent shift in market fundamentals due to Covid-19 and lower and more volatile oil price scenarios. While the assets are exposed to a highly uncertain outlook, no further impairments have been deemed necessary as of today.

The Income Statement for the fourth quarter 2019 was charged with impairment of Property, Plant and Equipment of USD 11.0 million, including the impacts of close-down of the US Manufacturing. The Income Statement for the full year 2019 was charged with impairments of USD 106.2 million, which included all goodwill on the balance sheet.

Profits

EBITDA

Reported EBITDA was USD 5.8 million in the first quarter 2020 (10.4).

In the fourth quarter 2019 the company reported an EBITDA-loss of USD 23.6 million, including negative special items of USD 18.0 million relating to restructuring and reorganization of the company and write-offs of development projects.

The positive EBITDA reflects improved project margins and the significantly lower SG&A costs, positively impacted by reversal of 2019 bonus provisions.

Operating result (EBIT)

The operating loss of USD 8.1 million (-7.4) compares with an operating loss of USD 48.6 million in the fourth quarter. The latter included special items of USD 18.0 million and impairment of USD 11.0 million.

Net financial items

Net financial cost was USD 3.5 in the first quarter, compared to net financial cost of USD 2.1 million in the first quarter last year.

Net profit or loss

Net loss before tax was USD 11.6 million in the first quarter 2020, compared to a net loss of USD 9.5 million in the first quarter 2019.

Following income tax expense of USD 0.4 million, net loss after tax was USD 12.0 million. The tax charge in the quarter reflects tax provisions for projects in foreign jurisdictions. Tax expense was USD 1.6 million and the net loss after tax USD 11.2 million in the first quarter 2019.

In the fourth quarter 2019 the net loss after tax was USD 46.0 million including the negative special items and impairment.

The group is currently not recognising any tax losses carried forward as tax assets.

Balance Sheet

Total assets for the Group was USD 365.5 million at the end of the first quarter 2020, similar to USD 356.5 million at the end of 2019.

Property, plant and equipment (PPE) amounted to USD 171.8 million at the end of first quarter, a marginal decline from USD 172.1 million at the end of 2019.

Intangible assets stood at USD 64.0 million, down from USD 65.4 million at the end of 2019. The company commenced a multi-client survey during the first quarter, and the multi-client library was recognised at USD 7.5 million at the end of the first quarter.

Total non-current assets hence amounted to USD 243.4 million, compared to USD 237.5 million at the end of 2019.

Current assets were USD 122.1 million, compared to USD 119.0 million at the end of 2019.

Cash and cash equivalents amounted to USD 65.8 million, up from USD 53.4 million at year-end 2019.

Inventories declined to USD 9.5 million from USD 18.9 million at the end of 2019, mainly reflecting a node sale in the quarter. Trade receivables increased to USD 32.7 million from USD 24.4 million, whereas other current assets declined to USD 14.2 million from USD 22.3 million at the end of 2019.

The Group's equity amounted to 199.1 million at the end of the first quarter, up from USD 184.6 million at the end of 2019. The equity ratio thus increased to 54.5 percent from 51.8 percent at the end of 2019.

Non-current liabilities amounted to USD 42.2 million at the end of the quarter, compared to USD 30.8 million at the end of 2019.

This comprised interest-bearing liabilities of USD 29.3 million, lease liabilities of USD 8.9 million, and non-interest bearing liabilities of USD 4.0 million.

Current liabilities stood at USD 124.2 million at the end of the first quarter, compared to USD 141.1 million at the end of 2019. Trade payables increased to USD 32.7 million from USD 29.0 million at the end of 2019. The current portion of interest-bearing liabilities was USD 3.3 million, whereas the current portion of obligations under finance leases was USD

13.2 million. Current tax payable was USD 6.5 million. Other current liabilities was USD 68.5 million, comprising project accruals, restructuring accruals, warranty accruals and other operational accruals.

Cash Flow and Investments

Cash inflow from operations was USD 10.5 million in the first quarter (9.9), compared to USD 40.7 million in the fourth quarter 2019. This reflects cash earnings in the period including a favourable net working capital development in the quarter.

Net cash used for investing activities amounted to USD 16.1 million in the first quarter, of which USD 8.3 million acquisition of equipment and USD 7.1 million investment in multi-client library. This compares to a net cash use of USD 16.6 million for investments in the first quarter 2019, and USD 18.9 million in the previous quarter.

