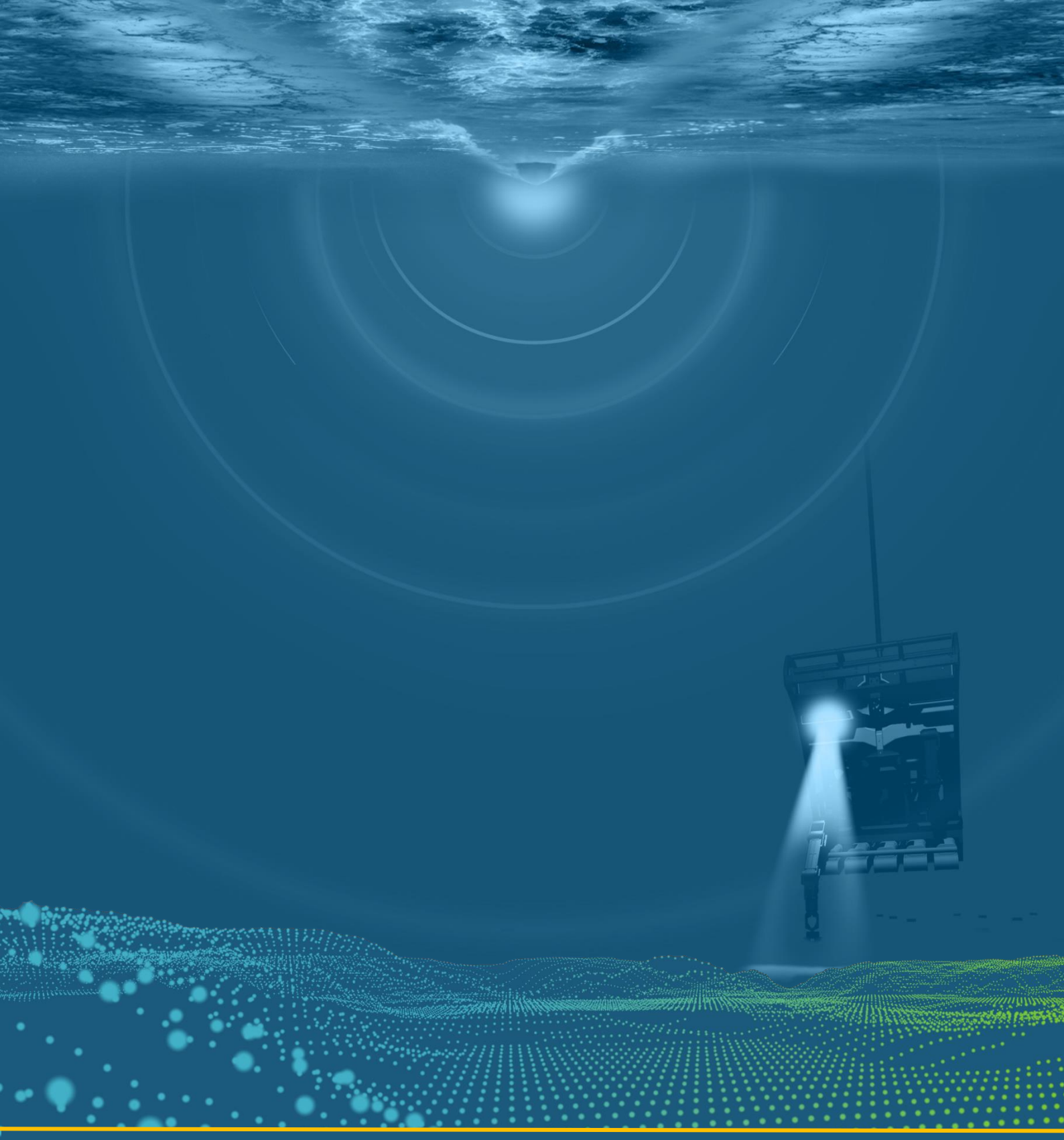


Annual report 2020

magseis fairfield

Content

Highlights

Safe and stable operations

- Strong operational performance and project execution
- Strict Covid-19 protocols, with avoidance of offshore Covid-19 cases ensuring operational continuity
- Total recordable case frequency (TRCF) improved to 1.09 from 2.15 in 2019

Improved financial performance and cash preservation

- Revenue decline to USD 193.4 million due to a more challenging Oil and Gas market
- Reported EBITDA increased to USD 35.5 million following improved project margins and better cost control
- Reported EBIT loss of USD 14.6 million
- Net loss after tax of USD 19.7 million
- Year-end cash balance of USD 54.8 million and net cash position of USD 21.9 million

Completed company turnaround

- Developed a five-year strategy covering existing and new business areas
- Replaced the operating model, with a restructured organization, improved operational execution, and redesigned financial management and governance of the company
- Reduced SG&A costs by ~60% and reduced capex by ~80% YoY
- Secured financial flexibility by executing a USD 30 million private placement and a USD 33 million debt refinancing

Asset-light and differentiated technology

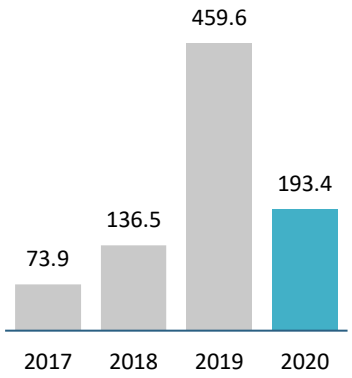
- Leading Ocean Bottom Node technology platform
- Offering differentiated modular and asset-light solutions
- Unique technology-offering allowing fundamentally reduced costs to acquire high quality OBN data
- Well-positioned for a market rebound focusing on energy transition and value generation from existing fields
- Established Magseis Renewables to explore deployment of existing technology in Renewable markets

Improving market outlook

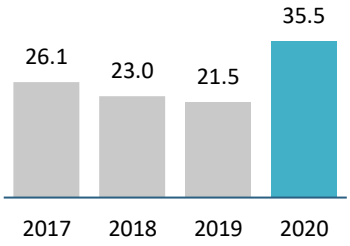
- Increased backlog by 20% to USD 198 million at the end of the year
- Secured new orders in Q1 2021 with combined value of USD 65 million, to be executed in 2021
  Signs of market improvement and increased tender activity for 2021 with projects in the Gulf of Mexico and the North Sea, with potentially higher utilization of the node inventory than previously anticipated
- Building on excellent client feedback on operational, technological and QHSE performance

USD million

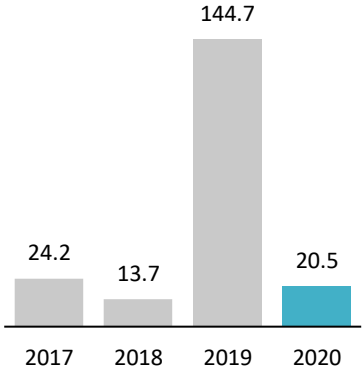
Revenues



EBITDA



Cash flow from operations



Key financials

USD million	2020	2019
Profit and loss		
Revenues	193.4	459.6
Gross profit	62.8	85.3
Gross margin	*32%*	*19%*
General and administrative costs	(27.3)	(63.8)
EBITDA	35.5	21.5
EBITDA excluding special items	38.4	53.6
EBITDA %	*20%*	*12%*
EBIT	(14.6)	(150.4)
Net profit/(loss)	(19.7)	(151.5)
Other key figures		
Net cash from operating activities	20.5	144.7
Net cash used in investing activities	(25.2)	(112.6)
Net cash from financing activities	4.7	(46.8)
Total assets	344.6	356.5
Equity ratio	56%	52%
Cash and cash equivalents	54.8	53.4
Net interest-bearing debt/(cash)	(21.9)	(20.9)
Book value multi-client library	20.9	-
Backlog 31 December	198.0	165.0

CEO message

Company turnaround completed, improving market outlook

2020 was an important year for Magseis Fairfield: proving that the turnaround of the company could strengthen our value proposition and improve our financial results. We managed to do just that in a very challenging energy market environment. We increased our order backlog by 20%, lifted gross margins to 32%, reduced our cost base by 60% and our capital spending by 80% from 2019. This enabled us to preserve our financial strength and flexibility through 2020 and leaves us in a solid position as the OBN market leader to fully benefit from the improving market we see going forward.

I stand very proudly with the entire Magseis Fairfield team as we successfully navigated the very challenging market and delivered great performance for our customers through 2020.

Also, I am especially pleased with our QHSE performance and to see a continued positive development for the Total Recordable Case Frequency (TRCF) for the full year. We adopted and followed strict and effective protocols regarding Covid-19, including quarantine and testing regimes, and had no Covid-19 cases offshore on our crews. This ensured operational continuity throughout the year.

Restructuring completed

The turnaround of the company in 2020 was completed through three main actions. Firstly, we took decisive action to bring our cash cost down. The original SG&A and capex targets for 2020 were revised down further when the Covid-19 pandemic hit, and we delivered on our financial guidance on both accounts with full-year SG&A costs of USD 25 million excluding restructuring costs and capex of USD 13 million (excluding multi-client investments). This brought our cash cost (SG&A and capex) down by approximately 75% year-on year, aligning spending with a lower revenue level.

Secondly, we developed a new five-year strategy covering existing and new business areas. The first pillar of the strategy is to strengthen the core by becoming better at our services in our core areas. The second pillar is to use the alliance growth model to grow into other geographical areas using key alliances, and to grow into new markets such as renewables. This sets the company up with a clear direction and ambition for the future.

Thirdly, we strengthened our balance sheet. We carried out a private placement of USD 30 million and refinanced our debt in mid-February. We thank our shareholders for their support and trust. This allowed us to successfully navigate a challenging 2020 and deliver on our strategy to protect and preserve our cash position for a good entry into 2021. Having done that, we closed 2020 with a cash balance of USD 55 million.

Excellent project execution and solid backlog development

Higher backlog quality, improved project execution and better cost control generated an improvement in gross margins to 32% from 19% in the previous year.

The reported profit and loss figures do not reflect the execution of our first multi-client project in 2020, which is being carried out in a 50-50 partnership with CGG. This survey is in fact the largest OBN survey ever carried out in the North Sea, and the acquisition was successfully completed in the fourth quarter. The crew delivered excellent performance with zero lost time incidents. Processing of the data is currently underway by our partner CGG, with fast-track data available in the second quarter 2021 and the final products available in the fourth quarter 2021.

Securing quality backlog has been our number one priority. We maintained a sharp focus on our customers throughout the year and managed to increase our backlog by 20% to USD 198 million at the end of the year. That positive momentum has continued, and we have already secured three additional contracts with a combined value of USD 65 million in 2021. This backlog position provides us with a solid basis to further develop our business.

Improving market outlook

When the Covid-19 pandemic hit, our customers shifted their focus to cash and value generation from already explored assets. At the time this was considered a temporary change. However, at the same time a number of customers have made strong commitments to the energy transition. This has made the sharper focus on cash and value generation from already explored assets a

permanent change in the market. This clearly provides a great opportunity to Magseis Fairfield since our offering is centered around OBN data acquisition over existing fields, providing our customers with high-quality subsurface data to extract more value from their assets.

We are seeing the first signs of this shift with increased tender activity for 2021 projects in our core areas, the Gulf of Mexico and North Sea. We indeed see a scenario where we will have much higher utilization of our node inventory in 2021 than previously anticipated.

In 2020 we conducted an in-depth market analysis together with Rystad Energy. The study provides further support to the shift away from exploration and increased spending on assets in the appraisal/development and production phases.

In fact, looking at the forecast out to 2025, exploration spend is not forecasted to recover above 2019 levels, although the same forecast shows double digit growth for offshore upstream capex in the appraisal/development market and more moderate growth in the production market.

This supports our view that we will see double-digit market growth in the OBN market from 2021 onwards.

Our customers are increasingly asking for differentiated technology solutions, and our history and future is founded on technology differentiation. We have therefore continued to invest in technology development even during the depths of the Covid-19 pandemic. New technology will drive down project costs and is key to significantly growing the addressable market.

Magseis Fairfield's differentiated technology position and strategy gives the company a clear market advantage that is not available to those who offer commoditized solutions.

Entry into renewables

Many of our customers have made commitments towards the energy transition, and we want to continue to be a partner to our customers as they go through this multi-year process. We have therefore begun to explore new market opportunities outside of oil and gas to offer our customers the solutions they require to realize the energy transition.

Our technology and services can provide valuable solutions to, for example, offshore Carbon Capture and Storage (CCS), windfarm placements, and mineral mining. In 2020 we executed a successful test in the North Sea over a major CCS field in collaboration with one of our key customers. We will continue to work with our customers to establish our offering and solutions for these new markets in the coming quarters. We have established a separate business unit and the wholly owned company Magseis Renewables AS to manage this business going forward. Although the current oil and gas offering is expected to constitute the vast majority of the business in our foreseeable future, we view the ongoing energy transition as a long-term growth opportunity.

2021 and beyond opportunity

As mentioned, we see a permanent market shift toward value and cash generation from already explored fields and growth in renewables as part of the energy transition. We are already seeing the first signs of this, with an improving market outlook for 2021 and beyond. With our differentiated solutions we are well positioned to take advantage from our leadership position.

Our goal for 2021 is to use our market position to fully benefit from the market opportunities, while preserving our financial strength and retaining a capital structure for long term growth.

Carel Hooijkaas
CEO Magseis Fairfield

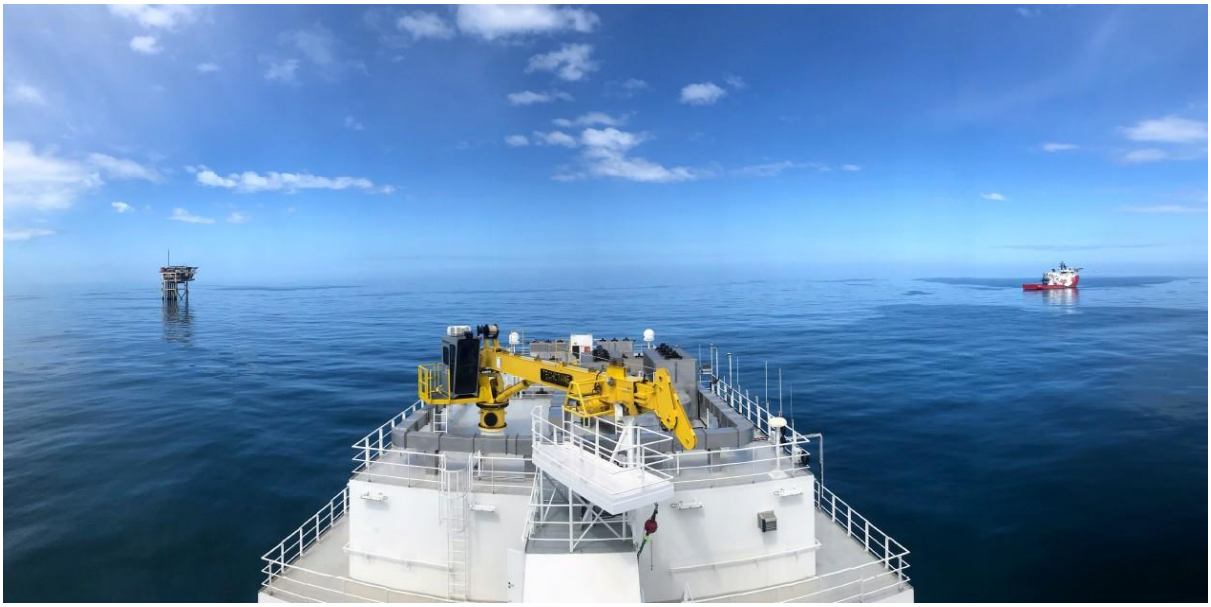


Photo by Marden Mejala. Cornerstone OBN survey Summer 2020 in the North Sea

Board of Directors

Wenche Kjølås
Chair of the Board

Angela Durkin
Board Member

Luis Araujo
Board Member

Anthony J. Dowd
Board Member

Jan B. Gateman
Board Member

Jonathan Cudmore
Employee Representative

Janie Garcia
Employee Representative

Board of Directors report

Strategy and business overview

Magseis Fairfield is a Norwegian geophysical company headquartered in Lysaker outside Oslo, Norway, performing ocean bottom seismic (OBS) operations. The Group has offices in Houston (USA), Warminster (UK), Stockholm (Sweden), Rio de Janeiro (Brazil) and in Singapore, and provides services to customers globally.

Magseis Fairfield was created through Magseis ASA's purchase of Fairfield's seismic technologies business and the WGP Group from Fairfield Industries Incorporated in December 2018. Fairfield was founded in 1974 while Magseis was founded in 2009.

The Group provides 3D, 4D, near field and sparse ocean bottom node (OBN) data acquisition services to energy companies and exploration and production companies within the oil and gas industry. The node portfolio comprises both proprietary Znodes and MASS nodes.

Magseis Fairfield's business is based on a strong technology foundation, with in-house developed proprietary OBN nodes and handling and deployment systems that hold the potential to significantly improve the efficiency and reduce the costs of seismic surveys.

Ocean Bottom Surveys (OBS) collect four-component (4C) seismic data using one hydrophone and three geophones and is widely recognized as delivering the highest quality seismic data available.

Through continuous proprietary technology developments Magseis Fairfield is working to reduce the costs of OBS to the level where the superior quality data becomes the preferred technology for both field development and near-field exploration. The combination of reduced project costs and the highest quality seismic data will grow the OBS market share in the total seismic market.

The Group's main business lines are:

- **Acquisition**, where the Group acquires proprietary data on behalf of customers who obtain full ownership of the data acquired in proprietary surveys
- **Multi-Client**, where the Group and its partners acquires data and retains part or full ownership of the data acquired, typically partly pre-funded by third parties
- **Reservoir Monitoring and Source**, where the Group provides services and equipment for monitoring existing fields on long-term contracts
- **Equipment Lease & Sales**, where the Group preferably rents out, alternatively sells, nodes and node handling systems to customers running their own data acquisition surveys
- **Renewables**, where the Group offers services tailored to the Offshore Wind Farm, Offshore minerals and Carbon Capture and Storage (CCS) segments

The Group's mission is to bring value to our global energy partners and stakeholders by delivering leading edge, safe and sustainable solutions through technology differentiation and key alliances. This will drive us toward our vision to be the leading and trusted partner in subsurface imaging solutions.

Restructuring and reorganization

Over the past 15 months, the new management has carried out an extensive operating model and financial management restructuring and reorganization program, with the aim to materially improve profitability, as well as reduce cost levels and capital expenditure to align with the actual activity level and secured backlog.

At the outset, the restructuring program was expected to reduce operating expenses by approximately 45% from 2019 to 2020, and to reduce the capital expenditure level by approximately 60% to USD 35 million in 2020.

However, the management in early April 2020 decided to implement further cost and capex

reductions in response to increased market uncertainty due to Covid-19 and lower oil prices.

Compared to the 2019 levels, the new targets corresponded to approximately 60% cuts in SG&A costs to USD 25 million, and an 80% reduction in capital expenditure to USD 15 million.

The 2020 results overall show that the company met its targets. Reported SG&A costs for the full year were USD 27.3 million. This included USD 2.4 million in restructuring costs in the fourth quarter to support further cost savings from 2021 onwards. Excluding the restructuring charges, SG&A was USD 24.9 million. Capital expenditure ended at USD 13 million (excluding multi-client investments) for the full year 2020, slightly below the target.

A significant part of the planned cost savings has come through a shift in manufacturing philosophy, moving from in-house manufacturing to contract manufacturing. This shift further strengthens Magseis Fairfield's asset light operating model and enabled a reduction in the number of employees and contracted personnel and generally reduced operational costs.