As part of the company's new initiatives to reduce cash spending in 2020, the expected capex level was in April further reduced to USD 15 million in 2020, excluding the investments in multi-client library. This corresponds to a decline of around 80% from the full-year capex level in 2019.

Cash inflow from financing activities was USD 19.7 million in the first quarter 2020, compared to a cash outflow of USD 11.4 million in the first quarter 2019. The cash inflow mainly reflects the net effect of proceeds from the share issue and payments of lease obligations.

NOK cash balances were significantly impacted by adverse NOK/USD movements towards the end of the first quarter, affecting the net proceeds from the equity issue which were retained in NOK for coverage of NOK-denominated costs.

Funding and Covenants

Magseis Fairfield in February carried out a private placement which generated gross proceeds of USD 28 million. At the same the company refinanced its term loan into a USD 30 million RCF with a new covenant structure.

This strengthened both the balance sheet and the immediate and longer-term liquidity position of the company.

At the end of the first quarter 2020, the company held USD 65.8 million in cash and cash equivalents. Given the initiated reductions in SG&A costs and lower capital expenditure planned for 2020, it is the Board of Directors' view that this will provide a sufficient liquidity buffer through 2020 even in the lower revenue scenarios brought about by the Covid-19 situation and the lower and more volatile oil price levels.

Going concern

The financial results for the Group over the last year were characterised by financial and operational challenges, resulting in significant impairment, restructurings, write offs and other special items impacting the numbers negatively. Although the group's backlog for 2020 increased significantly during the end of 2019 and further in the first months of 2020, the new market environment from the COVID-19 outbreak and subsequent low oil price makes for limited support to additional 2020 backlog. Significant positive steps were taken in the company's turn-around with restructuring measures and capex and cost cuts implemented. A private placement was undertaken on 13 February 2020, raising gross proceeds of approximately USD 28 million. Debt was refinanced and converted to a Revolving Credit Facility (RCF) of USD 30 million with new covenants, effective as from 1 April 2020.

In April 2020, further measures were announced as a response to the new market environment, resulting in further capex and cost cuts. The new cost measures include furloughs, headcount reductions and other cost reduction initiatives. Following these steps, the company's liquidity is strengthened, and the company is well positioned for a good entry into 2021.

The Board of Directors and management have made its best judgements in its evaluation of the going concern assumption. Although there are uncertainties related to events or conditions that might impact the future cash flows, the Board and management is of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption.

Operations

Organization adapting to COVID-19 and lower oil prices

Magseis Fairfield's primary concern during the current coronavirus pandemic has been the safety and welfare of its employees, their families and local communities. The company is glad to report that no employees have been infected so far.

The company complies with all regulations and recommendations from local authorities in all locations, with strict sanitation regimes for both offshore and onshore operations. Office personnel have retreated to remote work from home and are only allowed into the office with approval from their manager.

The coronavirus has so far not had a material effect on the ongoing offshore operations, although travel restrictions have made crew changes more challenging. The company is working with the crews and local authorities to manage this situation.

The company rolled-out a new integrated QHSE Management System in the first quarter, enabling company-wide risk management focused on the health and welfare of our team members as well as business continuity. The implementation of a series of operational protocols has been done in alignment with the company's critical suppliers, industry partners and the International Association of Geophysical Contractors (IAGC).

The program has been successful in allowing the company to continue ongoing offshore operations without interruptions.

As part of its contingency planning, the company has also stress tested its supply chain and bought forward critical supplies to ensure continuity of operations.

Magseis Fairfield registered 786 078 exposure hours during the first quarter, a decline of approximately 30% from the previous quarter.

The company recorded one lost work-day case (36 work-days lost), one First aid case, and one industry recordable incident. Response to Covid-19 is ongoing and no Magseis Fairfield personnel has been reported infected with the virus during the quarter. Total Recordable Case Frequency (TRCF) for the quarter was 1.27, an improvement from the previous quarter. The 12-month rolling average TCRF is 1.38.

The employees and the organization have been exposed to significant reorganization and restructuring over the past six months, which also has included workforce reductions. This process has been necessary to restore the profitability of Magseis Fairfield.

Given the current market situation with Covid-19 and lower and more volatile oil price scenarios, the company has initiated further cost and capex reductions to preserve cash and operational flexibility and safeguard business continuity.

These new cost measures will include further headcount reductions, temporary layoffs/furlough, and other related cost reduction initiatives. These will be executed in accordance with the local rules and regulations in each applicable country. Magseis Fairfield has also decided to cancel 2020 salary adjustments and cash bonuses across the company.

Operations in the quarter

In the first quarter of 2020, operations continued as normal. Magseis Fairfield worked on eight different seismic acquisition and rental projects, of which five were completed. In addition, maintenance operations began in preparation for the RMS crews in the North Sea.

In North America and the Gulf of Mexico, the ZXPLR crew continued operations in the deepwater. The crew completed a project that began in Q4 and moved on to a follow-on project.

Following the award of a deepwater project in the Mexican part of the GoM, the ZXPLR crew is fully booked through 2020.

In Azerbaijan, Magseis Fairfield carried out a MASS Micro undershoot in the first quarter, using its ultralight portable modular system. The first node was deployed in January and all data had been delivered to the client by March.

In Malaysia, a Mass I system and node lease contract was completed late February, with the crew demobilizing in Singapore. These nodes are currently available for new projects. Throughout the quarter, the company also supported a MASS I contract in Abu Dhabi on the back of the large equipment sale in 2019.

In the North Sea, the Z700 node on a rope crew completed the transition from the Middle East. The crew is now mobilized for the Multi-client project in the UK sector, a project which is expected to last until September. Our RMS (Reservoir monitoring and source) teams began remobilizing and preparing for activities starting in the second quarter. These operations will run through September.

The order backlog stood at USD 168.6 million at the end of the first quarter 2019, of which USD 125.4 million is scheduled for 2020.

Magseis Fairfield is keeping close contact with customers as the industry adjusts to the new environment. Our focus remains on finding ways to improve reservoir management and increase recovery factors to continue to create value in a low oil price environment.

Technology

The rightsizing of the Technology business unit was announced and put into effect in Q4 2019 and continued to be executed during Q1 2020. The company has worked closely with suppliers and Covid-19 has had minimal impact on ongoing manufacturing projects and deliveries.

In line with the plans made for the reorganization and restructuring, the company is preparing for contract manufacturing. At the same time, the Technology unit has been supplying technical support for ongoing sales and rental contracts.

During the first quarter the Technology unit launched a new recorder with improved functionality and an in-field node repair set-up, which will be used in the Z700 multi-client survey in the North Sea. Progress was also being made on the ZXPLR Back Deck, which will further improve the efficiency of the operational platform.

The MASS III node technology continues to go through extensive testing and qualification. The nodes are being deployed as test nodes on commercial surveys to record real seismic data for comparison with existing technologies.

Employees and contractors

As of 31 March 2020, the Group had a total of 563 FTEs, with 389 employees and 174 contractors, down from 622 FTEs at the end of 2019.

Risks and uncertainties

As described in the Annual Report for 2019, Magseis Fairfield is exposed to a variety of risk factors, including risk related to global economic growth and demand for and prices of oil and gas products.

The outbreak and spreading of the coronavirus during the first quarter 2020 highlighted these risk factors. The reduction in economic activity has led to a rapid and significant reduction in oil demand and generated an oversupply situation with significantly lower and more volatile oil prices.

The risks and uncertainties regarding the extraordinary public measures and the knock-on effects on economic activity limit the visibility going forward. However, several oil and gas companies have already announced significant reductions in capital spending, including their spending for exploration and development expenditures such as seismic services.

As communicated earlier in April, Magseis Fairfield has taken actions in response to the increased market uncertainty, to align cash spending with new and lower revenue scenarios. The company's new cost measures are designed to lower SG&A costs to approximately USD 25 million and capital expenditure to USD 15 million for 2020. These levels are 60% and 80%, respectively, lower than the corresponding levels in 2019. These lower cost and capex levels reflect management's current best assessment of the activity outlook and will change depending on the actual activity level for the remainder of the year.

As described in the Annual Report, the Group's order book (or backlog) estimates are based on certain assumptions and may be subject to unexpected adjustments and cancellations. The backlog may thus not be timely converted to revenues or be indicative of the Group's actual operating results for any future period. Contracts for the provision of seismic services can be cancelled at the sole discretion of the client without payment of significant cancellation costs to the service provider. This indicates that there can be no assurance that such contracts will be wholly executed by the Group. Similarly, there can be no guarantee that the company will be able to meet customers' contractual terms and conditions in a timely manner, which may also have an adverse effect on the Group's operations and financial position.

For a more detailed overview of risks and uncertainties, please refer to the Annual Report for 2019.

Outlook

The coronavirus has had a huge impact on hydrocarbon demand. This was initially met by a price war and supply increase, followed by an insufficient cut in supply. The immediate impact on the E&P industry has been profound and will last for some time with some permanent changes.