Overall, the number of FTEs stood at 370 at the end of 2020, which was a decline of approximately 40% from the end of 2019.

Operational review 2020

QHSE performance continued to improve with a Total Recordable Case Frequency (TRCF) of 1.09 for the full year. This compares favorably with the TRCF of 2.15 reported for 2019, and the 2019 industry average of 1.89.

Magseis Fairfield executed seven data acquisition projects in the Gulf of Mexico in 2020, in addition to the Cornerstone Multi-client project, the repeating Reservoir Monitoring /Source programs in the North Sea, and several node rental projects and support operations in the Middle East and Asia.

The data acquisition surveys were carried out by the Group's successful ZXPLR crew in the Gulf of Mexico, operating ROVs and node handling systems aboard the multi-purpose offshore vessel REM Saltire. Toward the end of the year and into 2021 the crew completed the first deep-water OBN project in Mexican waters, before the vessel went to drydock for maintenance in January 2021. The first ZXPLR crew has solid contract coverage into the fourth quarter of 2021.

Toward the end of 2020, the company also mobilized a second ZXPLR crew for a contract starting in 2021.

The company's node-on-a-rope Z700 crew spent most of the year working on the Cornerstone Multi-Client survey on the UK continental shelf in cooperation with CGG.

Commencing in March and completed in November, the Cornerstone project covered 1,650 square kilometers of long-offset full-azimuth data, making it the largest OBN survey ever acquired in the North Sea. The project represented a total of 813,000 man-hours with zero lost-time incidents.

The data is currently being processed with fast-track data available in the second quarter 2021 and final processed deliverables available in the fourth quarter of 2021.

The Group also completed an equipment rental contract using MASS I nodes and was part of a successful hybrid (streamer and nodes) survey in the North Sea, fully benefitting from the highly modular and differentiated MASS technology.

The company's three Reservoir Monitoring/Source crews completed permanent reservoir monitoring services and 4D seismic over three major oil fields in the North Sea, during the summer season under long term contracts. These crews do the necessary maintenance and readiness work during the winter months in preparation for the summer acquisition projects.

In addition, the Group leased out Z700 nodes for a project in Azerbaijan and sold Z100 nodes to an existing client in Asia.

Order backlog

The order backlog stood at USD 198 million at the end of 2020, which was an increase of 20% from the end of 2019.

USD 127 million of the backlog is scheduled for delivery in 2021 and USD 71 million in 2022 and beyond.

In the first months of 2021 the company received further contracts for a 4D OBN contract in the North Sea, a 3D OBN baseline survey offshore Angola, and a 4D OBN monitoring survey in the GoM for a repeat customer. The three contracts have a combined value of approximately USD 65 million, and hence represent a significant strengthening of the backlog for execution in 2021.

Working environment and personnel

At the end of 2020, the Group had a total of 370 FTEs, with 334 employees and 36 contractors. This was a decline from 622 at the end of 2019, split between 416 employees and 206 contractors.

The Parent company had a total of 58 FTEs, of which 51 employed and 1 contractor. This compares to 95 FTEs at the end of 2019, with 75 employed and 20 contractors.

The employees in the Group represented 15% women, and 85% men. About 51% of the employees were based offshore (187) and 49% onshore (183).

Magseis Fairfield has adopted guidelines, policies and procedures relating to human rights, employee rights and social matters, prevention of corruption, harassment, and discrimination in the working environment and in our employment practices. A statement on Magseis Fairfield's corporate responsibilities involving people, planet and business practice is provided in a separate section later in this annual report.

The sick leave percentage for the group in 2020 was 1.94 percent for the offshore crew (0.84 percent in 2019) and 1.66 for the onshore personnel (0.95 percent in 2019). Sick leave for the parent company, onshore personnel only, was 2.26 percent in 2020 (2.1 percent in 2019).

The company reported two industry recordable safety events and five first-aid case in the first half of the year, and zero in the second half of the year.

Magseis Fairfield maintained its ISO 9001:2015 certification and its ISO 45001 certification in Health and Safety.

The number of exposure hours amounted to 1.84 million, based on 12 hours daily exposure, compared to 2.79 million in 2019. This methodology is in alignment with the reporting protocols of the International Association of Geophysical Contractors (IAGC) and International Association of Oil and Gas Producers (IOGP).

The lower number of exposure hours reflect a generally lower activity level with fewer operational crews in 2020.

Renewables

Magseis Fairfield has launched a separate Renewables business unit with the registration of Magseis Renewables AS as a wholly owned company under Magseis Fairfield ASA. The Group recognizes that geophysical experience from the oil and gas industry will play a key role in facilitating the energy transition. Magseis Fairfield's extensive experience from the oil and gas industry positions the company to contribute to the research and development of geophysical methods within the renewables space. By utilizing our broad technology portfolio and asset light business model, we offer services tailored to the Offshore Wind Farm (OWF), Offshore minerals and Carbon Capture and Storage (CCS) segments.

Magseis Fairfield explores these markets to offer its customers the solutions they require in their ongoing energy transition. Although the current oil and gas offering is expected to constitute the vast majority of the business in the foreseeable future, the company views the ongoing energy transition as a long-term growth opportunity.

Renewables market outlook

The Group is currently focusing on CCS and OWF, where market research shows the highest near-term potential. The Deep-Sea Minerals market is still immature, although the expectation is that it will develop over the coming years.

Carbon Capture & Storage

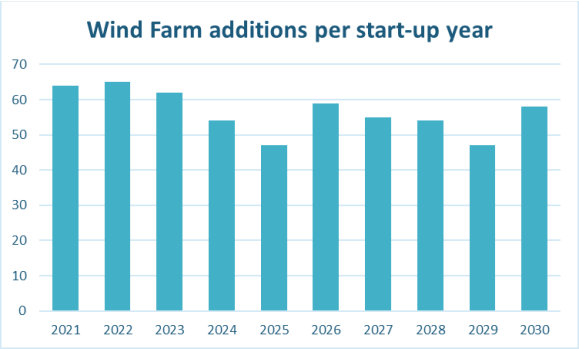
For CCS the Group is currently focusing on the ongoing and planned projects in the North Sea region (see map). The number of projects is expected to grow in the years to come. USA has also started exploring offshore CO_2 sequestration.

Location of CCS projects in Europe

Source: Rystad Energy research and analysis

Offshore Wind Farm

The Offshore Wind market is growing fast. Europe remains the main hub, with Asia and US expanding rapidly. The below graph shows a significant number of windfarms coming onstream over the next decade. Magseis Fairfield's technology and offerings are relevant for early phase projects, typically a couple of years before construction.



Source: Rystad Energy research and analysis

Management

Carel Hooijkaas joined Magseis Fairfield as CEO on 1 October 2019, bringing with him more than 25 years of experience in the international oilfield services and equipment industry.

Mark Ivin joined as CFO on 1 September 2019, bringing with him some 25 years of diverse experience within financial management from three countries across four industries.

Mark Zajac joined as CTO in 2020, bringing 30 years of experience from the oilfield service and equipment industry.

Tom Scoulios joined Magseis Fairfield in 2017 where he is currently serving as COO. Before joining Magseis Fairfield, Tom worked for more than 20 years in the seismic industries.

Simon Hayter joined Magseis Fairfield in 2017 where he is currently serving as CSO. Prior to joining Magseis Fairfield, Simon worked for more than 20 years in seismic industry.

Sharon Barclay joined Magseis Fairfield in October 2018 and has more than 25 years of experience in leading HR teams in international companies. She serves as CHRO.

Ivar Gimse serve as EVP Business Development and is one of the Co-Founders of Magseis. He has more than 25 years of seismic industry experience.

Laila Myksvoll joined Magseis Fairfield in 2020 as Group General Counsel and brings more than 25 years of experience in legal management and advisory roles.

Carel Hooijkaas
CEO

Mark Ivin
CFO

Mark Zajac
CTO

Tom Scoulios
COO

Simon Hayter
CSO

Sharon Barclay
CHRO

Ivar Gimse

Laila Myksvoll

Financial review

These consolidated financial statements comprise Magseis Fairfield ASA (referred to as the "company" or "parent") and its subsidiaries (referred to as "the Group").

The company and its subsidiaries have functional currency and presentation currency in United States Dollar (USD). The consolidated financial statements for the Group are presented in United States Dollars (USD). Unless otherwise stated, all financial information presented in USD has been rounded to the nearest thousand and figures in parentheses represent figures for 2019.

Changes in the Income Statement from 2019 to 2020 primarily reflects changes in the business environment leading to lower activity, and year-on-year comparisons are also significantly impacted by a large one-off sale of nodes in 2019 as well as by significant impairments and special items affecting costs and results in 2019.

Revenues

The Group's revenue for 2020 amounted to USD 193.4 million, compared to USD 459.6 million in 2019. The decline primarily reflects lower activity in a challenging business environment, as well as a large one-off sale of MASS I nodes in the previous year. The latter accounted for approximately USD 110 million, or roughly one-quarter of total revenues in 2019.

68 percent of Group revenue was from data acquisition contracts, while 10 percent was from Reservoir Monitoring/Source programs. Revenue from equipment sales and leases accounted for 22 percent.

The large Cornerstone Multi-Client survey the company carried out in partnership with CGG is not recognized in the profit and loss account. Magseis Fairfield will recognize revenues from external sale of the multiclient survey data only when all data has been fully acquired and processed, and this is estimated to be completed during the fourth quarter 2021. Received prefunding is recognized as deferred revenue until completion date. Magseis Fairfield capitalizes its share of investments, including cost for vessels, crew, data processing, and depreciation.

Operational costs

Group cost of sales amounted to USD 130.6 million in 2020 (374.3), mainly relating to vessel operation costs such as time charter, crew cost and fuel.

The cost of sales included special cost items of USD 0.5 million in 2020. In 2019 the cost of sales included special cost items of USD 16.3 million relating to severance pay, crew taxes and compliance cost related to a legacy onerous contract, and inventory adjustments and write-downs due to closedown of the US manufacturing operation.

The gross profit was USD 62.8 million (85.3) and the gross margin 32 percent (19 percent). The gross profit decline is explained by generally lower revenue and particularly lower general contribution from node sales. Gross profit contribution from other business activities increased from 2019 to 2020 through improved cost control and project execution.

Selling, general and administrative expenses (SG&A) amounted to USD 27.3 million in 2020, including restructuring costs of USD 2.4 million related to onerous leases and severance pay/retention cost in the fourth quarter of the year. Net of the restructuring costs, the SG&A cost level met the financial guidance of USD 25 million the company set for its cost control measures in April 2020. The company plans to maintain SG&A at or below USD 25 million also in 2021, although increased demand and potential new contract awards could trigger additional resource needs.

The 2020 SG&A level represented a decline of approximately 60% from the reported SG&A cost level of USD 63.8 million for 2019, which included special cost items of USD 15.8 million related to severance pay, loss on receivable, write-offs of development projects/work-in-progress, and other costs related to restructuring and reorganization.

Depreciation, amortization and impairment

Depreciation, amortization and impairments totaled USD 50.1 million (171.9).

Depreciation amounted to USD 39.4 million for the full year (56.7), with the decline mainly reflecting capitalization of depreciation for long-term vessel leases under IFRS 16 utilized for the multi-client project.

Amortization amounted to USD 8.7 million (9.0), mainly relating to amortization of excess values allocated to technology and customer relations from the acquisition of Fairfield and WGP in 2018.

Impairments amounted to USD 1.9 million, mainly reflecting revaluation of long-term office leases where the company seeks to sublet excess office space. In 2019 the company reported impairments of USD 106.2 million, including a USD 81.1 million goodwill impairment which eliminated all goodwill on the balance sheet.

EBITDA

The Group reported EBITDA of USD 35.5 million for 2020, compared to USD 21.5 million in 2019.

This included negative special items of USD 2.9 million (32.1) as described under operational cost.

Adjusted EBITDA was hence USD 38.4 million (53.6), with the EBITDA-margin improving to 20 percent from 12 percent in the previous year.

Operating result (EBIT)

The operating result (EBIT) for 2020 showed a loss of USD 14.6 million, compared to a loss of USD 150.4 million in 2019. Results in 2019 were impacted by significant asset impairments and other special cost items.

Net financial items

Total financial income amounted to USD 6.6 million in 2020 (14.4). The net financial items in 2019 were significantly impacted by positive effects from revaluation of warrants of USD 6.5 million, and reversal of a previously recognized contingent liability of USD 8 million.

Total financial expenses were USD 9.8 million (7.3), comprising both interest on debt and interest on financial leases under IFRS 16.

Net financial cost was hence USD 3.2 million in 2020, compared to net financial income of USD 7.0 million in 2019.

Profit/loss

Net loss before tax was USD 17.8 million in 2020, compared to a net loss before tax of USD 143.4 million in 2019.

Income tax expense amounted to USD 1.9 million (8.2), and net loss after tax to USD 19.7 million (151.5).

The company does currently not recognize any tax loss carried forward as tax assets.

Balance Sheet

Total assets for the Group were USD 344.6 million per the end of 2020, versus USD 356.5 million at the end of 2019.

Property, plant, and equipment (PPE) amounted to USD 150.1 million, versus USD 172.1 million at the end of 2019.

The company completed the North Sea survey on a multiclient project during the fourth quarter, and the multi-client library was recognized as a non-current asset of USD 20.9 million at the end of year.

Intangible assets stood at USD 57.7 million at the end of the fourth quarter 2020, down from USD 65.4 million at the end of 2019. There is no goodwill on the balance sheet.

During the year, the company has performed impairment tests considering the shifts in market fundamentals due to Covid-19 and a lower oil price scenario. No impairments were found to be required, with the exception for a USD 1.9 million impairment mainly related to office lease contracts which was charged to the Income Statement for the fourth quarter 2020.

Total non-current assets amounted to USD 228.7 million, compared to USD 237.5 million at the end of 2019.

Inventories decreased to USD 7.7 million from USD 18.9 million at the end of 2019, mainly reflecting a node sale in the first half 2020.

Trade receivables increased to USD 38.1 million from USD 24.4 million at the end of 2019, whereas other current assets decreased to USD 15.3 million from USD 22.3 million at the end of 2019.

Cash and cash equivalents amounted to USD 54.8 million at the end of 2020, compared to USD 53.4 million at year-end 2019.

Total current assets amounted to USD 115.9 million at the end of the year, compared to USD 119.0 million at the end of 2019.

The company has held negative net working capital through 2020. This is gradually normalizing, and the negative net working capital of USD 19 million at the end of 2020 compares to a negative USD 35 million at the end of 2019.

The Group's equity amounted to USD 192.5 million at the end of 2020, up from USD 184.6 million at the end of 2019.

Equity change in the year was positively impacted by a private placement completed in the first quarter. The equity ratio increased to 56% from 52% at the end of 2019.

Non-current liabilities amounted to USD 44.5 million at the end of 2020, compared to USD 30.8 million at the end of 2019. The change mainly reflects the completion of refinancing in the first quarter 2020.

The non-current liabilities comprised interest-bearing liabilities of USD 30.6 million (15.8), lease liabilities of USD 8.8 million (10.7), and noninterest-bearing liabilities of USD 5.1 million (4.3).

Current liabilities amounted to USD 107.6 million at the end of 2020, compared to USD 141.1 million at the end of 2019.

Trade payables decreased to USD 17.2 million from USD 29.0 million at the end of 2019.

The current portion of interest-bearing liabilities was reduced to USD 2.3 million following refinancing in the first quarter, and a down-payment on the company's Revolving Credit Facility of USD 3.3 million in the second quarter.

The current portion of obligations under finance leases was USD 19.4 million, compared to USD 16.2 million at the end of 2019.

Current tax payable was USD 5.5 million compared to USD 7.9 million at the end of 2019, and other current liabilities decreased to USD 63.3 million from USD 71.4 million. This comprised project accruals, restructuring accruals, warranty accruals, deferred revenue, and other operational accruals.

Cash Flow and Investments

The Group had a positive operating cash flow of USD 20.5 million in 2020, compared to USD 144.7 million in 2019. Note that operating cash flow for 2019 was significantly impacted by a large one-off sale of MASS I nodes. The variance between the operating cash flow of USD 20.5 million and EBITDA of USD 35.5 million in 2020 are mainly explained by negative working capital movements of USD 13.9 million.

Cash outflow from investing activities amounted to USD 25.2 million for 2020, compared to USD 112.6 million in 2019. The decrease reflects the cash conservation measures and thus capex reductions implemented in fourth quarter 2019 and first quarter 2020.

Capital expenditure (excluding multi-client investments) accounted for USD 13.3 million of the cash outflows from investing activities, coming in below the company's full-year financial guidance of USD 15 million set in April 2020. The company plans to maintain capital expenditure at or below USD 15 million also in 2021, although increased demand and potential new contract awards could trigger additional equipment investments.

Investments in the multi-client library amounted to USD 12.0 million. 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. Net of received prefunding, which is recognized as deferred revenue in the balance sheet, the multi-client project was cash neutral in 2020, in line with the target set in early 2020. The company expects the multi-client business to remain cash neutral also in 2021.

Cash flow from financing activities was a positive USD 4.7 million for the full year (-46.8). This primarily reflects the refinancing in the first quarter of 2020.

Cash and cash equivalents stood at USD 54.8 million at the end of 2020 (53.4), and the net cash position was USD 21.9 million (20.9).

Funding

The financial results for the Group in 2019 were characterized by financial and operational challenges, resulting in significant impairments, restructuring charges, write offs and other special items that impacted the numbers negatively.

The new management that joined in September/ October 2019, immediately initiated a company turnaround, with significant restructuring measures with capex and cost reductions to restore profitability. This was followed by a fully redesigned financial management and financial control of all parts of the business, enabling further profitability-improving cost and capex reductions in April 2020, in response to a more uncertain market outlook due to the Covid-19 pandemic and lower and more volatile oil prices.

As part of the restructuring, the company strengthened the balance sheet and liquidity position with a private placement raising gross proceeds of NOK 277.4 million in February 2020. Upon completion of the share issue, the Group

refinanced its debt, converting a term loan into a USD 30 million Revolving Credit Facility with a new covenant structure.

Magseis Fairfield remained in compliance with all financial covenants through 2020. Please see note 21 for further details.

Parent company

Magseis Fairfield ASA is the parent company of the Magseis Fairfield Group. In 2020, Magseis Fairfield ASA reported a loss after tax of USD 20.8 million, compared to a loss of USD 152.8 million in 2019.

At year-end 2020, Magseis Fairfield ASA had total assets of USD 240.5 million, compared to USD 264.7 million at the end of 2019. The equity ratio was 81 percent, compared to 71.0 percent at the end of 2019.

Allocation of comprehensive loss

The Board of Directors proposes the following allocation of the reported comprehensive loss: Carried forward as uncovered loss USD 20.8 million.

As of 31 December 2020, Magseis Fairfield ASA has total equity of USD 194.7 million, compared to USD 187.9 million at the end of 2019.

Accounting principles

The consolidated financial statement for 2020 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU. The financial statements for the parent company have been prepared in accordance with the simplified application of IFRS and section 3-9 of the Norwegian Accounting Act.

Going concern

The financial results for the Group were characterized by continued financial and operational challenges in 2020, due to the Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices. However, the Group has reduced the cost and capital expenditure levels significantly through 2020, to align spending with a lower activity level and preserve cash and safeguard business continuity.

The Group's backlog for 2021 increased during the fourth quarter 2020 and the first months of 2021, offering increasing support for the 2021 forecasts.

Supported by the equity raise and refinancing in the first quarter 2020, the company ended the year with USD 54.8 million in cash and cash equivalents and a net cash position of USD 21.9 million. Given the established lower level of SG&A costs and capital expenditure, it is the Board of Directors' view that this provides sufficient liquidity for the current activity level.

Although there are uncertainties related to events or conditions that might impact the future cash flows, such as Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices, the Board and management are of the opinion that the going concern assumption is appropriate and the accounts are prepared under this assumption.

Risk factors

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

Revenue risk

Magseis Fairfield operates in competitive markets, and most of the Group's contracts are obtained through competitive bidding processes. Rapid technological changes may affect the Group's competitive position.

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.

Failure of the company to meet customers' contractual terms and conditions may have an adverse effect on the Group's operations and financial position. The Group can experience delays in certain contracts due to change of scope from the operator, and delayed contract signature. Furthermore, the company's mobile operations use multiple spot-chartered vessels and remotely operated underwater vehicle ("ROV") equipment and crews, and lack of performance according to plan may lead to significant delay of surveys.

Material breakdown, damage to or total loss of the company's short-term and long-term chartered vessels may have a material adverse effect on the Group's financial prospects. The company will from time to time incur class docking, upgrade and repair costs related to the long-term chartered vessel or modular systems, and non-available periods related to transit of vessel or modular systems or other circumstances. This may have a negative effect on revenues and earnings, which could impact the Group's business.

The Group may invest significant amounts in acquisition and processing of seismic data for its Multi-Client data library. No guarantee can be given that the Group will be able to meet expectations neither with respect to how much seismic data it will be able to sell, nor at which price the seismic data will be sold in the future.

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 customers to minimize the risk during contract negotiations.

Liquidity risk

Liquidity risk is the risk that Magseis Fairfield is not able to meet its payment obligations. The company is dependent on both access to long-term funding and timely payments of receivables from customers, and no assurance can be given with respect to the ability to secure new sources of funding in the event of a cash shortfall.

At the end of 2020, the Group had cash and cash equivalents of USD 54.8 million and a net cash position of USD 21.9 million. The Group has a revolving credit facility of USD 30 million, which was fully drawn at the end of 2020.

Generally, 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 insufficient to service its current or future indebtedness, the Group will 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.

Foreign exchange risk

The Group’s functional currency is USD. The Group operates globally and is hence exposed to foreign currency movements. The exposure to foreign exchange risk is mainly mitigated through use of USD nominated customer revenue contracts, and the company utilizes hedging arrangements against parts of its operational cost exposure in GBP and NOK.

The Group’s expenses are primarily, and in order of exposure, in USD, NOK, GBP and EUR. Changes in currency may affect operational costs, e.g., salaries paid in local currency.

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

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

Commodity prices

The company is exposed to fluctuations in the price of certain key commodities such as oil prices, fuel and transportation costs. The company has not established hedging arrangements to mitigate the possible adverse effects of this exposure.

Legal

The Group business is subject to laws and regulations in various jurisdictions, and the requirements of, changes in or violations of such laws or regulations may adversely affect the Group's business and profitability. The Group invests financial and managerial resources to maintain compliance with these laws and regulations, and failure to do so could result in fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and remediate contamination. The adoption of laws and regulations that directly or indirectly curtail exploration by oil and gas companies could also materially adversely affect the Group's operations by reducing the demand for the Group's geophysical products and services. The Group may also be affected by new environmental laws or regulations.

Claims may be asserted against the Group for the violations of Intellectual Property Rights of third parties, and the allocation of resources to defend such claims as well as the outcome of such disputes may have material adverse effect on the operations, business and financial condition of the company. The company has developed a patent portfolio which is important to the company's operations and business, but it is still possible for third parties to claim that the patents (registered or pending) or activities of the company violate their intellectual property rights.

Since acquiring Fairfield in December 2018, the Company has been involved in a patent lawsuit against Seabed Geosolutions for infringement of four of the Group's U.S. patents. This and other lawsuits and disputes regarding IPR infringement, may force the company to incur substantial costs in defending itself and its IP portfolio.

Magseis Fairfield continues to assert patent infringement claims against Seabed Geosolutions and remains confident in its litigation position. The Group intends to press forward with its lawsuit and demands for monetary damages and a permanent injunction in 2021.

The lawsuit was brought in the U.S. District Court for the Southern District of Texas and alleges that Seabed infringes four Magseis Fairfield U.S. Patents (Nos. RE45,268 ('268), 9,829,589 ('589), 8,228,761 ('761), and 8,879,362 ('362)). The Court has presently stayed the suit pending final resolution of three Inter Parties Review petitions challenging patent validity which Seabed filed with the U.S. Patent and Trademark Office, including appeals thereof. These appeals are expected to be resolved in 2021, after which Magseis Fairfield will seek to lift the litigation stay and timely resume litigation in the district court.

Covid-19 risk

The outbreak of Covid-19 during the first half of 2020 highlighted the importance of continued risk assessments. The reduction in economic activity that followed, led to a sharp and significant reduction in oil demand and generated an oversupply situation with lower and more volatile oil prices.

While the pandemic persists, the risks and uncertainties regarding extraordinary measures and economic effects limit the visibility going forward. During 2020, several oil and gas companies announced significant reductions in capital spending, including spending for exploration and development expenditures such as seismic services. While outlook has since improved, the impact on the ocean seismic market has been significant.

In 2020, Magseis Fairfield took actions to protect and preserve its cash position in response to the market uncertainty. The company's cost measures lowered SG&A to approximately USD 25 million (excluding special items) and capital expenditure to USD 13 million (excluding multi-client investments) 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 best assessment of the activity outlook for 2021.

These business continuity plans have ensured that the company complies with all regulations and recommendations from local authorities in all locations, with strict testing and sanitation standards for both offshore and onshore operations. At the same time, Magseis Fairfield is committed to deliver quality execution of all projects.

Other business risk

Seismic acquisition operations may be exposed to extreme weather, hazardous conditions and activity in the work area. The Group's own insurance may not be adequate to cover potential losses.

Reliance upon a single source or specialist suppliers for certain electronic and other components leaves Magseis Fairfield vulnerable to delays, increased costs or possibly halt in production of nodes due to lack of availability of critical parts. Manufacturing and hence supply of equipment may significantly increase in cost, be delayed, or even stopped due to lack of availability of critical parts or components. In addition, the nodes contain many commodity electronic components which are bought on the world electronics market. Lack of replacement may lead to a time lag where the Group is not able to supply a certain electronic board for the nodes.

Cyber criminality risk is increasing globally as more and more is stored and handled digitally. This threat is relevant for all devices connected to internet. To protect Magseis Fairfield and its assets and IP, precautions and procedures are taken continuously, also in 2020. The most common attack vector is phishing emails. Magseis Fairfield has taken steps to improve protection of email, improve capabilities to identify ongoing malicious activities and increase employee awareness of cyber threats.

Magseis Fairfield is dependent upon its ability to attract and retain personnel with required skill sets, and failure to do so may have a material adverse impact on the company's operations and technology development. The Group's employees are highly sought after in the industry and have been targeted by the Group's competitors for poaching at all levels in the organization. The company is thus required to meet or exceed industry expected levels.

Corporate governance

Magseis Fairfield seeks to comply with the Norwegian Code of Practice for Corporate Governance (NUES) of 17 October 2018. A statement on Magseis Fairfield’s corporate governance principles and practices is provided in a separate section later in this annual report. Magseis Fairfield did not deviate from any sections of the Code of Practice as at year-end 2020.

Environmental, Social and Governance

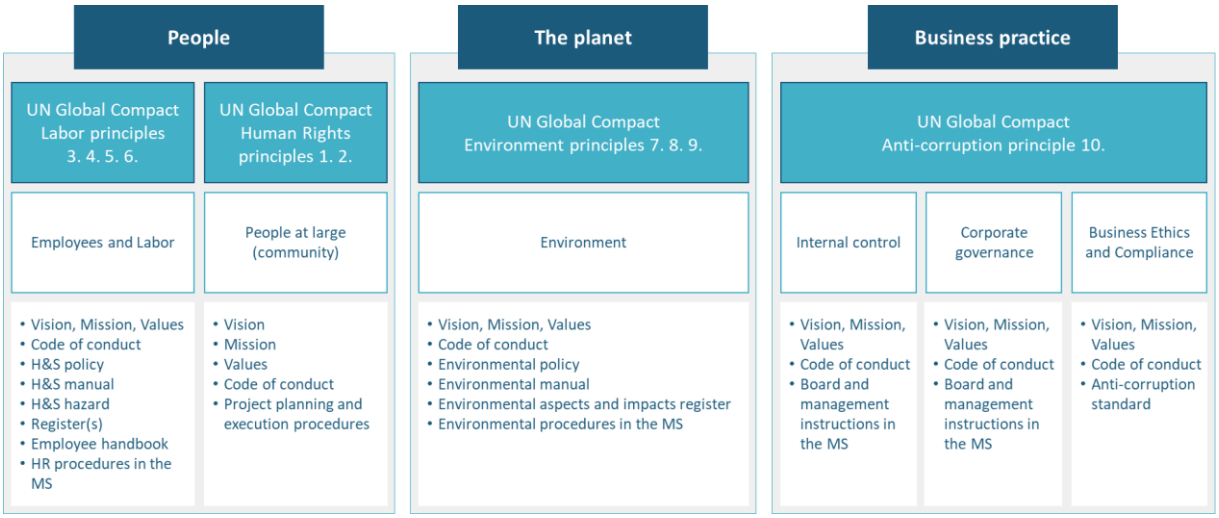
As a global and leading operator in the Ocean Bottom Seismic market, Magseis Fairfield has an opportunity, but also a responsibility to commit to high standards relating to working environment and personnel welfare, environmental impact and business practices.

Magseis Fairfield aspires to be an honest, ethical and trustworthy company as its reputation depends upon understanding and implementing the principles of corporate responsibility, and continuously demonstrating integrity and honesty in daily business conduct. That is why the core values are so important for the company, as they guide how business is conducted: Safety, Trust, Innovation, Excellence and Sustainability.

The company has adopted guidelines, policies and procedures relating to human rights, employee rights and social matters, the prevention of corruption, harassment and discrimination in the working environment and in employment practices.

Magseis Fairfield has developed a Corporate Social Responsibility (CSR) policy, committing the company to responsible business practices in accordance with UN Global Compact. Three focus areas are highlighted: People, Planet, Business practice. The company has also developed an Environmental Sustainability Strategy to promote UN Sustainable Development Goals: 3, 7, 8 and 14.

"Safe and sustainable operations have the highest priority at Magseis Fairfield. Several initiatives promoting a better working environment for employees, reducing our environmental impact and ensuring best-in-class business ethics progressed throughout 2020. We are working to further develop our framework for systematic improvements across all these aspects and to develop our related reporting. As part of our ambition to pursue best practice, Magseis Fairfield will refine and complete our ESG strategy and policy in 2021 to support us in delivering continued safe and sustainable operations." – Carel Hooijkaas, CEO



This figure is from our Corporate Responsibility procedure in our Management System to visualize the alignment with United Nations Global Compact

ESG highlights 2020

- Started measuring carbon and particle emissions in preparation for understanding mitigation impacts
- Launch of carbon reduction strategy with clear target to be carbon neutral by 2040, or earlier
- Ensured all vessels operated in compliance with IMO 2020 fuel standard
- Participated actively in International Association of Geophysical Contractors (IAGC) Ghost Net Initiative
- Mental Health Awareness Program implemented for all employees and contractors
- Mission and Vision Statements adapted to include ESG considerations and compliance
- Established company framework with Corporate Responsibility/Sustainability policy and guidelines
- Initiated development of sustainability strategy based on ISO codes and UN sustainability goals, including Suppliers, Customers, and Community/Society stakeholders and activities

Key ESG indicators 2020

	Ambition	2020	2019
Environmental impact			
Nodes recovered	100%	>99%	
Vessel Emissions[1]	*Reduce*		
MGO consumption (mT)		18,926	na
CO_2 (mT)		60,911	na
NOx (kg)		853,278	na
SOx (kg)		19,205	na
Health and safety			
Exposure hours (millions)		1.84	2.79
Total Recordable Case Frequency (TRCF)[2]	1.51[4]	1.09	2.15[3]
Health and Safety Input Factor (HSIF)[5]	< 26	< 26	< 35
Sick leave onshore[6]	< 3%	1.66%	0.95%
Sick leave offshore	< 3%	1.94%	0.84%
Employees and working environment			
Number of employees		370	622
Percentage of women/ men – total		15%	15.6%
Percentage of women/ men – management	25%	16.67%	17%
Percentage of women/men – middle management	25%	17.15%	18.75%
Percentage of women/ men – Board of Directors	>= 40%	40%	40%
Ethical business conduct			
Whistleblowing incident [(breach of company policies)]	0	2	

"Fuel Consumed / Vessel / Day" will be used as a metric that the Company will work to reduce over time going forward. A reduction in this will produce lower emissions overall.
2) A 12-month rolling average total recordable case frequency per 1 million manhours. Manhours are based on a 12-hour working day or actual hours worked if recorded.
3) Magseis Fairfield converted the exposure hour factor to 12 hr/day (offshore crew) vs. 24 hr./day midyear. This was to align with the IOGP/IAGC metrics.
4) Represents a 20% decrease from the 2019 industry average of 1.89.
5) HSIF is a leading indicator that *represents the number of hours divided by the number of health & safety inputs (safety meetings, observation cards, audits, hazard hunts...) The lower the number the better.*
6) Day to day sick absence is not tracked for US employees, so this statistic represents all onshore employees, except US.

Materiality

Magseis Fairfield is a leading global provider of Ocean Bottom Seismic with operations, employees and assets present in oil and gas producing basins worldwide. The company strives to conduct its business in a responsible manner and seeks to have a positive influence in corporate ESG related matters.

Magseis Fairfield is developing a framework for reporting on the external impacts of its business activities related to the environment, people and social welfare, as well as and corporate governance. This sustainability report provides information as part of the annual report and reflects the company's continuous development to integrate corporate responsibility in all processes of the business.

To better understand stakeholders' expectations and the risk factors and opportunities they perceive as important to Magseis Fairfield's long-term-value creation, a materiality analysis will be prepared in 2021. The results will be presented as part of the annual report for 2021.

Meanwhile, the company looks to established industry standards such as the SASB Materiality Map and MSCI ESG Industry Materiality Map, and to companies in similar positions to define materiality and identify areas of importance to the company and its stakeholders, to guide sustainable business operations and ensuring long-term value creation. Magseis Fairfield has defined the following factors as material for the company's business:

Safe operations	• Employee health • Employee safety • Employee security
Minimize environmental impact	• GHG emissions (direct and indirect) • Energy consumptions • Fuel consumption • Waste management • Ecological impact on marine life
People and working environment	• Equal opportunities • Diversity • Community relations • Training and development • Talent attraction and retention
Responsible business practices	• Business ethics • Anti-corruption • Respect for human rights

Safe operations

The health and safety of Magseis Fairfield's employees and others connected to the company's activities are considered the outmost priority. It is an area of continuous focus for the company and its importance was further emphasized by the Covid-19 pandemic during 2020.

The company recorded two industry recognized work-related events, involving two subcontractors. There were zero Magseis Fairfield employees involved in industry recordable events in 2020 and there were zero fatalities associated with the company's operations. The Total Recordable Case Frequency (TRCF) was 1.09 for the year, an improvement from 2019 and significantly below the industry 2019-average of 1.89. In 2020, the company adjusted the exposure hour calculation for offshore personnel to 12 hours per day from 24 hours to align with IAGC and IOGP statistics and allow for consistent benchmarking.

Proactively, the employees submitted a total of 13,564 reports into the company's InSite safety reporting system. This represented an average of over 30 reports per user, against a target of 10. Magseis Fairfield uses a Health & Safety Input Factor (HSIF) as a primary leading indicator for operations. The company has seen a positive development with an approximately 25% decrease in the HSIF factor since adoption in 2018.

In 2021, the organization will focus on continuing to improve overall HSE performance. Internally, Magseis Fairfield will revitalize its "Work Smart – Work Safe" program, fully implement the One Team program, formally adopt the International Association of Oil & Gas Producers (IOGP) "Life Saving Rules" and further develop individual safety leadership skills through an enhance training program. The company will also work to achieve ISO 9001:2015 certification for the enterprise-wide Management System and enhance the non-conformance reporting system/process to help Magseis Fairfield achieve its overall goals.

Responding to the pandemic

The COVID-19 pandemic had an unprecedented impact on the company's working environment and operating processes in 2020. Magseis Fairfield implemented a focused and proactive risk management strategy and planning to mitigate any potential business interruption from the virus outbreak.

A task force comprised on the CEO, COO, CTO, CHRO, VP Ops, and the SVP Ops Support & QHSE met at least bi-weekly to assess the status of the outbreak and to review the risk management plan and assess any required adjustments to address the dynamically changing global conditions.

Frequent communications were sent to all employees to update them on the status of the virus relative to the business and to advise of any changes to protocols.

A communication and contact system were established for employees in quarantine (either preventative or precautionary) to track their status and wellbeing during the quarantine period.

Magseis Fairfield also implemented a mental health support and awareness campaign for all employees to address potential challenges presented by the pandemic and remote working conditions.

Based on the proactive measures implemented to protect people and operations, Magseis Fairfield successfully maintained virus free vessels throughout 2020, allowing its crews to fully focus on operations when offshore. These measures included quarantine and testing protocols for all offshore employees before joining their crews. Offices were closed or access was restricted to "critical task" use only to prevent any potential for infection in onshore environments.

The organization adapted well to the remote working conditions and travel restrictions and customers were appreciative that Magseis Fairfield was able to continue operations uninterrupted by the virus and execute projects as scheduled.

Reducing environmental impact

Magseis Fairfield recognizes that all activities have an impact on the environment via the use of raw materials, emissions to air and water, waste generation, and interaction with marine life and habitat. Magseis Fairfield is committed to minimizing this impact for both offshore and land-based activities. This is done by maintaining a program of continual improvement in environmental performance incorporating suitable measurement and monitoring.

The Environmental policy is made actionable through the Environmental Manual, procedures and instructions which together constitute the Magseis Fairfield Management System. The company's environmental commitment is anchored in the following UN Global Compact Principles:

- Environment - Principle 7: Businesses should support a precautionary approach to environmental challenges
- Environment - Principle 8: undertake initiatives to promote greater environmental responsibility
- Environment - Principle 9: encourage the development and diffusion of environmentally friendly technologies

Through its operations, the company seeks to support the following UN Sustainable Development Goals

- Responsible consumption and production – SDG 12: substantially reduce waste generation through prevention, reduction, recycling and reuse
- Life below water – SDG 14: prevent and reduce marine pollution of all kinds, including marine debris

Minimizing footprint

In 2020, Magseis Fairfield started tracking vessel emissions. By ensuring compliance with the IMO 2020 fuel standards, using only low-sulfur MGO for vessel operations, the company realized a net reduction in sulfur oxide (Sox) emissions. The company will be tracking average daily fuel consumption by vessels utilized in its operations with the ambition to reduce consumption over time and thereby reduce emissions. Further tracking measures are being developed to capture the total company emission footprint, as a key element of mapping further emission reduction potential. A carbon reduction strategy has been launched, with clear ambition to be carbon neutral by 2040, or earlier. Magseis Fairfield actively participates in the IAGC Ghost Net Initiative aimed at removing fishing and marine debris encountered during operations. In 2020, the operations team made recovery of abandoned fishing buoys, fishing rope and line, and other marine debris on 6 separate occasions.