Magseis Fairfield's clients have cut their capex and cancelled or postponed their investment plans to preserve cash. The clients are therefore sharply reducing exploration spending and deferring abandonments, and are shifting focus to already explored fields rather than new reserves. Their efforts are being concentrated on a smaller number of projects that can generate near-term cash and value creation in the current market environment, and Magseis Fairfield is uniquely positioned in this new focus area for our clients.

Given this backdrop, our OBN data quality will be more important than ever for our clients. From an imaging perspective, the superior data quality will allow for better well placement and production management. In addition, OBN is unmatched compared to any other seismic acquisition technique from a repeatability/4D perspective, giving our clients superior imaging and the tools to better manage their reservoirs over time.

Magseis Fairfield enters this cycle with a good cash starting position and asset light business model, and the management has taken decisive action to navigate in this new market reality.

The organization has been adjusted to fit with the operations that have already been secured, and the company will maintain a laser focus on safe, efficient and reliable project execution of the existing backlog. The company has also demonstrated that it can continue to win new orders in this market, as shown by the recent deepwater acquisition award in Mexico.

The cost base has been aligned with a low case revenue scenario based on secured backlog, which will protect and preserve the cash position. This sets up Magseis Fairfield in the best possible way to weather this storm and secure a good entry into 2021.

With experienced people, differentiating technology and an asset light business model the company will continue to work tirelessly to be the trusted partner for its clients and make Ocean Bottom Nodes the technology of choice for seismic data.

Board of Directors and CEO of Magseis Fairfield ASA,

Lysaker, 11 May 2020

Sign.

.

Condensed consolidated statement of comprehensive income

USD thousands	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Full Year 2019 (audited)
Revenue and other income				
Revenue and other income	3	53 282	119 502	459 625
Operating expenses				
Cost of sales		(40 976)	(96 182)	(374 308)
Selling, general and administrative costs and R&D costs		(6 486)	(12 883)	(63 812)
Depreciation	5,6	(11 804)	(15 411)	(56 686)
Amortization	7	(2 156)	(2 428)	(8 960)
Impairment	5,7,12	-	-	(106 245)
Total operating expenses		(61 422)	(126 904)	(610 011)
Operating Profit/(Loss)		(8 139)	(7 403)	(150 386)
Finance income and expenses				
Finance income		905	1 058	14 394
Finance expenses		(4 368)	(3 177)	(7 373)
Net finance income/(expenses)	4	(3 463)	(2 119)	7 021
Net Profit/(Loss) Before Tax		(11 603)	(9 522)	(143 365)
Income tax expense	13	(425)	(1 642)	(8 176)
Net Profit/(Loss)		(12 028)	(11 164)	(151 541)
Basic earnings/(loss) per share (USD) attributable to the ordinary equity		(0.06)	(0.06)	(0.82)
Diluted earnings/(loss) per share (USD) attributable to the ordinary equity		(0.06)	(0.06)	(0.82)
Other comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period		(12 028)	(11 164)	(151 541)

Condensed consolidated statement of financial position

USD thousands	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Full Year 2019 (audited)
Non-current assets				
Goodwill	7,12	-	81 131	-
Property, Plant and Equipment	5,6,12	171 844	177 782	172 091
Multi-client library	7,12	7 475	-	-
Other intangible assets	7,12	64 035	76 062	65 406
Total non-current assets		243 354	334 975	237 496
Current assets				
Cash and cash equivalents		65 751	50 006	53 432
Trade receivables		32 676	88 688	24 353
Inventories		9 505	39 577	18 928
Other current assets		14 171	69 215	22 310
Total current assets		122 103	247 486	119 021
Total assets		365 457	582 461	356 518
Equity				
Shareholders' equity				
Share capital	8	1 578	1 166	1 167
Share premium	8	407 969	382 155	382 148
Other equity		(210 434)	(60 896)	(198 721)
Total equity attributable to equity holders of the Company		199 113	322 425	184 594
Non-current liabilities				
Interest bearing liabilities	9	29 262	32 067	15 824
Obligation under finance leases	6	8 897	17 863	10 707
Non-interest-bearing liabilities		4 000	19 445	4 263
Total non-current liabilities		42 160	69 375	30 794
Current liabilities				
Trade payables		32 666	66 971	29 003
Current tax payable	13	6 500	2 828	7 895
Current portion of interest-bearing liabilities	9	3 333	20 474	16 667
Current portion of obligation under finance leases	6	13 207	18 417	16 195
Other current liabilities		68 479	81 973	71 369
Total current liabilities		124 185	190 663	141 129
Total liabilities		166 345	260 038	171 923
Total equity and liabilities		365 457	582 461	356 518