The company has implemented recycling programs both offshore and in onshore offices. In 2020, the company initiated a campaign focused on eliminating use of single-use plastics in offshore crew operations.

In 2020, Magseis Fairfield reduced the amount of office space by closing the Kista facility in Sweden, subletting 50% of the Houston Air Liquide office and listing 33% of the Lysaker office in Norway for subletting. Combined with a significant reduction in commuting and business travel (due in great part to the COVID-19 pandemic), this led to a significant reduction of the environmental overall footprint for the year.

Responsible node lifecycle

Magseis Fairfield practices environmentally responsible recycling of node components once they have reached their life expectancy.

One of the early generation node technologies (Z3000) was retired in 2018 after 13 years of service, and several of the internal components (clocks, batteries, and orientation boards) are being recycled and reused in the newer Z700 node.

In over 15 years of global OBN operations, Magseis Fairfield have deployed nodes at more than 900,000 unique locations with a near 100% recovery rate after completion of operations.

Increasing resource efficiency with OBS

Magseis Fairfield's OBS offering helps E&P companies extract more oil and gas from existing fields and improve outcomes from in-field exploration and appraisal activity.

Increased production from existing infrastructure through improved recovery rates and tie-in of nearby fields are beneficial both from a financial perspective due to the combination of lower marginal development and production costs and from an environmental perspective as E&P companies can leverage existing infrastructure and avoid significant emission from developing new stand-alone field developments and infrastructure.

In the current market, many E&P companies prioritize increased recovery from existing reservoirs and optimizing utilization of already installed infrastructure to improve value generation. Magseis Fairfield observes that customers continue to shift away from exploration to focus on appraisal and development of existing fields.

The high-quality data provided by OBS is particularly useful for such activities. Magseis Fairfield is uniquely positioned as the world's leading OBS provider and is increasingly benefitting from this shift. This market view is supported by the types of projects that are currently being tendered.

In 2020, over 90% of the surveys conducted by Magseis Fairfield were on existing fields.

Protecting life below water

Magseis Fairfield implements mitigation measures to reduce any real threats to marine species. These measures are based on the best available science, and consistent with existing practices that are proven to be effective and operationally feasible.

Magseis Fairfield is a governing member of the IAGC, is committed to the associations values of conducting its operations in an environmentally responsible manner and utilizes mitigation measures, such as exclusion zones, soft-starts, Passive Acoustic Monitoring (PAM) and protected species observers to further reduce any possibility of impact to marine life.

More than five decades of extensive worldwide seismic survey activities and scientific research indicate that the risk of direct physical injury from soundwaves to marine mammals is extremely low. Additionally, there is no scientific evidence demonstrating biologically significant negative impacts on marine mammal populations.

Since 2006, a group of international oil and gas companies, in partnership with the geophysical industry, have funded a USD 55 million research program to advance the understanding of the interaction between sound from oil and gas operations and marine life.

Under the auspices of the IOGP, this Exploration & Production Sound and Marine Life Joint Industry Program (JIP) has become the largest non-governmental research program in this field.

Certifications

Magseis Fairfield introduced a new integrated Management System in 2020 for the enterprise, replacing the individual management systems operated by each legacy business. As a result, the existing ISO certifications for the individual businesses expired. In preparation for certification in 2021 (ISO 9001:2015) Magseis Fairfield conducted a gap analysis with an external auditor (ABS) against the new MS.

In 2021, Magseis Fairfield will complete the enterprise certification process for ISO 9001:2015 and will certify its WGP division for ISO 45001 and 14001, with the target of certifying the entire company against these standards in 2022.

People and working environment

Magseis Fairfield strives to achieve a fair and equitable working environment, free of discrimination. This is reflected in terms and conditions of employment, Health & Safety policies, and the Code of Conduct stating that the Company shall provide equal employment opportunity for all applicants and employees. Magseis Fairfield adheres to all national, federal, state and local employment laws and regulations.

A supplier pre-qualification, monitoring and management system follows up on employment conditions at the Company's suppliers.

Magseis Fairfield adheres to the UN Global Compact Principles under Human Rights – Principles 1 and 2, and Labor – Principles 3 to 6, which are derived from the Universal Declaration of Human Rights and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work.

On a wider scale, the impact on individuals and communities affected by Company operations is managed through project planning and execution, hand in hand with the Code of Conduct.

UN Global Compact Principles:

- Human Rights - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
- Human Rights - Principle 2: make sure that they are not complicit in human rights abuses.
- Labor - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Labor - Principle 4: the elimination of all forms of forced and compulsory labor
- Labor - Principle 5: the effective abolition of child labor
- Labor - Principle 6: the elimination of discrimination in respect of employment and occupation.

The United Nations Global Compact Principles 1 through to 6 are derived from:

- The Universal Declaration of Human Rights
- The International Labor Organization's Declaration on Fundamental Principles and Rights at Work

Equal opportunities

Magseis Fairfield employs nearly 400 people worldwide, including full time employees and contractors working on vessels offshore.

The Company prohibits any unlawful discrimination against employees based on race, color, national origin, ancestry, religion, sex, gender identity, sexual orientation, marital status, age, disability, genetic information or any other characteristic protected by law, regulation, or ordinance. This is reflected in Company policies.

Magseis Fairfield employs and promotes fair practices for all aspects of the employee lifecycle, including recruitment and talent acquisition, transfers, promotions and career development opportunities within the organization. The results of these practices are reported to global and regional authorities as required by law.

Magseis Fairfield uses a valid Performance Management system to set goals and objectives for all employees and methods for conducting performance evaluations on an annual basis. The result of the performance evaluation serves as a key factor in the annual merit and salary review process, as well as the calculation for any bonus payments for Company performance.

Independent market surveys are utilized on an annual basis for pay evaluation and consideration for any merit based or market equity-based pay increases for employees. An annual review is conducted by Human Resources globally to ensure that all employees have pay equity for their level of experience and performance, regardless of gender or race.

In addition, the Management Team participates in annual Succession Planning for their departments and at corporate level. This ensures visibility to all key talent within the organization for promotion and progression opportunities.

The organization primarily has employees across three major regions – the US, UK and Norway and a small office in Singapore. The employee base is diversified and represents many nationalities.

Demographically, the organization is comprised of 51% offshore employees and 49% onshore/office personnel, of which 15% of employees are women.

In 2021, Magseis Fairfield will continue its Succession Planning and Talent Management efforts to identify key talent in the organization, regardless of gender or race. This proactively

provides visibility and opportunities within the organization, through project assignments, development, training and promotion opportunities.

Compensation and benefits

Magseis Fairfield seeks to offer competitive remuneration to all employees, reflecting their education, related experience, professional qualifications and performance. The company is further committed to equitable pay for the same work and performance regardless of gender.

Magseis Fairfield will continue to employ sound Performance Management and market-based global salary data to make remuneration decisions for employees.

Globally, Magseis Fairfield has implemented centralized titles and position levels and has a market-based pay range associated with each level of position in the organization. The company does not employ salary bands, but rather, a position by position market benchmark analysis.

In 2021, Magseis Fairfield will implement a global GDPR compliant human capital management system (HCM) to further support talent management efforts, including clarity on any pay inequity situations for the same work/position to identify and close potential wage gaps that may be due to gender or other aspects.

Community outreach

While 2020 was in some cases an exception due to limitation imposed by Covid-19, Magseis Fairfield has been very active in its local communities, particularly with programs sponsoring children and educational pursuits.

Outreach efforts included holiday toy drives for the underprivileged, as well as an annual Operation Backpack drive with the YMCA in the US to provide school supplies, backpacks and associated funds to at risk children in the community.

It is the company's goal 'post-COVID' to expand outreach in the community to include volunteer support for programs such as Habitat for Humanity, Junior Achievement, Houston Food Bank and organizations of similar scope across our global locations.

In some countries where we work, it is customary for the company to buy a Christmas gift for its employees. The company however decided to make donations to the following charities instead:

- In Norway: Barnekreftforeningen
- In the UK: Great Ormand Street Hospital Children's Charity
- In the US: St. Jude Children's Research Hospital
- In addition to donations at the local Red Cross organizations

Responsible business practice

Magseis Fairfield operates with strict focus on fair and ethical business practices. This is embedded in one of the three Magseis Fairfield-values, Trust, and is reflected in the related principle statement: ***'We conduct our business with honesty and integrity'***. The company has guidelines and processes in place to ensure this value is met and continuously upheld.

These are operationalized through the Code of Conduct, the Anti-Corruption Compliance Standard, the Corporate Responsibility Procedure, and a series of related operating instructions published on the Magseis Fairfield Management System. All key documents were revised and updated in late 2019, following the Magseis-Fairfield merger.

Overarching commitment to Business Ethics

The Code of Conduct is the cornerstone of the Company's Management System. It distils and bolsters the Magseis Fairfield vision, mission and values, and accordingly lays down five key principles:

- Conduct business with honesty and integrity
- Follow the letter and spirit of the law
- Treat each other fairly
- Act in the best interests of Magseis Fairfield and avoid conflicts of interest
- Protect the company's assets and reputation

The Code of Conduct covers the whole spectrum of business ethics, from compliance with laws and regulations (including anti-trust, international sanctions, export control restrictions, money laundering, insider trading etc.) to the strict prohibition of any form of bribery, to the respect of human rights and furtherance of equality and non-discrimination.

All employees and other representatives of Magseis Fairfield are expected to abide by both the letter and the spirit of the Code of Conduct. Together with all associated procedures and manuals, the Code of Conduct is communicated to new employees and contractors, who are required to sign a certificate declaring their understanding of their respective contents and commitment to comply with those.

The Corporate Responsibility Procedure complements the Code of Conduct and further explores the corporate responsibility related themes. It is based on the Ten Principles of the UN Global Compact which is derived from:

- The Universal Declaration of Human Rights
- The International Labor Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention against Corruption.

The Corporate Responsibility Procedure is designed to further emphasize that Magseis Fairfield aspires to conduct business with honesty and integrity, in line with international human rights, whilst valuing the health and safety of employees, customers, contractors, suppliers and minimizing impact on the environment. It basically embodies the key elements of the Company's moral conscience when it comes to respecting people and the environment and applying honesty and integrity in business practice.

All the aforementioned high-level principles and commitments permeate the Magseis Fairfield Management System processes and operating instructions and are regularly reiterated through Training (see below) to ensure that they do not stay in a hypothetical sphere, but instead are actioned and implemented on a daily basis.

Anti-corruption

The Company particularly strives in its daily operations to abide by the UN Global Compact Principle number 10:

"Businesses should work against corruption in all its forms, including extortion and bribery."

The Anti-Corruption Compliance Standard and related documentation describe the various tools implemented by the Company to keep any form of corruption or bribery firmly at bay.

Magseis Fairfield has zero tolerance for corruption, bribery and any other unfair or unethical dealings, and seeks to ensure that the tenuous line between legitimate gifts/ business courtesies and bribery/ facilitation payments is never crossed.

As the Company's operations are international, different types of standards and customs typically apply – but it is policy to always comply with the strictest standard of all.

The Manual sets out the procedures to be followed by Magseis Fairfield employees and representatives when faced with situations involving bribes, facilitation payments, as well as the receipt of or request for gifts or hospitality benefits. The Compliance Officer oversees their implementation as and when required and is the primary point of contact for any queries relating to those matters.

No issues or concerns related to corruption or bribery were reported in 2020.

The Company recognizes the peculiar risks associated with having third party agents and commercial representatives acting on its behalf in certain jurisdictions due to local content requirements. As such, strict due diligence processes are enforced before bringing in new partners, with the expert assistance of international due diligence investigation firms when deemed necessary.

All international agent contracts contain strict anti-corruption clauses as well as annual certification requirements and the obligation to comply with training requirements. (See also the Training section below.)

In addition, it should be noted that all supplier contracts entered into by the Company are carefully scrutinized through the lens of anti-corruption and include strong anti-corruption provisions with severe consequences in the event of breach. The Magseis Fairfield legal team's small size allows it to be agile and very involved with all commercial and operational departments, ensuring through regular communication and tight processes that any new contracts and commercial relationships are canvassed, that adequate pre-emptive measures are taken and appropriate contractual safeguards imposed.

All employees are expected to exercise proper judgement in their work, in line with the Manual's instructions, and to continuously monitor the conduct of their business partners and associates.

Employees, contractors, and agents are encouraged to report suspected wrongdoings confidentially through line management or directly to the Compliance Officer, without fear of retribution, as further explained below.

Whistle-blowing

The Company has established whistle-blower procedures, also published on the Magseis Fairfield Management System.

Those set out the processes to be followed firstly by employees who wish to report any fact or circumstance suggesting a past or ongoing violation of any of the Magseis Fairfield Policies, Manuals or Procedures, or to question any ongoing or proposed conduct or course of action, and secondly by the Company's management in order to efficiently address any reported issue.

The whistle-blower reporting mechanisms were improved in late 2020 with the addition of an international telephone hotline provided by expert supplier *ComplianceLine*, who specializes in compliance management, hotline and sanction screening solutions, in order to facilitate reporting worldwide whilst further preserving the potential desired anonymity of a reporter. A training session describing the hotline functionalities will be rolled out in early 2021.

Two whistle-blower reports were filed in 2020 – and both were resolved in line with the correct procedures as highlighted above.

Employees are regularly reminded of the availability of such reporting recourses via training sessions and regular communications from the HR department. The new global intranet site will prominently showcase links to relevant procedures in order to ensure ease of access.

ICT security and data privacy

The Company has robust personal data protection routines and processes in place.

The Personal Data Protection Manual is the ruling document in that respect, and contains information on, and establishes routines for, the processing of personal data by the Company and all its subsidiaries. The purpose of the Manual is to ensure that all processing of personal data by Magseis Fairfield complies with the General Data Protection Regulation (EU 2016/679) and any applicable national implementing laws, regulations and secondary legislation, and that best practice methods are implemented in order to protect personal data privacy in the daily conduct of the Company's business. The Manual also sets out, *inter alia*, the security and organizational measures implemented by the Company, the process for reporting any data breaches, the rights of data subjects with respect to their personal information,

and an explanation as to how personal data transfer abroad and amongst group companies are handled.

The Company has appointed a Data Protection Officer, who is the Compliance Officer, and whose duties are shared with/delegated to the SVP Business Support and HR (processing of personal data related to all Company employees), the SVP Sales & Marketing (processing of personal data related to all Company customers and suppliers), and the VP IT (risk assessments and security measures related to the Company's personal data) in order to ensure subject-matter accuracy and enhance practical safeguards.

In 2020, several cyber security improvement programs were initiated and finalized with focus on increasing security and confidentiality of data (whether personal or Company proprietary), device and user protection with a view to strengthening the overall cybersecurity posture of the Company. Cybersecurity and data privacy remain a high priority for Magseis Fairfield going forward.

The importance of Training

As highlighted above, corporate responsibility and in particular compliance with anti-corruption and personal data protection legislation worldwide is of the utmost importance to Magseis Fairfield.

Training in that respect is therefore essential in order to proactively engrain those principles within employees' mindsets and daily routines and foster compliant behaviors and reactions.

A detailed tripartite interactive training program, jointly developed by the HSE, Legal and Training departments, was released to all employees and contractors in late 2019. It comprised different sessions as follows:

- Corporate Responsibility
- Introduction to GDPR
- Cyber Security
- Anti-Corruption

This comprehensive training program was also rolled out to all international agents in March 2020. As mentioned earlier, the Company's reliance on such critical partners for business generation and operational performance in certain jurisdictions does not remove the risk attached to dealing with third parties with different cultural backgrounds and practices, in countries where corruption and bribery still exists.

The agents were furthermore required to review and formally confirm their understanding and acceptance of the Company's updated Standards and Manuals regarding such topics.

The Company will review, improve and re-issue the above-mentioned training sessions to all employees, contractors and agents in 2021.

Strategy and outlook

Magseis Fairfield has always been committed to operating safely to protect the health and well-being our of employees, our customers, our stakeholders, the communities that we operate in, and the environment. We are now extending this commitment to include a pledge to become carbon neutral by 2040, or earlier.

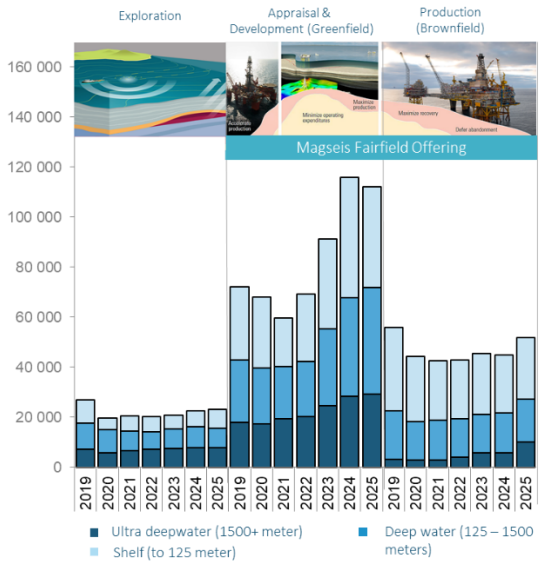
Our efforts will be focused on capturing and understanding the total greenhouse gas inventory that results from our operations and taking on initiatives to reduce and offset that inventory over time. This will be accomplished by engaging technology, as well as working with our suppliers and customers to increase efficiencies and decrease the carbon footprint resulting from our operations.

The market outlook has changed due to the Covid-19 pandemic, and the ongoing energy transition. When the Covid-19 pandemic hit, our customers shifted their focus from exploration to increased cash and value generation from already explored assets. This shift is being accelerated by the customers' increasing commitment to the energy transition.

This clearly provides a great opportunity to Magseis Fairfield since our offering is centered around OBN data acquisition over already explored assets, providing our customers with high-quality subsurface data to extract more value from their assets.

In 2020, we conducted an in-depth market analysis together with Rystad Energy. The study provides further support to the shift away from exploration and increased spending on assets in the appraisal/development and production phases.

Looking at the forecast up to 2025, exploration spend is not forecasted to recover above 2019 levels, although the same forecast shows double digit growth for offshore upstream capex in the appraisal/development market and more moderate growth in the production market. This supports our view that we will see double-digit market growth in the OBN market from 2021 onwards.



Customers are increasingly asking for differentiated technology solutions, and our history and future is founded on technology differentiation. The company therefore continued to invest in technology development even during the depths of the Covid-19 pandemic. New technology will drive down project costs and is key to growing the addressable market significantly.

Magseis Fairfield's differentiated technology position and strategy gives the company a clear market advantage that is not available to those who offer commoditized solutions.

Many of our customers made commitments towards the energy transition, and Magseis Fairfield wishes to support its customers in this process. The company has therefore begun to explore new market opportunities outside of oil and gas to offer our customers the solutions they require to realize the energy transition.

The company's technology and services can provide valuable solutions to, for example, offshore Carbon Capture and Storage (CCS), Offshore Windfarm placements, and mineral mining. We completed a successful test over a major CCS field in the North Sea in collaboration with one of our key customers in 2020 and will further build on this in 2021. Magseis Fairfield will continue to work with customers to establish the offering and solutions for these new markets in the coming quarters. Magseis Fairfield has established a separate business unit and a wholly owned subsidiary (Magseis Renewables AS) to manage this

business going forward. Although the current oil and gas offering is expected to constitute the vast majority of the business in the foreseeable future, the company views the ongoing energy transition as a long-term growth opportunity.