Condensed consolidated statement of changes in equity

Q1 2020

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance at 1 January 2020	1 167	382 148	5 784	(204 505)	184 594
Share issuance tranche 1	199	13 301	-	-	13 500
Expenses related to tranche 1	-	(683)	-	-	(683)
Share issuance tranche 2	213	14 249	-	-	14 462
Expenses related to tranche 2	-	(1 047)	-	-	(1 047)
Share based payments	-	-	388	-	388
Profit/(Loss) for the period	-	-	-	(12 028)	(12 028)
Other changes	-	-	-	(73)	(73)
Balance at 31 March 2020	1 578	407 969	6 172	(216 606)	199 113

Q1 2019 and full year 2019

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance at 1 January 2019	1 166	382 152	3 244	(52 988)	333 573
Share issuance	-	3	-	-	3
Share based payments	-	-	13	-	13
Profit/(Loss) for the period	-	-	-	(11 164)	(11 164)
Balance at 31 March 2019	1 166	382 155	3 257	(64 152)	322 425
Share issuance	1	(6)	-	-	(6)
Share based payments	-	-	2 527	-	2 527
Other adjustments	-	-	-	25	25
Profit/(Loss) for the period	-	-	-	(140 377)	(140 377)
Balance at 31 December 2019	1 167	382 148	5 784	(204 505)	184 594

Condensed consolidated statement of cash flow

USD thousands	Note	Q1 2020 (unaudited)	Q1 2019 (unaudited)	Full Year 2019 (audited)
Cash flows from operating activities				
Profit / (loss) before tax		(11 603)	(9 522)	(143 364)
Income tax and withholding tax paid	13	(425)	(456)	(4 332)
Depreciation, amortization and impairment	5,6,7,12	13 959	17 840	171 892
Share-based payments expense		388	13	2 540
Finance expense	4	4 368	2 574	7 373
Finance income	4	(905)	(289)	(14 394)
Cost of sales of nodes		-	6 599	29 058
Other non-cash effects		-	5 600	-
(Increase) / decrease in other current assets		6 219	(47 641)	91 961
Increase / (decrease) in other current liabilities		(1 500)	35 208	4 007
Net cash from operating activities		10 503	9 928	144 740
Cash flows from investing activities				
Interest received	4	83	286	735
Investment in Multi-Client library	7	(7 099)	-	-
Investment in other intangibles	7	(785)	-	-
Acquisition of equipment	5	(8 348)	(16 932)	(91 204)
Investment in subsidiaries		-	-	(22 170)
Net cash used in investing activities		(16 149)	(16 645)	(112 639)
Cash flows from financing activities				
Down payments of interest-bearing liabilities	9	-	(9 600)	(22 374)
Payment of finance lease obligation	6	(5 004)	-	(18 775)
Net proceeds from issue of share capital	8	25 820	3	(2)
Interest paid	4	(1 109)	(1 790)	(5 629)
Net cash from financing activities		19 708	(11 387)	(46 780)
Net change in cash and cash equivalents		14 063	(18 104)	(14 678)
Currency effects on cash and cash equivalents		(1 743)	-	-
Cash and cash equivalents at period start		53 432	68 110	68 110
Cash and cash equivalents at period end		65 751	50 006	53 432

Notes to the condensed consolidated Interim financial statements

1. Reporting entity

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

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Significant accounting judgements, estimates and assumptions

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

In preparing these condensed consolidated interim financial statements, significant judgements made by management in applying the group's accounting policies and key sources of uncertainty in the estimates were consistent with those applied for the period ended 31 December 2019, except for impacts from new accounting standards.

2.3 Accounting principles

The interim financial statements are condensed and do not include all the information required by IFRS for a complete set of financial statements and should be read in conjunction with the full year consolidated financial statements for Magseis Fairfield ASA. The 2019 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 2019 Group's Annual accounts.

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' 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 are 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.

	Quarter ended 31-Mar-20			Quarter ended 31-Mar-19		
USD thousands	Segment	Adjustments	As reported	Segment	Adjustments	As reported
Acquisition	36 460	-	36 460	65 669	-	65 669
Systems	15 932	-	15 932	46 905	-	46 905
Reservoir Monitoring/Source	890	-	890	4 752	-	4 752
Multi-client prefunding	929	(929)	-	-	-	-
Multi-client aftersales	-	-	-	2 175	-	2 175
Total revenues	54 211	(929)	53 282	119 502	-	119 502
Cost of sales	(45 443)	4 466	(40 976)	(99 438)	3 256	(96 182)
SG&A and R&D costs	(7 024)	538	(6 486)	(13 375)	492	(12 883)
EBITDA	1 744	4 075	5 820	6 690	3 747	10 437
Depreciation and amortization	(10 274)	(3 685)	(13 959)	(13 779)	(4 060)	(17 839)
EBIT	(8 529)	389	(8 139)	(7 089)	(313)	(7 403)

USD thousands	Year ended 31-Dec-19 Segment	Adjustments	As reported
Acquisition	289 507	-	289 507
Systems	137 466	-	137 466
Reservoir Monitoring/Source	30 477	-	30 477
Multi-client prefunding	-	-	-
Multi-client aftersales	2 175	-	2 175
Total revenues	459 625	-	459 625
Cost of sales	(391 115)	16 807	(374 308)
SG&A and R&D costs	(65 780)	1 968	(63 812)
EBITDA	2 730	18 775	21 505
Depreciation and amortization	(48 421)	(17 225)	(65 646)
Impairments	(106 245)	-	(106 245)
EBIT	(151 936)	1 550	(150 386)

4. Financial income and expenses

USD thousands	Q1 2020	Q1 2019	Full Year 2019
Financial Income			
Foreign exchange gains	560	772	1 160
Revaluation of warrants	263	-	6 482
Interest income	82	286	728
Other financial items	-	-	6 024
Sum financial Income	905	1 058	14 394
Financial expenses			
Foreign exchange losses	(3 076)	(603)	(1 257)
Interest expense loan facility	(636)	(900)	(2 177)
Interest expense leases	(472)	(408)	(2 381)
Other financial expenses	(184)	(1 267)	(1 558)
Sum financial expenses	(4 368)	(3 177)	(7 373)
Net financial items	(3 463)	(2 119)	7 021

5. Property, Plant & Equipment (PPE)

Q1 2020

USD thousands	Seismic equipment	Asset under constructio n	Office machines	Right-of-use assets IFRS 16	Total
Accumulated Investment					
Balance at 1 January 2020	176 093	56 443	5 672	43 392	281 600
Additions	44	8 302	2	-	8 348
Disposals/retirement	(20 564)	-	(423)	-	(20 987)
Reclass - asset under construction	2 026	(2 095)	69	-	(0)
Reclass from Inventory	-	2 136	-	-	2 136
Other changes	-	-	-	-	-
Balance at 31 March 2020	157 598	64 787	5 321	43 392	271 097
	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-
Balance at 1 January 2020	(85 205)	(1 806)-	(4 559)	(17 939)	(109 509)
Depreciation for the period	(7 370)	-	(85)	(4 349)	(11 804)
Accumulated depreciation disposed/retired	19 895	1 806	360	-	22 061
Impairment	-	-	-	-	-
Balance at 31 March 2020	(72 680)	-	(4 284)	(22 288)	(99 253)
	-	-	-	-	-
Net carrying amounts	-	-	-	-	-
Balance at 1 January 2020	90 888	54 637	1 113	25 453	172 091
Balance at 31 March 2020	84 917	64 787	1 037	21 104	171 844

FY 2019

USD thousands	Seismic equipment	Asset under constructio n	Office machines	Right-of-use assets IFRS 16	Total
Accumulated Investment					
Balance at 1 January 2019	153 647	38 092	1 898	-	193 637
PPA adjustments	7 400	5 291	-	-	12 691
Revised balance at 1 January 2019	161 047	43 383	1 898	-	206 328
IFRS 16 implementation	-	-	-	19 937	19 937
Additions	33 309	57 390	407	23 455	114 561
Disposals/retirement	(42 243)	(19 135)	(68)	-	(61 446)
Reclass - asset under construction	23 980	(28 804)	4 824	-	-
Other changes	(99)	3 610	(1 389)	97	2 219
Balance at 31 December 2019	175 994	56 444	5 672	43 489	281 600
Accumulated depreciation and impairment					
Balance at 1 January 2019	(44 338)	-	(701)	-	(45 039)
Depreciation for the period	(48 791)	-	(669)	(17 225)	(66 685)
Accumulated depreciation disposed/retired	23 184	-	9	-	23 193
Impairment	(15 261)	(1 806)	(3 197)	(714)	(20 978)
Balance at 31 December 2019	(85 206)	(1 806)	(4 559)	(17 939)	(109 509)
Net carrying amounts					
Balance at 1 January 2019	116 709	43 383	1 197	-	161 289
Balance at 31 December 2019	90 788	54 638	1 113	25 550	172 091

Capital commitments

The Group has entered into contractual commitments for the acquisition of seismic equipment in 2020 amounting to USD 9 million as of 31 March 2020.