The company's executable plans will by driven by a financial strategy that can be summarized as follows:

- Profitable growth
- A financial structure to succeed throughout the business cycle
- Return on capital employed

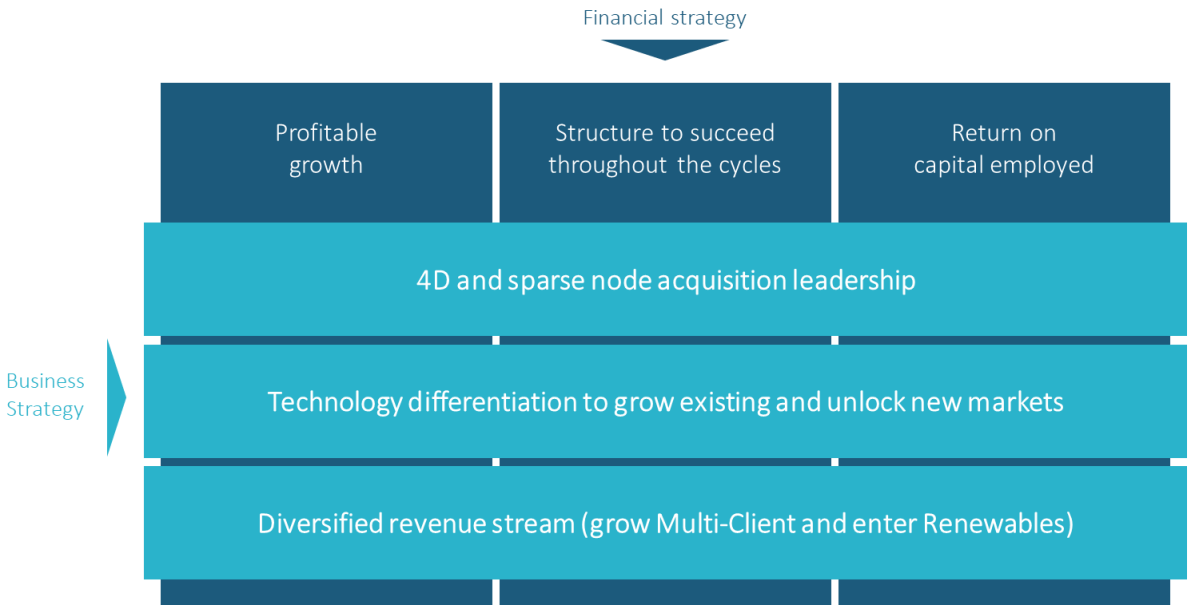
Within the financial framework, the company pursues a business strategy focusing on:

- Technology leadership in 4D and sparse node acquisition leadership
- Technology differentiation to grow existing markets and unlock new markets
- Diversified revenue streams, with Multi-Client services and Renewables adding to existing business in Acquisition, Reservoir Monitoring/Source, and Technology Sales and leases

The company has demonstrated a clear pathway to profitability and is starting to see the first signs of market improvement with increased tender activity for 2021 in the core areas of the Gulf of Mexico and the North Sea. As a result, the company sees a scenario where the utilization of the node inventory will be higher than previously anticipated for 2021.

The BoD would like to express our gratitude to the employees of MSFF for their outstanding effort and contribution during a challenging 2020 hit with Covid-19, restructuring and a difficult market environment.

The company is well positioned for the future, with a professional and engaged team moving forward in developing new and existing markets in partnership with our customers.



Board of Directors and CEO of Magseis Fairfield ASA

Lysaker, 11 March 2021

[Sign.]

Wenche Kjølås
Chair of the Board of Directors

Jan Gateman

Anthony Dowd

Luis Araujo

Angela Durkin

Jonathan Cudmore

Janie Garcia

Carel Hooijkaas
CEO

Responsibility statement

Confirmation from the Board of Directors and Chief Executive Officer

The Board of Directors and the chief executive officer of Magseis Fairfield ASA have today considered and approved the annual report and financial statements for the 2020 calendar year ended on 31 December 2020.

We confirm, to the best of our knowledge, that:

- The 2020 financial statements for the group and parent company have been prepared in accordance with all applicable accounting standards
- The information provided gives a true and fair view of the group's and parent company's assets, liabilities, financial position and results
- The Board of Directors report provides a true and fair overview of the development, performance and financial position of Magseis Fairfield ASA and the Group together with a description of the principal risks and uncertainties that they face.

Board of Directors and CEO of Magseis Fairfield ASA

Lysaker, 11 March 2021

[Sign.]

Wenche Kjølås
Chair of the Board of Directors

Jan Gateman

Anthony Dowd

Luis Araujo

Angela Durkin

Jonathan Cudmore

Janie Garcia

Carel Hooijkaas
CEO

Corporate governance report

Magseis Fairfield ASA ("**Magseis Fairfield**" or the "**Company**" and when taken together with its consolidated subsidiaries the "**Group**") believes that good and sound corporate governance creates shareholder value and reduces risks by instilling trust and confidence in the Company. Thus, the Group has made a strong commitment to develop high standards of corporate governance.

To Magseis Fairfield, good corporate governance is characterized by clear role distribution between the Company's governing bodies. Furthermore, open and responsible communication and cooperation between the Company's shareholders, the Board of Directors (the Board) and executive management is imperative to secure ample control, but at the same time encourage innovation and entrepreneurship.

1. Implementation and reporting on corporate governance

Magseis Fairfield ASA is a Norwegian public limited company listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation and recommended guidelines. The company seeks to comply with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 17 October 2018, which is available on the Norwegian Corporate Governance Committee's website at www.nues.no.

Application of the code is based on the "comply or explain" principle and any deviation from the code is explained under the relevant item. The principles and implementation of the code are subject to annual reviews by the Board and a statement is included in the annual report in accordance with the requirements of the continuing obligations for listed companies from Oslo stock exchange as well as the Norwegian code.

2. The business

Magseis Fairfield's vision is to be the leading and trusted partner in subsurface imaging solutions. The mission is to bring value to our global energy partners and stakeholders by delivering leading edge, safe, sustainable solutions, through technology differentiation and key alliances. Key elements for success are to continue to reduce operational costs in a sustainable manner in order to increase the addressable market. The Company's operations comply with the business objective set forth in its articles of association article 3, which reads:

"The company's business activities include development of geophysical equipment and methods, generation, marketing and sale of exclusive and non-exclusive geophysical exploration and other activities related thereto activities, including investments in such activities".

The Board has defined clear goals, strategies and risk profile for its operations within the scope of the definition of its business, to create value for its shareholders and ensure that its resources are utilized in an efficient and responsible manner. The objectives, strategies and risk profile are subject to annual review by the Board. The company's objectives and strategies are further described in the annual report and on the company's website www.magseisfairfield.com.

Magseis Fairfield has adopted guidelines and procedures relating to human rights, employee rights and social matters, the external environment, environmental impact, working environment, equal treatment, discrimination and prevention of corruption. The purpose of these guidelines is to provide business practice guidance, and for such considerations to be integrated in the Company's value creation.

3. Equity and dividends

Capital adequacy

As of 31 December 2020, the Group's equity amounted to USD 192 million, which corresponds to an equity ratio of 56 percent and total liabilities-to-equity ratio of 0.8.

The operational performance and project execution has been strong in 2020 with improved financial performance and cash preservation. During the first part of 2020, the Company's management completed a USD 30 million private placement and debt refinancing which secured financial flexibility. The Company has also taken material steps to align organization and costs to a lower activity level. Magseis Fairfield evaluates on a continuous basis available alternative to ensure adequate liquidity for its prioritized project

activities and to provide the required long-term financial strength and flexibility.

Dividends and dividend policy

Magseis Fairfield is currently in a growth phase and has not yet distributed any dividends. The Board has not proposed any dividend for 2020. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Authorizations to the Board

At the annual general meeting (AGM) on 23 April 2020, three authorizations were granted to the Board:

- Authorization to increase the Company's share capital by a total of up to 10 percent of the registered share capital in connection with the Company's share incentive program for its employees. As of 31 December 2020, this authorization has not been used.
- Authorization to increase the share capital by up to 20 percent of the registered share capital to provide the Company with financial flexibility, including investments and acquisitions (but not mergers). As of 31 December 2020, this authorization has not been used.
- Authorization to increase the share capital in connection with grant of RSUs to the board members as remuneration. As of 31 December 2020, this authorization has not been used. However, the authorization will be used prior to the AGM 2021.

All authorizations are valid until Magseis Fairfield's AGM in 2021, and no later than 30 June 2021. There was a separate vote on all three authorizations. For supplementary information, reference is made to the minutes of the AGM. As at 31. December 2020, the Board has not been granted any authorization to acquire treasury shares.

4. Equal treatment of shareholders and transactions with close associates

According to the Norwegian Public Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may be set aside, either by the general meeting or by the Board on the basis of an authorization to the Board. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company. In connection with the private placement early in 2020, the pre-emption rights for shareholders were set aside. Please see stock exchange releases from 13 February 2020.

Any transactions in own shares, i.e., a share buy-back program, will be carried out either through Oslo stock exchange or otherwise at stock exchange prevailing prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in own shares during 2020.

For significant transactions with related parties, the Board will consider obtaining an independent valuation, unless the agreement shall be approved by the general meeting in accordance with statutory Norwegian law. There were no such transactions with close associates in 2020. For information regarding related party transactions, see Note 11 in the annual report.

5. Shares and negotiability

Magseis Fairfield has one class of shares, and all shares carry equal voting rights. The Company's shares are freely transferable on the Oslo stock exchange. There are no restrictions on owning, trading or voting for shares pursuant to the Company's articles of association.

6. General Meetings

The general meeting is the Company's highest authority. All shareholders are entitled to submit items to the agenda, attend, speak and vote at general meetings, but only if the shareholder is registered with the Norwegian Central Securities Depository (VPS) five business days prior to the general meeting (record date). The Annual General Meeting (AGM) is held each year before the end of June. Extraordinary General Meetings (EGM) may be called by the Board at any time.

The Board will ensure that the notice, resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting, and that any deadline for shareholders to give notice of their intention to attend shall not be earlier than two days before the meeting. Notice, appendices and minutes of meetings will be available from the Company's website www.magseisfairfield.com.

The Chairman, the CEO and the CFO will be present at general meetings. The auditor and the nomination committee will attend the AGM and any EGM to the extent required by the agenda items or other relevant circumstances. The Board ensures an independent chair for the general meeting.

Shareholders can vote on each individual matter, including on each individual candidate nominated for election. Shareholders who are unable to attend the meeting in person are encouraged to participate by proxy. The Company will prepare a proxy form that permits separate votes for each item up for consideration by the general meeting.

In 2020, Magseis Fairfield held its AGM on 23 April with 58.6 percent of the share capital represented. In addition, an EGM was held on 6 March 2020 with 62 percent of the share capital represented. The EGM was held in connection with tranche 2 of the private placement completed in Q1 2020. For details see EGM protocol and stock exchange releases from 13 February 2020 describing the contemplated private placement.

7. Nomination committee

The nomination committee is governed by the articles of association section 9. The nomination committee shall consist of two to three members elected by the general meeting. The nomination committee elects its own chairman, and the members are elected for a period of up to two years.

As of 31 December 2020, Magseis Fairfield's nomination committee comprises Roar Bekker, Chris Sugahara and Anders Farestveit. Roar Bekker is independent of the Board and the executive management. Christopher Sugahara is the CEO of Fairfield Geotechnologies and CIO of Fairfield-Maxwell Ltd. which is the largest shareholder in the Company. Anders Farestveit is the sixth largest shareholder in the Company as of 31 December 2020. The members are elected until the AGM in 2021.

The nomination committee gives its recommendation to the general meeting regarding the election and remuneration of members of the Board, in addition to the election and remuneration of members of the nomination committee. The nomination committee's recommendations are justified on an individual basis. The nomination committee is expected to have contact with the shareholders, the Board and the executive management as part of proposing new candidates for the Board.

8. Board of Directors: Composition and independence

Pursuant to the Company's articles of association, the Board may consist of up to ten directors, whereof up to three directors can be elected by the employees. The members of the Board, including its Chair, are elected by the general meeting for a period of up to two years and may be re-elected.

The composition of the Board is based on the Company's needs for expertise, capacity and balanced decision making, together with the aim of ensuring that the Board can operate independently of any special interests and that the Board can function effectively as a collegial body. A summary of the competence and background of each individual board member is available on the company's website www.magseisfairfield.com.

All board members are regarded as independent in relation to the Company's executive management and material business contacts. Three of the five current board members that are elected by the shareholders are considered as independent of the company's main shareholders, please refer to the table below.

Board members are encouraged to hold shares in the Company to promote a common financial interest between the Directors and the shareholders of the Company. The current Board members hold directly or indirectly 2.4 percent of the outstanding shares in the Company at year-end 2020.

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation Board Meetings 2020*	Shares in Magseis Fairfield (direct/ indirect) as of 31 December 2020
Wenche Kjølås	Chair of the Board	Yes	22.05.2019[1]	AGM 2021	100%	351 038[2]
Jan B. Gateman	Board member	No[3]	04.09.2009	AGM 2021	100%	5 814 852[3]
Angela Durkin	Board member	Yes	22.05.2019	AGM 2021	100%	78 892
Luis A. Gomes Araujo	Board member	Yes	22.05.2019	AGM 2021	97%	45 000
Anthony Dowd	Board member	No[4]	23.04.2020	AGM 2022	100%	0
Jonathan Cudmore	Employee elected Board member	Yes	September 2020	April 2022	100%	2 000
Janie Garcia	Employee elected Board member	Yes	April 2020	April 2022	100%	0
Johan Jungholm	Employee elected Deputy board member	Yes	September 2020	April 2022	0%	31 300
Ciaran Moore	Employee elected Deputy board member	Yes	April 2020	April 2022	0%	0

**Participation in Board meetings as from holding Directorship in 2020.*
[1] Elected as board member at the AGM in 2019, and then as Chair at the EGM in 2019.
[2] Mrs. Kjølås holds her shares indirectly through Jawendel AS.
[3] Mr. Gateman holds his shares indirectly through Geo Innova AS.
[4] Mr. Dowd joined the board in May 2020 and is President and CEO of Fairfield-Maxwell Ltd., a company that owns 100% of the shares in Fairfield MS LLC, the largest shareholder in Magseis Fairfield ASA.

The Board continuously evaluates conflict of interest and its members independence in each resolution.

9. The work of the Board of Directors

Pursuant to the Norwegian Public Companies Act, the Board is responsible for the over-all management of the Company and shall supervise the Company's day-to-day management and its business activities in general.

In addition to legal requirements, the Board has adopted supplementary rules of procedures, which provides further regulation on inter alia the responsibilities of the Board, administrative procedures, quorum requirements, disqualification issues, meeting procedures, the division of work between the Board and the CEO, and confidentiality.

The Board meets several times over the year. The meetings include reviews and discussions related to the Company's strategy, financial development, risk profile and other matters of extraordinary nature or of major importance to the Company. During 2020, the Board held 28 meetings. The working methods for the Board are subject to open discussion.

Between meetings, the Chair and CEO update the other board members on current matters. Each Board meeting includes a briefing by the CEO followed by a Q&A session. The Board has adopted an annual plan which focuses on the strategic goals of the Group. The Board has also established instructions for the CEO.

In cases where the Chair of the Board is or has been actively involved, another member of the Board will be asked to lead the discussions. This has not been the case in 2020.

The Board has adopted guidelines for notification by board members and executive management if they have any material direct or indirect interest in any transaction entered by the Company. This also includes that if one of the board members' interest in a matter does not disqualify him or her from considering the matter, the Company may need to take the individual's interest into consideration when considering the item.

Once per year, the Board conducts an assessment of its performance and expertise, which is presented to the nomination committee. The assessment includes the work of the board, the work of its committees and the contribution made by the various board members.

Board committees

Audit and risk committee

The Company's audit and risk committee is governed by the Norwegian Public Companies Act and a separate instruction adopted by the Board. The audit and risk committee shall consist of minimum two board members. Board members who are also members of the executive management cannot be members of the audit committee. As of 31 December 2020, the audit and risk committee consisted of board members Wenche Kjølås (Chair), Jan Gateman and Angela Durkin, all three considered independent of the executive management.

The main tasks of the audit and risk committee are to;

(i) review management's risk assessment and internal control, as well as annual budget process

(ii) oversee corporate reporting, and act as a preparatory organ for the Board on interim and annual financial reporting processes

(iii) review the external audit process, hereunder maintain ongoing contact with the Company's auditor regarding the audit of the annual accounts and ensure the company has an adequate internal control and risk management, as well as assess and monitor the auditor's independence and potential conflicts of interests and;

(iv) prepare audit committee reporting to the Board after each meeting and report any circumstances with material impact on the company's financial and/or operational situation. The committee is also responsible for reviewing and updating its instructions and evaluate the individual and joint work of the committee.

The audit committee shall have a minimum of five meetings each year, coordinated with the Company's financial reporting schedule. The audit and risk committee held six meetings in 2020.

Compensation and talent committee

The Company's compensation and talent committee is governed by a separate instruction adopted by the Board. The members of the committee are appointed by and among the members of the Board and shall be independent of the Company's executive management.

As of 31 December 2020, the compensation and talent committee consisted of Anthony Dowd (Chair), Luis Araujo and Wenche Kjølås.

The primary purpose of the compensation and talent committee is to assist and facilitate the decision-making of the Board in matters related to remuneration of the executive management, review recruitment policies, career and succession planning and management development plans, and prepare matters relating to other material employment issues with respect to the executive management. The compensation and talent committee held four meetings in 2020.

10. Risk management and internal control

The Board, together with the executive management, evaluates the risks related to the Group's operations on a continuous basis. Key risk factors relate to current operations as well as construction of the Group's proprietary system, obtaining contractual counterparties, retaining key staff and general financial risks. In addition, risks inherent in the business plan are monitored: commodity prices, exchange rates, competition, the political and regulatory environment, counter-party performance, and the potential growth of the business and the application of new technology.

Each year, as a minimum, the Board will conduct a thorough assessment of the Company's most important areas of exposure to risk. The annual review is carried out together with the Board's review of the annual accounts, and the Company's auditor is expected to attend this meeting.

The Board, through its work with the financial department and the annual audit process, ensures that the Group has reliable internal control and systems for risk management. The Company's Code of Conduct sets the standard for the behavior which can be expected internally and externally by anyone employed by or associated with Magseis Fairfield and includes guidance on how to report any concerns related to illegal or unethical conduct.

Magseis Fairfield prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair view of the company's and the group's assets, liabilities, financial position and results of operations. The Board is presented with and approves the annual budget/forecast at the end of the preceding financial year or in the beginning of the commencing financial year. Thereafter, the Board is presented with regular updates and reports identifying material variations from the approved budget/forecast. Explanations are obtained for material variances. The Board also approves interim financial statements on a quarterly basis, based on a review together with the executive management.

11. Remuneration of the Board of Directors

The remuneration of the Board is decided by the general meeting, based on a recommendation from the nomination committee. The proposal from the nomination committee is submitted to the Company's shareholders together with the notice for the AGM.

The remuneration of the Board reflects the responsibility and competence of the Directors, as well as the time spent and complexity of the business of the Group. Board members who participate in Board committees receive additional compensation for this. The remuneration is not linked to the Company's performance and does not contain any share options. However, for 2020 the remuneration is to be paid partly in cash and partly in RSUs. Detailed information on the remuneration of the Board members is specified in note 31 in the annual report.