USD thousands	31 March 2020	31 Dec 2019
Capital commitments	9 000	19 800

6. Leases

Extension and termination options have not been included per the reporting date as these are primary used to maximize operational flexibility in terms of managing the assets used in the Group's operations. 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.

Q1 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	-	-	-
Depreciation	(3 943)	(407)	(4 349)
Other adjustments	-	-	-
Balance 31 March 2020	10 854	10 249	21 104

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2020	10 707	16 195	26 902
Additions	-	-	-
Lease payments		(5 004)	(5 004)
Reclassification	(2 016)	2 016	-
Other adjustments	206	-	206
Balance 31 March 2020	8 897	13 207	22 104

2019

Right-of-use assets

USD thousands	Vessels	Offices and warehouses	Total
Carrying value			
Balance 1 January 2019	-	-	-
Implementation of IFRS 16	11 870	8 067	19 937
Additions	18 636	-	18 636
Depreciation	(3 649)	(411)	(4 060)
Other adjustments	(6)	-	(6)
Balance 31 March 2019	26 851	7 656	34 507
Additions	-	4 722	4 722
Depreciation	(12 157)	(1 008)	(13 165)
Other adjustments	103	-	103
Impairment	-	(714)	(714)
Balance 31 December 2019	14 797	10 656	25 453

Lease Liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2019	-	-	-
Implementation of IFRS 16	10 731	9 212	19 943
Additions	6 099	12 952	19 051
Lease payments	-	(3 747)	(3 747)
Other adjustments	1 033	-	1 033
Balance 31 March 2019	17 863	18 417	36 280
Additions	4 307	-	4 307
Reclassification to current	(11 463)	11 463	-
Lease payments	-	(15 028)	(15 028)
Other adjustments		1 343	1 343
Balance 31 December 2019	10 707	16 195	26 902

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 share of the investment in the multi-client library, its share of revenues from the sale of the multi-client survey, related amortization, and expenses. When a partner holds the right to market and sell the project and invoices and collects from the customer, Magseis Fairfield recognizes its share of related accounts receivables. No such arrangements were in place in 2019, but Magseis Fairfield entered into an agreement with an established multi-client company to participate in a multi-client project, which commenced late in the first quarter of 2020.

Q1 2020

USD thousands	Goodwill	Other intangibles	Multi-client library	Total
Accumulated Investment				
Balance at 1 January 2020	81 131	81 296	-	162 427
Additions	-	785	7 475	8 260
Balance at 31 March 2020	81 131	82 081	7 475	170 687
Accumulated Amortization and Impairment				
Balance at 1 January 2020	(81 131)	(15 890)	-	(97 021)
Amortization for the period	-	(2 156)	-	(2 156)
Balance at 31 March 2020	(81 131)	(18 046)	-	(99 177)
Net carrying amounts				
Balance at 1 January 2020	-	65 406	-	65 406
Balance at 31 March 2020	-	64 035	7 475	71 510

2019

USD thousands	Goodwill	Other intangibles	Multi-client library	Total
Accumulated Investment				
Balance at 1 January 2019	81 131	81 296	-	162 427
Balance at 31 March 2019	81 131	81 296	-	162 427
Balance at 31 December 2019	81 131	81 296	-	162 427
Accumulated Amortization and Impairment				
Balance at 1 January 2019	-	(2 816)	-	(2 816)
Amortization for the period	-	(2 428)	-	(2 428)
Balance at 31 March 2019	-	(5 244)		(5 244)
Amortization Q2-Q4 2019		(6 533)	-	(6 533)
Impairment Q2-Q4 2019	(81 131)	(4 113)	-	(85 244)
Balance at 31 December 2019	(81 131)	(15 890)	-	(97 021)
Net carrying amounts				
Balance at 1 January 2019	81 131	78 480		159 611
Balance at 31 March 2019	81 131	76 052		157 183
Balance at 31 December 2019	-	65 406		65 406

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 as at 1 January 2019	184 982 362		1 166	382 151
Private placement 14 January 2019	2 019	17.0	-	4
Transaction costs				(1)
Balance as at 31 March 2019	184 984 381		1 166	382 154
Private placement 24 April 2019	186 211	0.1	1	-
Transaction costs				(6)
Balance as at 31 December 2019	185 170 592		1 167	382 148
Private placement 17 February 2020	37 034 118	3.4	199	13 301
Transaction costs				(683)
Private placement 17 March 2020	44 565 882	3.4	213	14 249
Transaction costs				(1 046)
Balance as at 31 March 2020	266 770 592		1 578	407 969