Board members and/or companies with which they are associated should not take on other assignments than the directorship for the Company, in order to maintain independent. However, if they do, this shall be disclosed to the full board and remuneration for such additional duties will be approved by the Board.

12. Remuneration of the executive personnel

The Board has prepared a policy with key principles for remuneration of the CEO and executive management.

The components of the remuneration of senior executives includes a base salary, an annual Performance Cash Incentive or "STIP", a long-term equity-based performance incentive, or "LTIP", as well as participation in share programs and pension schemes. The total remuneration shall ensure that Magseis Fairfield attracts, motivates, retains and rewards senior executives with desired

skills and experience, as well as ensures alignment with the long-term interests of the Company's shareholders.

In 2012, Magseis established a share option program for executive management and key personnel. In 2018 the share option program was replaced with Restricted Stock Unit (RSU) and Performance Stock Unit (PSU) programs, but the share option program will roll until it is finished as per 1 March 2021. The various share programs are intended to incentivize performance and are based on quantifiable factors over which the employee in question has influence. The performance related remuneration is subject to an absolute limit.

In December 2020, the Board of Directors unanimously agreed on the separation of Annual Bonus and LTI via the change to a Short-Term Incentive Plan "STIP" which includes an annual cash incentive based on short term/annual Company and individual performance, as well as the Long-Term Incentive Plan or "LTIP", a performance-based Cash and equity incentive instrument that aligns performance with longer-term strategic goals. The RSU and PSU programs now sit under these two structured incentive plans for exercise in accordance with the plan structures and goals of these two incentive programs, both short and long term respectively. Details on the share option program as well as the STIP and LTIP programs can be found in the Guidelines for Salary and other Remuneration for Leading Personnel, and in the annual report.

The Board's statement on remuneration principles for senior executives was presented to and adopted by the AGM in 2020. The statement was presented for a consultative vote, except for the part regarding guidelines for share-based incentives which were subject to a separate vote.

13. Information and communications

Communication with shareholders, investors and analysts is a high priority for Magseis Fairfield. The Company believes that objective and timely information to the market is a prerequisite for a fair valuation of the Group, and in turn, the generation of shareholder value.

The Board has adopted an investor relations policy, to clarify roles and responsibilities related to financial reporting and regulate contact with shareholders and the investor market. The policy is based on openness and considers equal treatment of all market participants. The CEO and the CFO are responsible for investor and shareholder relations outside general meetings. As a rule, no such communication shall be conducted within a two-week period prior to the disclosure of the interim reporting. In addition, the Board has adopted instructions pertaining to the handling of inside information, in which the company's obligations and procedures as a stock exchange listed company are explained. The instructions for handling of inside information have been updated to reflect the Market Abuse Regulation (MAR) which came into force in Norway on 1 March 2021.

Interim reports are provided on a quarterly basis, in accordance with the Oslo stock exchange's recommendation. Magseis Fairfield provides presentations in connection with the company's interim reports, to provide an overview of the operational and financial developments, market outlook and the company's prospects. All information distributed to the Company's shareholders will be provided in English and published on the Company's webpage (www.magseisfairfield.com) at the same time as it is sent to the shareholders.

14. Take-overs

Magseis Fairfield's articles of association do not contain any restrictions, limitations or defense mechanisms against take-over bids, nor have other measures been implemented to hinder the acquisition of shares in the Company.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for how it shall act in the event of a takeover bid. In the event of an offer, the Board shall ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. Furthermore, the Board will not seek to hinder or obstruct takeover bids for Magseis' activities or shares. Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares will only be entered into where the Board believes it is in the common interest of the Company and its shareholders. Any transaction that is in effect a disposal of the Company's activities should be decided by the general meeting.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same

time as the announcement that the bid will be made is published.

If an offer is made for the shares of Magseis Fairfield, the Board will make a recommendation on whether the shareholders should accept the offer or not. The Board may arrange for a valuation from an independent expert.

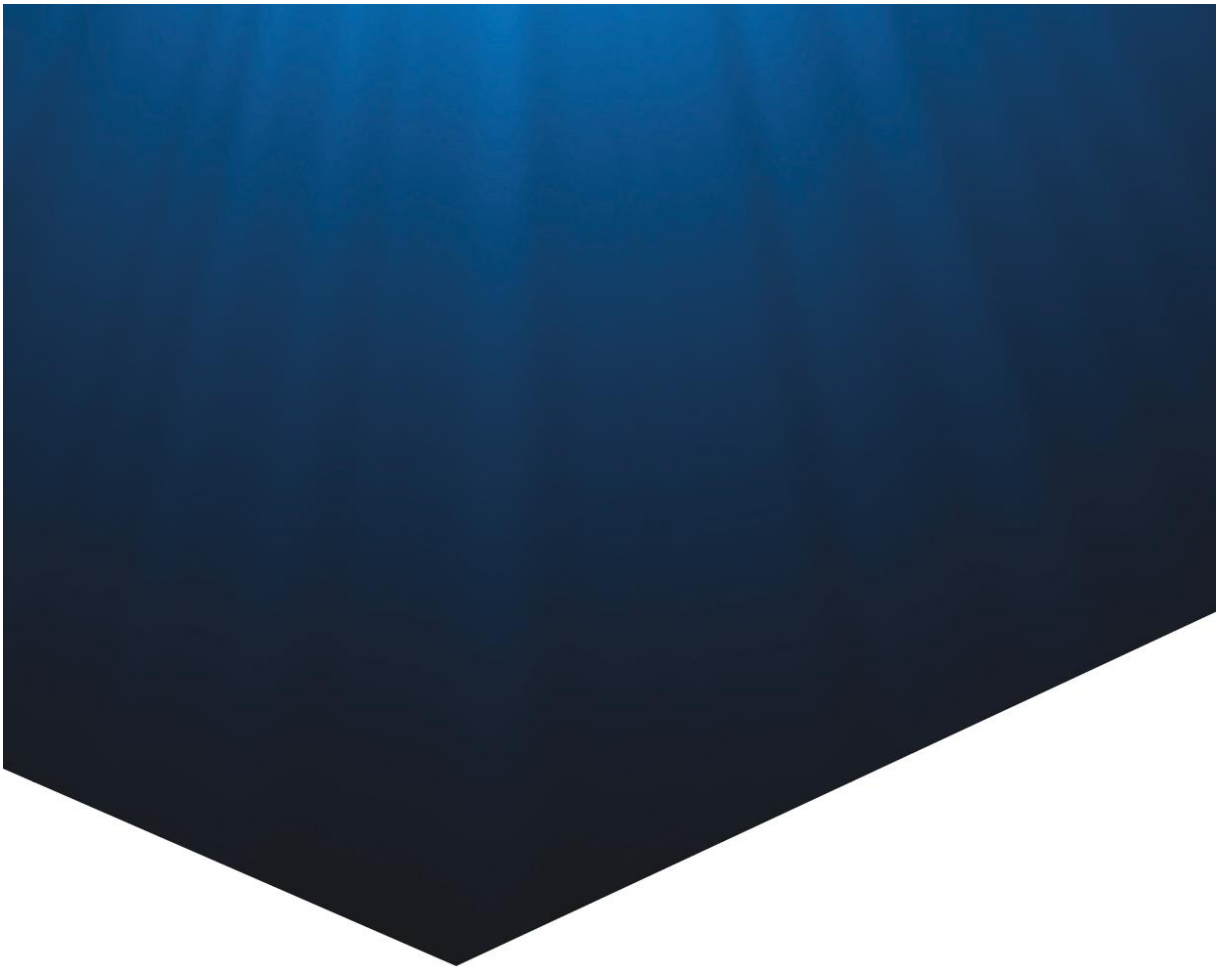
15. Auditor

The Company's statutory auditor is Deloitte AS. The auditor is appointed by the general meeting and is regarded as independent of the Company. The Board will from time to time evaluate the audit arrangement for the Company.

The Board requires that the auditor participates in meetings of the audit and risk committee and in meetings of the Board that deal with the annual accounts. The auditor shall present to the Board a report outlining the audit activities in the previous fiscal year and highlight the areas that caused the most attention or discussions with management, together with a plan for the work related to the Group's audit. In connection with the annual audit, the Board also requires the auditor to review the Company's internal control procedure, including weaknesses identified and proposals for improvement. At least once per year, the Board meets with the Company´s auditor without any members of the executive management present.

The Board has established guidelines for the use of the auditor by the executive management for services other than the audit, in order to prevent any potential conflicts of interest and not put the auditor's integrity and independence at risk.

The remuneration of the auditor is approved by the AGM. The Board will inform the general meeting about the fees paid to the auditor for services other than the annual audit and the details are given in notes to the annual report. For more information about remuneration to the auditor, see note 8 in the 2020 financial statements.



Magseis Fairfield
Consolidated Financial Statements

Consolidated statement of comprehensive income

USD thousands	Note	2020	2019
Revenues and other income			
Revenues and other income	5,6	193 391	459 625
Operating expenses			
Cost of sales	7	(130 616)	(374 308)
General and administrative costs	8	(27 317)	(63 812)
Depreciation	13,16	(39 406)	(56 686)
Amortization	14	(8 719)	(8 960)
Impairment	15	(1 940)	(106 245)
Total operating expenses		(207 998)	(610 011)
Operating profit/(loss)		(14 607)	(150 386)
Finance income and costs			
Finance income		6 647	14 394
Finance costs		(9 833)	(7 373)
Net finance income/(costs)	9	(3 185)	7 021
Net profit/(loss) before tax		(17 793)	(143 365)
Income tax expense	10	(1 857)	(8 176)
Net profit/(loss) and total comprehensive income		(19 650)	(151 541)
Earnings per share			
Basic (USD)	12	(0.08)	(0.82)
Diluted (USD)	12	(0.08)	(0.82)

Consolidated statement of financial position

USD thousands	Note	31-Dec 2020	31-Dec 2019
Non-current assets			
Property, Plant and Equipment	13,15,16	150 075	172 091
Multi-client library	14,15	20 906	-
Other intangible assets	14,15	57 689	65 406
Total non-current assets		228 669	237 496
Current assets			
Cash and cash equivalents*	17	54 829	53 432
Trade receivables	19	38 141	24 353
Inventories	18	7 711	18 928
Other current assets	20	15 253	22 310
Total current assets		115 933	119 021
Total assets		344 602	356 518
Equity			
Share capital	4	1 578	1 167
Share premium	4	407 662	382 148
Other equity		(216 767)	(198 721)
Total shareholders' equity		192 473	184 594
Non-current liabilities			
Interest bearing liabilities	21,22	30 624	15 824
Lease liabilities	16,21,22	8 784	10 707
Non-interest-bearing liabilities	21	5 118	4 263
Total non-current liabilities		44 526	30 794
Current liabilities			
Trade payables		17 179	29 003
Current tax payable	10	5 455	7 895
Current portion of interest-bearing liabilities	21,22	2 293	16 667
Current portion of lease liabilities	16,21,22	19 361	16 195
Other current liabilities	23	63 315	71 369
Total current liabilities		107 603	141 129
Total liabilities		152 129	171 923
Total equity and liabilities		344 602	356 518

**Restricted cash as of 31 December 2020 is USD 1.3 million*

Board of Directors and CEO of Magseis Fairfield ASA

Lysaker, 11 March 2021

[Sign.]

Wenche Kjølås
Chair of the Board of Directors

Jan Gateman

Anthony Dowd

Luis Araujo

Angela Durkin

Jonathan Cudmore

Janie Garcia

Carel Hooijkaas
CEO

Consolidated statement of changes in equity

For the year ended 31 December 2020

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2020	1 167	382 148	5 784	(204 505)	184 594
Share issuance tranche 1	199	13 301	-	-	13 500
Expenses related to tranche 1	-	(683)	-	-	(683)
Share issuance tranche 2	213	14 249	-	-	14 462
Expenses related to tranche 2	-	(1 354)	-	-	(1 354)
Share based payments	-	-	1 712	-	1 712
Other changes	-	-	-	(107)	(107)
Profit/(Loss) for the period	-	-	-	(19 650)	(19 650)
Balance 31 December 2020	1 578	407 662	7 496	(224 262)	192 473

For the year ended 31 December 2019

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2019	1 166	382 152	3 244	(52 988)	333 574
Share issuance	1	(4)	-	-	(3)
Share based payments	-	-	2 540	-	2 540
Other changes	-	-	-	24	24
Profit/(Loss) for the period	-	-	-	(151 541)	(151 541)
Balance 31 December 2019	1 167	382 148	5 784	(204 505)	184 594

Consolidated statement of cash flow

USD thousands	Note	2020	2019
Cash flows from operating activities			
Profit / (loss) before tax		(17 793)	(143 364)
Income tax paid	10	(2 803)	(4 332)
Depreciation, amortization and impairment	13,14,15,16	50 066	171 892
Share-based payments expense	30	1 712	2 540
Finance expense	9	9 833	7 373
Finance income	9	(6 647)	(14 394)
Cost of sales of nodes		-	29 058
(Increase)/decrease in current assets		17 116	91 961
Increase/(decrease) in current liabilities		(31 001)	4 007
Net cash from operating activities		20 481	144 740
Cash flows from investing activities			
Interest received	9	99	735
Investment in multi-client library	14	(12 026)	-
Investment in other intangibles	14	(1 001)	-
Acquisition of equipment	13	(12 304)	(91 204)
Investment in subsidiaries	3	-	(22 170)
Net cash used in investing activities		(25 232)	(112 639)
Cash flows from financing activities			
Down payments of interest-bearing liabilities	21,22	(3 333)	(22 374)
Net proceeds from new loan	21,22	3 568	-
Payment of finance lease liabilities	16,21,22	(17 731)	(18 775)
Net proceeds from issue of share capital	4	25 513	(2)
Interest paid	9	(3 326)	(5 629)
Net cash from financing activities		4 691	(46 780)
Net change in cash and cash equivalents		(60)	(14 679)
Currency effects on cash		1,457	-
Cash and cash equivalents at period start	17	53 432	68 110
Cash and cash equivalents at period end*	17	54 829	53 432

**Restricted cash as of 31 December 2020 is USD 1.3 million*

Notes to the consolidated financial statements

1. Company information

Magseis Fairfield provides 3D, 4D, near field and sparse node ocean bottom node (OBN) technology, mainly to exploration and production companies within the oil and gas industry.

Magseis Fairfield (the Group) consists of Magseis Fairfield ASA and its subsidiaries. Magseis Fairfield ASA is a public limited company incorporated in Norway. The Company's registered office is at Strandveien 50, Lysaker, Norway. The consolidated financial statements of Magseis Fairfield ASA (referred to as the Company or Parent) incorporate the financial statements of the company and its subsidiaries collectively referred to as "the Group".

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of 31 December 2020.

The consolidated financial statements were authorized for issuance by the Board of Directors and the Chief Executive Officer (CEO) on 11 March 2021. The consolidated financial statements will be presented for approval at the Annual General Meeting on 7 April 2021. Until this date the Board of Directors have the authority to amend the financial statements.

2.2 Financial reporting principles

The relevant financial reporting principles are described in each note to the consolidated financial statements. Magseis Fairfield focuses on describing the reporting within the IFRS framework rather than repeating the actual text of the standard.

2.3 Basis of measurement

The consolidated balance sheet has been prepared on the historical cost basis except for certain financial liabilities as presented in note 27 measured at fair value on each reporting date. The financial information presented in United State Dollars (USD) has been rounded to the nearest thousand (USD thousand), therefore the subtotals and totals in some tables may not equal the sum of the amounts shown. Certain comparative figures have been adjusted to conform to the presentation adopted in the current year.

2.4 Going Concern

The financial results for the Group in 2019 were characterized by financial and operational challenges, resulting in significant impairments, write offs and other special items impacting the numbers negatively. Significant steps were taken in the company's turn-around with restructuring measures and capex and cost cuts implemented in fourth quarter 2019. A private placement was undertaken in February 2020, raising approximately USD 30 million in gross proceeds. To further strengthen the balance sheet and liquidity position, the company's loan agreement was refinanced and converted to a Revolving Credit Facility (RCF) of USD 30 million with new covenants, effective from 1 April 2020.

The financial results for the Group were characterized by continued financial and operational challenges in 2020, due to the Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices. However, the Group has reduced the cost and capital expenditure levels significantly through 2020, to align spending with a lower activity level and preserve cash and safeguard business continuity.

The Group's backlog for 2021 increased during the fourth quarter 2020 and the first months of 2021, giving increasing support for the 2021 forecasts.

Supported by the equity raise and refinancing in the first quarter 2020, the company ended the year with USD 54.8 million in cash and cash equivalents and a net cash position of USD 21.9 million. Given the established lower level of SG&A costs and capital expenditure, it is the Board of Directors' view that this provides sufficient liquidity for the current activity level.

Although there are uncertainties related to events or conditions that might impact the future cash flows, such as Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices, management are of the opinion that the going concern assumption is appropriate and the accounts are prepared under this assumption.

2.5 Consolidation

The consolidated financial statements comprise the parent company Magseis Fairfield ASA and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Functional and presentation currency

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.

2.7 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within financial items. All other foreign exchange gains and losses are presented within operating profit.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.8 Statement of cash flows

The statement of cash flows is presented according to the indirect method. Cash and cash equivalents include cash and other short-term cash convertible investments.

2.9 Significant judgements and critical estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions each reporting period that affect the income statement and balance sheet. The accounting estimates will seldom precisely match actual results, and changes in assumptions may

have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate.

The main areas where significant judgements and critical estimates have been made are described in each of the following notes:

- Note 6 Revenue from customer contracts
- Note 10 Income Tax
- Note 13 Property, Plant and Equipment
- Note 15 Impairment of non-current assets
- Note 16 Leases
- Note 18 Inventories
- Note 23 Other current liabilities

2.9 New Financial Reporting Standards

There has not been any new or amended IFRS standards effective from 2020 with material impact to the group accounts.

3. Group structure and business combinations

3.1 Financial Reporting Principles

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. Goodwill is recognized as the excess of the consideration transferred and the acquisition-date less the fair value of the net identifiable assets acquired is recorded. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the target is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

3.2 Business combinations

There have been no business combinations in 2020 or 2019.

3.3 Group structure

The following subsidiaries are included in the consolidated financial statements:

Company	Country of incorporation	Main operations
Magseis Operations AS	Norway	Geophysical services
Magseis FF AS	Norway	Holding company
Magseis FF LLC	USA	Geophysical services
Magseis Singapore Pte. Ltd	Singapore	Crewing company
Magseis FF (UK) Ltd	UK	Holding company
WGP Group Ltd	UK	Geophysical services
WGP FFN Professional Services Ltd	BVI	Crewing company
Magseis Malaysia Sdn. Bhd.	Malaysia	Geophysical services
Magseis Technology AB	Sweden	Product development
Magseis Do Brazil Ltda.	Brazil	Geophysical services
Magseis USA LLC (liquidated 2021)	USA	Dormant

The company holds 100 percent of all shares and all voting rights for its subsidiaries.

4. Share information

Ordinary shares - Issued and fully paid	Number of shares	Share capital USD '000	Share premium USD '000
Balance 1 January 2019	184 982 362	1 166	382 151
Private placement 14 January 2019	2 019	-	3
Private placement 24 April 2019	186 211	1	(6)
Balance 31 December 2019	185 170 592	1 167	382 148
Private placement 17 February 2020	37 034 118	199	12 618
Private placement 17 March 2020	44 565 882	213	12 895
Balance 31 December 2020	266 770 592	1 578	407 662

The share

The nominal value of the shares is NOK 0.05. The share capital is fully paid. Magseis Fairfield ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at general meetings.