9. Interest bearing liabilities

USD thousands	31 Mar 2020	31 Dec 2019
Nominal value interest bearing liabilities	33 333	33 333
Prepaid fees	(738)	(843)
Net book value	32 595	32 490
Repayment profile:		
2020	3 333	16 666
2021	-	16 666
2022	30 000	-
Total	33 333	33 333

In first quarter 2020, the Company successfully refinanced the previous term loan by conversion to a Revolving Credit Facility (RCF) of USD 30 million. The new RCF of USD 30 million is due for repayment in December 2022. As a part of the refinancing, the covenants were also revised. The RCF is effective as from 1 April 2020.

The new financial covenants are:

- Net interest-bearing debt/Annual EBITDA < 1.25x. EBITDA calculation to be based on 2018 accounting principles (pre IFRS 16)
- Equity Ratio > 50 percent
- Minimum Liquidity is replaced with Clean Down mechanism

10. Onerous contracts

The group has no onerous contracts as per first quarter 2020.

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	31-Mar-20	31-Mar-19	31-Dec-19	31-Mar-20	31-Dec-19	31-Mar-19
Westcon Group (shareholder)	(I)	2 447	2 691	34 095	1 203	3 547	784
Fairfield Geotechnologies (shareholder)	(II)	233	289	4 254	115	104	5 745
J B Gateman (Geo Innova AS) (shareholder)	(III)	33	50	270	33	59	2

(I) Relates to time charters (TC) for the three vessels Artemis Athene, Artemis Angler and Artemis Arctic. Westcon Group also delivers Marine Management services

(II) In Q1 2019, only services related to sublease apply. In 2019; transactions were related to sublease, consultancy and other operating services. The lease agreement ends in October 2030 and the total lease liability is USD 3.6 million as of 31 March 2020

(III) J B Gateman is engaged as an independent consultant

12. Impairment of non-current assets

Impairment of assets

Intangible assets that have an indefinite useful life are 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

Impairment charges of USD 106.2 million was recognized in 2019. This was related to goodwill (81.1), seismic equipment (15.5), US manufacturing (5.5) and previously capitalized development costs (4.1).

At the end of first quarter 2020, several impairment indicators were present. The outbreak and spreading of the coronavirus has 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. Consequently, management initiated an impairment test reflecting the low case revenue scenario described above.

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 based on low case revenue scenario with conservative growth for the period including 2024, with an estimation of terminal value in subsequent periods. Market uncertainty and recovery is reflected in these 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 levels assumed

The test suggests no impairment required at first quarter end, but it must be emphasised that the model is highly sensitive to its assumptions.

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. Restatement of 2019 first quarter, second quarter and half year results, balances and cash flow

Following final purchase price allocation (PPA), first quarter, second quarter and first half year were restated. Please refer to further details provided in the third quarter report 2019.

15. Subsequent events

On 7 April 2020, Magseis Fairfield announced measures to further reduce SG&A and capital expenditure in response to increased market uncertainty due to coronavirus and the uncertain market outlook. The new cost measures will include temporary layoffs/furlough, headcount reductions, and other related cost reduction initiatives, that will be executed in accordance with the local rules and regulations in each applicable country. Compared to previously indicated levels for 2020, the management is now implementing a multi-layered approach to achieve a further 30% reduction in SG&A and a 50% reduction in capex. The new cost initiatives add to a series of measures implemented by the new management as part of the reorganization and restructuring of Magseis Fairfield over the past half year. Compared to the FY 2019-levels, SG&A costs are hence being reduced by approximately 60% to around USD 25 million, and capex reduced by approximately

80% to around USD 15 million, excluding investments in multi-client library. These lower cost and capex levels reflect the management's current best assessment of the activity outlook and will change depending on the actual activity level for the remainder of the year.

16. 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 before deducting interest expense, taxes, depreciation and amortization. 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.

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 using segment revenue before deducting interest expense, taxes, depreciation and amortization. Payments for long-term lease contracts under IFRS 16 are recognized as operating cost and included in segment EBITDA. See note 3 for further details.

EBIT is a measure of earnings 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 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.

Magseis Fairfield ASA

Strandveien 50
N-1366 Lysaker NORWAY

Phone: +47 23 36 80 20