Share based payments reserve

Share-based payments represent cost charged to income statement over the vesting period based on the fair value measured at grant date for equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Shareholders

The 20 largest shareholders as of 31 December 2020 are as follows:

	Number of shares	Ownership interest
Fairfield MS LLC	48 262 582	18.1%
Morgan Stanley & Co. LLC	38 530 304	14.4%
AS CLIPPER	11 283 402	4.2%
DB London (Inv. Serv.) Nominees Lt	8 500 000	3.2%
WESTCON GROUP AS	8 156 291	3.1%
ANFAR INVEST AS	7 373 326	2.8%
KAS BANK N.V.	7 203 200	2.7%
STRAWBERRY CAPITAL AS	6 910 076	2.6%
VERDIPAPIRFONDET KLP AKSJENORGE	6 446 448	2.4%
GEO INNOVA AS	5 814 852	2.2%
Merrill Lynch Prof. Clearing Corp.	3 900 000	1.5%
REDBACK AS	3 578 289	1.3%
JPMorgan Chase Bank	3 532 643	1.3%
BARRUS CAPITAL AS	3 304 410	1.2%
BAKKEJORD	3 047 407	1.1%
VERDIPAPIRFONDET PARETO INVESTMENT	2 340 000	0.9%
Skandinaviska Enskilda Banken AB	2 230 220	0.8%
SEB CMU/SECFIN POOLED ACCOUNT	2 178 074	0.8%
J.P. Morgan Bank Luxembourg S.A.	1 450 000	0.5%
ØRNES AS	1 413 635	0.5%
Total largest shareholders	175 455 159	65.8%
Other shareholders	91 315 433	34.2%
Total outstanding shareholders	266 770 592	100.0%

5. Segment information

The Group's CEO (Chief Executive Officer) is the chief operating decision maker at Magseis Fairfield, and the whole Group is managed as 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.

USD thousands	Year ended 31-Dec-20 Segment	Adj.	As reported	Year ended 31-Dec-19 Segment	Adj.	As reported
Acquisition	131 531	-	131 531	289 507	-	289 507
Systems	43 328	-	43 328	137 466	-	137 466
Reservoir Monitoring/Source	18 532	-	18 532	30 477	-	30 477
Multi-client prefunding	12 353	(12 353)	-	-	-	-
Multi-client aftersales	-	-	-	2 175	-	2 175
Total revenues	205 744	(12 353)	193 391	459 625	-	459 625
Cost of sales	(143 172)	12 556[1]	(130 616)	(391 115)	16 807[1]	(374 308)
SG&A and R&D costs	(30 175)	2 858[2]	(27 317)	(65 780)	1 968[2]	(63 812)
EBITDA	32 397	3 061	35 458	2 730	18 775	21 505
Multi-client amortization	(8 153)	8 153	-		-	-
EBITDA after multi-client amortization	24 244	11 214	35 458	2 730	18 775	21 505
Depreciation and amortization	(34 678)	(13 448)[3]	(48 125)	(48 421)	(17 225)[3]	(65 646)
Impairments	(627)	(1 313)[3]	(1 940)	(106 245)	-	(106 245)
EBIT	(11 061)	(3 547)	(14 607)	(151 936)	1 550	(150 385)

[1] Vessel lease payments
[2] Office lease payments
[3] Depreciation and impairment of right of use assets (IFRS 16)

A significant portion of the Group's revenue is generated from customer contracts with a limited number of key customers, where the top three customers generated revenue of USD 44 million, USD 34 million, USD 25 million respectively for the full financial year 2020.

See note 6 Revenue from customer contracts for the split of revenue by geographical locations.

6. Revenue from customer contracts

Revenue from contracts with customers

Revenue from contracts with customers arise primarily from the delivery of exclusive seismic services, granting of licenses to the Groups' Multiclient survey data library, marine geophysical services and sales of nodes and other equipment.

Revenue is recognized at the amount that the Group expects to be entitled to and expects to collect under the customer contracts. If a customer contract consists of multiple performance obligations, the consideration is allocated among the performance obligations based on their estimated relative fair values. Amounts received from customers in advance of the Group satisfying its performance obligations are recognized as a contract liability. In the rare event the Group has satisfied a performance obligation and is otherwise entitled to compensation under the contract but there is a significant uncertainty as to ultimately collecting the compensation, revenue recognition is deferred until such uncertainty no longer exists. When the Group has satisfied its performance obligations and has a right to the agreed consideration, revenue is recognized.

The principles applied for each of the main types of contracts with customers are described in more detail below.

Proprietary acquisition projects/Reservoir monitoring/Source

The Group performs ocean bottom seismic services in accordance with customer specifications, and where the customer retain ownership to the seismic data. These contracts are considered to contain one single performance obligation, and the performance obligation is satisfied over time since the Group performs the service at the customer specification, the resultant seismic data is retained by the customer and the Group has no alternative right to otherwise utilize or benefit from the data.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is normally due based on the contractually agreed payment plan when legal title to the seismic data has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component. The project is measured based on the physical progression, and revenue is recognized based on the ratio of the project's progress to date (percentage of completion), provided that the performance obligation is satisfied. Revenue recognition can be based on various parameters, such as number of shots, square kilometers of acquired data or time progressed.

Multi-client surveys

The multi-client library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Revenues generated from multi-client surveys fall into two categories:

Pre-commitment arrangements – Comprise of contracts where the Group obtains pre-funding from customers before a seismic project is started, or during the project period. These pre-commitments cover specific areas or license blocks. In return for the commitment, the customer obtains early access to the data, favorable pricing compared to late sales and a degree of influence over the project scope. 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.

Late sales – Comprise of contracts where the Group grants a license entitling non-exclusive access to utilize a defined portion of the multi-client data library in exchange for a fixed payment. Revenue is recognized at the point in time when the customer has been granted access to the data.

For multi-client library projects, Magseis Fairfield may invest in the project with other parties and have 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 revenues and related accounts receivables.

Revenue from sale of equipment

The Group provides the sale of nodes to external customers, where each sale is defined as a customer contract. The sales contracts normally include one performance obligation which is satisfied upon the delivery of an agreed number of nodes in accordance with the agreed specifications. Revenue is recognized at the point in time when the control of the goods is transferred to the customer, which occurs when the products have been shipped to a contractual agreed location, and the risks of obsolescence and loss have been transferred to the customer. The revenue is measured at the transaction price as agreed under the contract.

Other services revenue

Customer contracts for other marine geophysical services are similar in nature and terms to the proprietary contract sales. Revenue is recognized over time as the Group satisfies the performance obligation and is entitled to the compensation under the contract. Lease income is recognized on a straight-line basis over the lease period.

Significant judgements and critical estimates

The deliveries in the customer contracts are reviewed to identify distinct performance obligations, and this assessment may involve significant judgement. For most of the identified performance obligations for Proprietary acquisition projects, control has been assessed to be transferred to the customer over time as the performance obligation is satisfied. Revenue is recognized over time using either a cost-based progress method, or revenue is recognized as physical progress of the project represents the transfer of seismic data to the customer. These methods are assessed to best reflect the pattern of transfer of control of goods and services to the customer.

Disaggregation of revenue

In accordance with IFRS 15 management analyze the revenue contracts with customers and disaggregates the revenue into the following product categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

- Proprietary acquisition
- Reservoir Monitoring/Source
- Multi-client
- Revenue from sale of equipment
- Other service revenues

Revenue from customers is disaggregated in the table below by geographical location, by type of product, and by the timing of the revenue. For proprietary acquisition projects and Reservoir Monitoring/Source Acquisition the geographical specification is based upon location of performance. For sale and repair of nodes the geographical specification is based upon the location of the customer.

Disaggregation of revenue from contracts with customers:

USD thousands	Proprietary acquisition	Multi-client	Sale of equipment	Reservoir Monitoring/Source	2020
North Americas	131 725	-	1 536	-	133 261
Asia	-	-	27 750	-	27 750
Europe	250	-	-	19 297	19 547
Revenue from contracts with customers	131 975	-	29 287	19 297	180 558
At a point in time revenue recognition					
Revenue from sale of equipment	-	-	29 287	-	29 287
Total at a point in time revenue recognition	-	-	29 287	-	29 287
Over time revenue recognition					
Proprietary acquisition projects	131 975	-	-	-	131 975
Reservoir monitoring/Source acquisition	-	-	-	19 297	19 297
Total over time revenue recognition	131 975	-	-	19 297	151 272
Total revenue from contracts with customers	131 975	-	29 287	19 297	180 558
Lease income					12 833
Total revenue and other income					193 391

USD thousands	Proprietary acquisition	Multi-client	Sale of equipment	Reservoir monitoring/Source	2019
Middle East	109 014	-	-	-	109 014
North Americas	132 836	-	5 534	-	138 370
Europe	26 779	2 175	-	30 477	59 431
Asia	16 174	-	125 733	-	141 907
Africa	4 704	-	-	-	4 704
Other	-	-	410	-	410
Revenue from contracts with customers	289 507	2 175	131 677	30 477	453 836
At a point in time revenue recognition					
Multi-client surveys	-	2 175	-	-	2 175
Revenue from sale of equipment	-	-	131 677	-	131 677
Total at a point in time revenue recognition	-	2 175	131 677	-	133 852
Over time revenue recognition					
Proprietary acquisition projects	289 507	-	-	-	289 507
Other services revenues	-	-	-	30 477	30 477
Total over time revenue recognition	289 507	-	-	30 477	319 984
Total revenue from contracts with customers	289 507	2 175	131 677	30 477	453 836
Lease income					5 789
Total revenue and other income					459 625

Assets and liabilities related to contracts with customers

Contract assets and contract liabilities from customers were USD 4.9 million (USD 15.1 million) and USD 13.8 million (nil) respectively.

Contract assets

Contract assets are recognized whenever a performance obligation is satisfied before the point in time where we have right of invoicing. This relates mainly to proprietary acquisition projects arrangements where the timing of invoicing is decided by the customer contract. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. As of 31December 2020 no impairment charges are recognized.

Contract liabilities (Advance payments from customers)

Advance payments from customers are recognized if the Group receives consideration or if it has the unconditional right to receive consideration in advance of performance. A portion of the Group's customers pay in advance, and these prepayments are recognized as non-financial debt and will be settled in the Group's services.

Assets recognized from cost to fulfil a contract

In addition to the contract balances discussed above, the Group has also recognized an asset in relation to costs to fulfil some of the Group's long-term contracts for proprietary acquisition projects. Such costs are recognized as an asset if the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify, the costs generate or enhance resources of the entity that will be used in satisfying and the costs are expected to be recovered. These costs relate primarily to mobilization and relocation of vessels and is presented within other assets in the balance sheet. As of 31 December 2020, USD 2.7 million was the balance of assets recognized from cost to fulfil a contract. There were no such costs to fulfil a contract at year-end 2019.

7. Cost of sales

Financial Reporting Principles

Other operating expenses are recognized in the period in which the associated goods and services are delivered to the Group.

Specification of cost of sales:

USD thousands	2020	2019
Charter hire and other vessel costs	91 384	156 505
Wages and contract labor	50 613	50 370
Other cost of sales	34 820	167 433
Capitalized to multi-client project (see note 14)	(46 201)	-
Total cost of sales	130 616	374 308

Specification of crew wages, other personnel costs and contract labor costs:

USD thousands	2020	2019
Salary and contract labor costs	46 454	40 801
Social security tax	2 376	4 451
Pensions	714	874
Other personnel costs	1 070	4 243
Total wages, other personnel costs and contract labor costs	50 613	50 370

8. General and administrative costs

Financial Reporting Principles

Other operating expenses are recognized in the period in which the associated goods and services are delivered to the Group. Personnel expenses include wages, salaries, social security contributions, sick leave, parental leave and other employee benefits. The benefits are recognized in the year in which the associated services are rendered by the employees.

Specification of other operating expenses:

USD thousands	2020	2019
Wages, other personnel costs and contract labor costs	16 730	38 678
Professional services	4 872	9 112
Other	5 715	16 023
Total other operating expenses	27 317	63 812

Specification of wages, other personnel costs and contract labor costs:

USD thousands	2020	2019
Wages and contract labor costs	10 161	26 580
Social security tax	1 972	2 702
Pension costs	847	1 075
Share-based payment costs	2 218	2 540
Other personnel cost	1 533	5 781
Total wages, other personnel costs and labor costs	16 730	38 678

The audit fee (exclusive of VAT) to Deloitte is specified in the table below:

USD thousands	2020	2019
Audit services		
Audit of annual financial statements (Deloitte)	261	299
Audit of annual financial statements (other than group auditor)	52	104
Other services		
Other assurance and tax services (Deloitte)	54	71
Total audit remuneration	366	474

9. Finance income and costs

Financial Reporting Principles

Interest income include effects from using the effective interest rate method where fees, interest paid, transaction costs and other premiums are deferred and amortized over the life of the instrument. Net effects from fair value gains or losses on financial assets at fair value through profit or loss, and adjustments to the carrying amount of financial liabilities at amortized cost are recognized in other financial items.

Foreign exchange gains and losses arise upon settlement of monetary assets and liabilities that are not hedged. Foreign exchange gains and losses also include the effects from translating monetary assets and liabilities denominated in foreign currencies at the balance sheet date.

Finance income includes interest income from financial assets held for cash management purposes, and finance costs includes borrowing costs, interest expenses in respect of lease liabilities and exchange differences arising from foreign currency borrowings.

USD thousands	2020	2019
Foreign exchange gains	6 681	1 160
Revaluation of warrants	(135)	6 482
Interest income	101	728
Other financial items	-	6 024
Total finance income	6 647	14 394
Foreign exchange losses	(6 198)	(1 257)
Interest expense loan facility	(2 046)	(2 177)
Interest expense leases	(1 547)	(2 381)
Other financial items	(245)	(1 558)
Capitalized lease interests (multi-client project)	203	-
Total finance costs	(9 833)	(7 373)
Net finance income/(costs)	(3 185)	7 021

Other financial items in 2019 relate to reversal of previous recognized contingent liability of USD 6 million. In addition, USD 2 million in previously accrued interest expenses on the contingent liability was reversed, reflected in reduced interest expense for 2019 in the table above.

10. Income tax

Financial Reporting Principles

Income tax consists of current tax, effect of change in deferred tax positions and withholding tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date that will be paid during the next 12 months. Current tax also includes any adjustment of taxes from previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for goodwill identified in business combinations. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences. The deferred tax asset is only recognized to the extent it is considered probable that future taxable profits will be available to utilize the credits.

Withholding tax

Withholding tax and any related tax credits are generally recognized in the period they are incurred.

Significant judgements and critical estimates

The Group is operating in different parts of the world and is thus subject to income taxes in numerous jurisdictions with increasingly complex tax laws. Judgement may be involved when determining whether the Groups' 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 material amounts of income tax relating to prior reporting periods. Management judgment is required when assessing valuation of unused losses, tax credits and other deferred tax assets. The recoverability is assessed by estimating taxable profits in future years taking into consideration also expected changes in temporary differences.

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 recognized 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 have been issued by the local tax authorities.

The Group has incurred several years of consecutive tax losses in the Norwegian tax jurisdiction, including for 2020 and the outlook for 2021 remains uncertain. Although management believes it will eventually attain a satisfactory level of profitability, sufficient and convincing evidence of such as required by International Accounting Standard 12 is not present per the reporting date. Hence, no deferred tax asset has been recognized.

Income tax expense specification:

USD thousands	2020	2019
Current tax:		
Tax payable	1 857	8 176
Deferred tax:		
Changes in recognized deferred tax	-	-
Tax expense	1 857	8 176

A reconciliation of the effective rate of tax and the tax rate in parent's country of registration:

USD thousands	2020	2019
Net profit/ (loss) before tax	(17 793)	(143 365)
Income taxes calculated at 22% / 23%	(3 934)	(32 974)
Adjustment in respect of current income tax of previous years	325	(522)
Changes in unrecognized deferred tax asset	11 258	30 535
Adjustment previous years deferred tax	(8 418)	-
Non-deductible expenses	2 421	3 958
Exchange rate variance	(930)	(277)
Withholding tax paid	215	6 528
Effect of other tax rates in subsidiaries	57	1 130
Other	863	(202)
Tax expense	1 857	8 176

The deductible temporary difference and tax losses do not expire under current tax legislation. The net deferred tax asset for the Group has not been recognized on the basis that it does not meet the criteria for asset recognition as the Group currently cannot document that the future taxable income can be utilized against available tax losses. The Norwegian tax rate (attributable to the Parent) is 22 percent.

Deferred tax assets and liabilities, of which none were recognized:

USD thousands	2020	2019
Non-current assets	(14 361)	(7 443)
Current assets	(912)	180
Non-current liability	-	-
Current liabilities	(3 736)	(4 369)
Tax- losses carried forward	(14 061)	(9 921)
Tax credits carried forward	(897)	(1 156)
Total (assets)/liabilities	(33 967)	(22 709)
Not recognized deferred tax assets	33 967	22 709
Net recognized deferred (assets) liabilities	-	-

11. Related party transactions

Financial Reporting Principles

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:

		Transaction value		Accounts payable	
USD thousands		2020	2019	2020	2019
Westcon Group (shareholder)	(I)	14 125	34 095	-	3 547
Fairfield Geotechnologies (shareholder)	(II)	969	4 254	-	104
Jan Gateman/Geo Innova AS (shareholder)	(III)	144	270	-	59
Total		15 238	38 619	-	3 710

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

(II) In 2020, the only transactions are related to office sublease. In 2019, transactions were related to sublease, consultancy and other operating services. The office lease agreement ends in October 2030 and the total lease liability is USD 3.5 million as of 31 December 2020.

(III) Jan Gateman was engaged as an independent consultant trough the company Geo Innova AS.

12. Earnings per share

Financial Reporting Principles

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share include the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Options granted to management under the employee share purchase program and warrants issued are potential ordinary shares. They have been included in the determination of diluted earnings per share to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share as the strike price for the options have been less than the average market price of ordinary shares during the reporting period.

Earnings per share:

USD	2020	2019
Basic earnings/(loss) per share on ordinary shares	(0.07)	(0.82)
Basic earnings/(loss) per share on weighted average number of shares	(0.08)	(0.82)
Diluted earnings/(loss) per share	(0.08)	(0.82)

Reconciliation of earnings used in calculating earnings/(loss) per share:

USD thousands	2020	2019
Basic earnings/(loss) per share		
Profit/(loss) for the year	(19 650)	(151 540)
Number of ordinary shares outstanding (in thousands)	266 771	185 171
Profit/(loss) for the year	(19 650)	(151 540)
Weighted average number of ordinary shares outstanding (in thousands)	252 993	185 124
Diluted earnings/(loss) per share		
Profit/(loss) for the year	(19 650)	(151 540)
Weighted average number of ordinary shares outstanding used as the denominator in calculating basic earnings per share (in thousands)	252 993	185 124
Adjustments for calculation of diluted earnings per share		
Employee stock options (out of money) (in thousands)	100	350
Warrants outstanding (out of money) (in thousands)	18 250	18 250
Weighted average number of ordinary shares and potential ordinary shares that would have been used as the denominator in calculating diluted earnings per share if the warrants and options were in the money	271 343	203 724

13. Property, plant and equipment

Financial Reporting Principles

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment. Components of property, plant and equipment with different useful lives are accounted for separately. Assets are normally depreciated on a straight-line basis over their expected economic lives as follows:

- Seismic equipment 3 - 7 years
- Fixtures and fittings 3 years
- IT Equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Equipment under construction is classified as non-current assets and recognized at cost and is not depreciated until the asset is ready for use.

Borrowing costs are capitalized as part of the cost of the asset when significant. The cost of self-constructed assets includes the cost of materials, direct labor, production overheads and borrowing cost.

Impairment triggers are assessed quarterly, and impairment testing is performed when triggers have been identified. See note 15 for further information about impairment of non-current assets.

Significant judgements and critical estimates

Judgement is involved when determining the depreciation period and when assessing impairment or reversal of impairment. Impairment is assessed on an individual asset basis and for cash generating units. The impairment testing involves judgmental assumptions about future market development, cashflows, determination of weighted average cost of capital (WACC), growth rate and other assumptions that may change over time. See note 15 for further information about impairment of non-current assets.

USD thousands	Seismic equipment	Assets under construction	Furniture, fixtures etc.	Right-of-use assets (IFRS 16)	Total
Accumulated investments					
Balance 1 January 2019	153 647	38 092	1 898	-	193 637
PPA adjustments	7 400	5 291	-	-	12 691
Revised balance 1 January 2019	161 047	43 383	1 898	-	206 328
Implementation of IFRS 16	-	-	0	19 937	19 937
Additions	33 309	57 390	407	23 455	114 561
Disposals/retirements	(42 243)	(19 135)	(68)	-	(61 446)
Reclass - assets under construction	23 980	(28 804)	4 824	-	-
Other changes	-	3 610	(1 389)	-	2 221
Balance 31 December 2019	176 093	56 444	5 672	43 392	281 600
Additions	1 304	10 950	50	18 974	31 278
Disposals/retirement	(51 189)	-	(3 844)	-	(55 033)
Reclass- asset under construction	31 638	(31 707)	69	-	-
Other changes	715	(294)	(127)	112	407
Balance 31 December 2020	158 561	35 393	1 821	62 478	258 252
Accumulated depreciation and impairment					
Balance 1 January 2019	(44 338)	-	(701)	-	(45 039)
Depreciation for the year	(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 31 December 2019	(85 206)	(1 806)	(4 558)	(17 939)	(109 509)
Depreciation for the year	(31 483)	-	(436)	(18 504)	(50 422)
Accumulated depreciation disposed/retired	49 868	-	3 827	-	53 695
Impairment	(627)	-	-	(1 313)	(1 940)
Other	(1 806)	1 806	-	-	-
Balance 31 December 2020	(69 254)	-	(1 167)	(37 756)	(108 176)
Net carrying amounts					
Balance 31 December 2019	90 887	54 638	1 114	25 453	172 091
Balance 31 December 2020	89 307	35 393	654	24 722	150 075

Commitments

The Group has entered contractual commitments for the acquisition of seismic equipment in 2021 amounting to USD 5 million as of 31 December 2020. Contractual commitments were USD 19.8 million per 31 December 2019.

14. Other intangible assets

Financial Reporting Principles

Research and development costs are expensed as incurred until a program has completed the concept phase. Development activities involve a plan or design to produce new or substantially improved products and processes. Development cost is only capitalized if the product or process is technically and commercially feasible and the business case shows a positive net present value. Capitalized development costs mainly include internal labor costs in addition to materials for the development program. Any third-party funding is presented as a reduction of the capitalized amount.

Other intangible assets also include customer relations, IT systems and technology development acquired through business combinations. The useful life of the acquired technology is 10 years. Capitalized development costs are normally amortized over three to six years on a straight-line basis.

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 (expected to be fourth quarter 2021); straight-line amortization is applied.

USD thousands	Other intangibles	Multi-client library	Goodwill
Accumulated investments			
Balance 1 January 2019	83 096	-	93 731
PPA adjustments	(1 800)	-	(12 600)
Balance 31 December 2019	81 296	-	81 131
Additions	1 001	20 906	-
Balance 31 December 2020	82 297	20 906	81 131
Accumulated amortization and impairment			
Balance 1 January 2019	(2 816)	-	-
Amortization	(8 961)	-	-
Impairment	(4 112)	-	(81 131)
Balance 31 December 2019	(15 889)	-	(81 131)
Amortization	(8 719)	-	-
Balance 31 December 2020	(24 608)	-	(81 131)
Net carrying amounts			
Balance 31 December 2019	65 407	-	-
Balance 31 December 2020	57 689	20 906	-

Commitments

The Group has entered contractual commitments for the processing of multi-client library data in 2021 amounting to USD 7 million.

15. 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.

Significant judgements and critical 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).

During 2020, several impairment indicators have been present; the outbreak and spreading of the coronavirus have led to a reduction in the economic activity and a rapid and significant reduction in oil demand and generated an oversupply situation with significantly lower and more volatile oil prices. The impact on the E&P industry has been profound and Magseis Fairfield's customers have cut their capex and cancelled or postponed their investment plans to preserve cash. Consequently, management has initiated impairment tests for all quarters during the year.

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 31 December 2020 were:

- Cash flow projections are based on flat revenue growth assumptions in 2021 and a market rebound in 2022 bringing revenue and margins closer to 2019 levels. We have applied a growth rate of 6-8% for the period 2023-2024, with an estimation of terminal value in subsequent periods. Growth rate applied in terminal value is 1%. Market uncertainty and recovery are reflected in the projections
- We have analyzed the historic and future OBS market and made assumptions about our market share, which has been used as a basis for the revenue scenario applied in the cash flow projections
- Terminal value reflects long term steady state revenue and margin levels based on a combination of historic levels and judgements applied
- Lower cost base following reorganization is reflected in the model
- Capex levels are aligned with revenue assumptions
- Weighted average cost of capital applied in the model is 8.6%

The test suggests no impairment required for 2020, but it must be emphasized that the model is highly sensitive to its assumptions, such as timing of market recovery which is difficult to predict in the current challenging market situation.

Sensitivities

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

Sensitivities (break-even analysis)

Long-term revenue reduction	Δ 13%
Long-term EBITDA margin reduction	Δ 5%
Discount rate increase	Δ 11%

In addition to the overall impairment test, specific reviews of assets are undertaken. This review resulted in impairment charges of USD 0.6 million in 2020 related to seismic equipment beyond repair. Impairment charges of USD 1.3 million related to right of use assets was also recognized in 2020, reflecting impairment of long-term office leases where the company seeks to sublease excess office space.

USD thousands	2020	2019
Asset class		
Goodwill	-	81 131
Seismic equipment	627	21 014
Other Intangible assets	-	4 100
Right of use assets - Office leases (IFRS 16)	1 313	-
Total impairment of non-current assets	1 940	106 245

16. Leases

Financial Reporting Principles

The Group has adopted the new accounting standard IFRS 16 Leases which replaces IAS 17 Leases and related interpretations. IFRS 16 Leases has from a lessee viewpoint eliminated the classification of leases as either operating leases or finance leases. Instead, all leases are treated in a similar way to finance leases under IAS 17.

The standard was effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group from the same date.

IFRS 16 allows various adoption approaches, where the Group has applied the modified retrospective approach where all right-of-use assets (ROU assets) are measured at an amount equal to the lease liability as at 1 January 2019. The lease liability in turn is calculated as the present value of remaining lease payments under the leases discounted by incremental borrowing rates as per time of transition. No implementation effects related to the IFRS 16 Leases implementation have affected the 1 January 2019 opening equity balance.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.9 percent.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 was defined as short-term leases,
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application.

The Group's leasing activities and how these are accounted for

The Group leases various office buildings, a manufacturing site, warehouses, vessels and other equipment. Rental contracts are typically made for fixed periods of 6 months to 5 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Finance leases that gave the Group substantially all the risks and benefits of the leased item was recognized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. For the purpose of calculating the present value, the interest rate implicit in the lease was used as the discount factor. Lease payments made under finance leases was apportioned between finance costs and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Leased assets were depreciated over the shorter of the lease term and their useful life.

Other lease contracts were classified as operating leases and were not recognized in the Group's statement of financial position. Lease payments was recognized as operating expense in the income statement on a straight-line basis over the lease term. Lease incentives received was recognized as an integral part of the total lease expense over the term of the lease.

From 1 January 2019, all leases are recognized as property, plant and equipment with a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. These increases are primary due to annual CPI-adjustments of the contractual lease payments. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the initial measurement of lease liability, adjusted for lease payments made at or before the commencement date, lease incentives received and any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases (less than 12 months) and leases of low-value assets are recognized on a straight-line basis as an operating expense in profit or loss.

Significant judgements and critical estimates

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 31 December 2020, two vessels are on long-term contracts and are recognized as right of use asset and lease liability in the table below. Options to extend are not reflected in the numbers, but this assessment will be updated during the lease period.

Right-of-use-assets

USD thousands	Vessels	Offices and warehouse	Total
Carrying value			
Balance 1 January 2019	-	-	-
Leases capitalized due to implementation of IFRS 16	11 870	8 067	19 937
Balance right-of-use assets 1 January 2019	11 870	8 067	19 937
Additions	18 636	4 722	23 358
Depreciation	(15 806)	(1 419)	(17 225)
Impairment	-	(714)	(714)
Other adjustments	97	-	97
Balance 31 December 2019	14 797	10 656	25 453
Additions	18 974	-	18 974
Depreciation	(16 339)	(2 165)	(18 504)
Impairment	-	(1 313)	(1 313)
Other adjustments	-	113	113
Balance 31 December 2020	17 432	7 291	24 722

Lease liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Leases capitalized due to implementation of IFRS 16	10 731	9 212	19 943
Balance right-of-use assets 1 January 2019	10 731	9 212	19 943
Additions	14 005	9 353	23 358
Lease payments	-	(18 775)	(18 775)
Other adjustments	2 376	-	2 376
Reclassification to current	(16 405)	16 405	-
Balance 31 December 2019	10 707	16 195	26 902
Additions	-	18 974	18 974
Lease payments	-	(17 731)	(17 731)
Other adjustments	-	-	-
Reclassification to current	(1 923)	1 923	-
Balance 31 December 2020	8 784	19 361	28 145

17. Cash and cash equivalents

Financial Reporting Principles

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid deposits with original maturity of three months or less.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

USD thousands	2020	2019
Unrestricted cash balances	53 564	52 615
Restricted cash balances		
Deposits	686	-
Employee tax withholding accounts	579	817
Total restricted cash balances	1 265	817
Total cash and cash equivalents	54 829	53 432

18. Inventories

Financial Reporting Principles

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses and the estimated cost to complete the inventory. The cost of inventories is based on the weighted average cost.

Significant judgements and critical estimates

The assessment of obsolete and slow-moving inventory in order to determine inventory write-downs is subject to management judgment. The selling price in the market must be estimated, and there is a risk that the actual selling price may turn out to be different than the amount estimated by management.

Inventories:

USD thousands	2020	2019
Raw materials equipment (work in progress)	3 315	7 455
Finished equipment for sale	3 691	9 336
Fuel stock	-	1 621
Battery stock	705	516
Total inventories	7 711	18 928
Write-off inventory related to US manufacturing	-	6 284
Write-off other equipment and inventory	525	600
Total write-offs	525	6 884

19. Trade receivables and contract assets

Financial Reporting Principles

Trade and other receivables are recognized at the initial invoiced amount, less any impairment losses. The invoiced amount is approximately equal to the value derived if the amortized cost method would have been used.

Impairment of accounts receivable and contract assets (financial asset at amortized cost)

Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9.

The Group's impairment model for accounts receivable, contract assets and other current assets is a simplified approach based on lifetime expected credit losses (ECL). Impairment is based on an estimate of the probability of default for the financial assets reflecting an unbiased amount determined by evaluating a range of possible outcomes; the time value of money and reasonable available information related to past events, current conditions and forecasts of future economic conditions.

The Group uses an impairment model with the following characteristics: The receivables are organized in portfolios based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typical large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all of the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy.

USD thousands	2020	2019
Trade receivables	38 141	24 353
Contract assets (accrued, not invoiced to customers)	4 851	15 074
Trade receivables and contract assets	42 991	39 427
Costs to fulfil a contract (mobilization cost)	2 681	-
Contract liabilities (prepayments from customers)	13 790	-

Overview of trade receivable aging:

USD thousands	31-Dec-20 Carrying amount	31-Dec-20 Loss allowance	31-Dec-19 Carrying amount	31-Dec-19 Loss allowance
Not overdue	28 775	(43)	14 962	-
Past due 0-30 days	7 521	-	2 412	-
Past due 31-120 days	1 853	-	493	-
Past due more than 120 days	85	(50)	6 486	-
Total	38 234	(93)	24 353	-

Credit risk on the trade receivables is evaluated as very low. At year-end 31 December 2020 a loss allowance of USD 93 thousand has been recognized.

20. Prepaid expenses and other current assets

USD thousands	2020	2019
Prepayments	5 324	5 269
Other receivables	2 398	1 431
Contract assets	4 851	15 074
Costs to fulfil a contract (mobilization costs)	2 681	-
Deposits	-	535
Total other current assets	15 253	22 310

21. Borrowings

Financial Reporting Principles

Interest-bearing debt is recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

USD thousands	2020	2019
Interest bearing liabilities (excl. Leases)		
Nominal value bank facility	30 000	33 334
Prepaid fees bank facility	(675)	(843)
Nominal value other loans	3 592	-
Total	32 917	32 491
Long term	*30 624*	*15 824*
Short term	*2 293*	*16 667*
Repayment profile at balance sheet date		
2020	-	16 667
2021	2 293	16 667
2022	31 299	-
Total	33 592	33 334

USD thousands	2020	2019
Lease liabilities (see note 16)		
Long-term	8 784	10 707
Short-term	19 361	16 195
Total	28 145	26 902

In 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 interest terms are LIBOR + margin of 4.25 percent. The arrangement cost is amortized over the term of the loan facility.

Financial covenants

The financial covenants as of 31 December 2020 (effective from 1 April 2020):

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

Magseis Fairfield is in compliance with all financial covenants as of 31 December 2020.

In April 2020, the Company received U.S. loan program of USD 3.6 million. The loan is payable over two years at an interest rate of 1%, with deferral of payments for the first ten months. The loan and accrued interest can be partially forgiven on certain conditions.

Securities

The following security has been provided to DNB Bank ASA, which secures both the loan agreement and any guarantee facility provided by DNB Bank ASA:

Magseis Fairfield ASA:

- Guarantee of USD 60 million plus interest and expenses
- Pledge over the shares in Magseis FF (UK) Ltd
- Pledge over the shares in Magseis FF AS
- Pledge over the shares in Magseis Operations AS
- Assignment over any monetary claims under the Fairfield share purchase agreement.
- Floating charges over operating assets, inventory and trade receivables
- Pledge over Norwegian bank accounts

Magseis Operations AS:

- Guarantee of USD 60 million plus interest and expenses
- Floating charges over operating assets, inventory and trade receivables
- Pledge over Norwegian bank accounts

Magseis FF AS:

- Guarantee of USD 60 million plus interest and expenses
- Pledge over the shares in Magseis FF LLC
- Floating charges over operating assets, inventory and trade receivables
- Pledge over Norwegian bank accounts

Fairfield Industries International Limited:

- Guarantee of USD 60 million plus interest and expenses
- Security over all assets (general debenture)

Magseis FF LLC:

- Guarantee of USD 60 million plus interest and expenses
- Security over all or substantially all assets, including patents/IP and bank accounts

Guarantees

The company has provided guarantees mainly related to project performance of USD 7 million as of 31 December 2020.

22. Cash flow information

Financial Reporting Principles

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows relating to leases are presented as follows:

(a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities

(b) cash payments for the interest portion consistent with presentation of interest payments chosen by the Group, and

(c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Non-cash transactions from financing activities are illustrated in the reconciliation of liabilities from financing transactions below:

	Liabilities arising from financing activities			
USD thousands	Non-current liabilities	Current liabilities	Lease liabilities	Total
Liabilities 1 January 2019	50 837	27 301	19 943	98 081
Cash flows	-	(27 174)	(18 775)	(45 949)
Transactions without cash effect				
Fair value changes	(14,399)	-	-	(14 399)
Amortized cost effects	506	-	-	506
Net additions lease liabilities	-	-	23 358	23 358
Reclassification	(16 667)	16 667	-	-
Other changes	(190)	(127)	2 376	2 059
				-
Liabilities 31 December 2019	20 087	16 667	26 902	63 656
Cash flows	-	(3 333)	(17 731)	(21 064)
Transactions without cash effect				
Refinancing of loan facility	13 334	(13 334)	-	-
New loan	1 274	2 293	-	3 567
Prepaid fees bank facility	26	-	-	26
New leases	-	-	18 974	18 974
Fair value changes	397	-	-	397
Other changes	624	-	-	624
Liabilities 31 December 2020	35 742	2 293	28 145	66 180

23. Other current liabilities

Financial Reporting Principles

Trade and other payables are recognized at the original invoiced amount. The invoiced amount is considered to be approximately equal to the value derived if the amortized cost method would have been used.

A provision is a liability with uncertain timing and amount. Provisions are recognized when cash outflow is considered probable, the amount can be reliably estimated, and the obligation is a result of a past event. All provisions are presented as short-term as they are part of the operating cycle.

A contingent liability is a possible obligation that arises from past events that typically depends on a future event outside of the company's control, for example a court decision. A provision is made when it is considered as probable that cash outflow will take place, and the obligation can be measured reliably.

Significant judgements and critical estimates

Onerous customer contracts

The provisions for onerous contracts are estimated based on a number of assumptions and are highly judgmental in nature as they relate to total estimated losses on customer contracts upon completion.

As of 31 December 2020, and 2019, no onerous customer contracts were identified.

Onerous lease contracts

In 2020, excess office space in US, UK, Norway and Sweden was made available for sublease. As a result, a total onerous lease liability of USD 0.8 million was recognized, in addition to USD 1.3 million recognized as impairment of right of use assets (IFRS 16) related to the long-term lease agreements.

USD thousands	2020	2019
Accrued warranties	5 477	10 001
Accrued expenses	33 379	37 915
Deferred revenue (contract liabilities)	13 790	-
Accrued salary	4 077	18 245
Other	6 592	5 208
Total other current liabilities	63 315	71 369

24. Financial risk management

Overview

The Group is exposed to a variety of financial risks; currency, interest rate, price, credit liquidity and capital risk. The objective of financial risk management is to manage and control financial risks exposure and thereby increase the predictability and minimize the potential adverse effects on the Group's financial performance. This also includes being able to meet the financial covenants related to the Group's borrowings.

Risk management

Financial risk management in the Group is maintained by a central Finance Function in accordance with the guidelines approved by the Board. The Group's Finance Function identifies, measures, mitigates and reports on financial risks in close cooperation with the various operating units. Risk management policies and procedures are reviewed regularly to consider changes in the market and the Group's activities.

Market risk

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will vary as a result of changes in market prices. The market price includes three types of risks: exchange risks, interest risks and price risks. Market risk is monitored and managed continuously by the Group.

Foreign exchange risk

Magseis Fairfield is exposed to changes in foreign exchange rates. The primary currency risk relates to sales and purchases that are denominated in a currency other than the respective functional currency of the Group, United States dollar (USD). The currencies in which these transactions primarily are denominated are Pound Sterling (GBP) and Norwegian krone (NOK), but also Euro (EUR), Singapore Dollars (SGD), and Swedish krona (SEK). Magseis predominantly sells products and services in United States dollars, and to a limited extent in other currencies.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level.

As shown below, the Group is primarily exposed to changes in the USD/NOK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the profit or loss for the period in the Group's foreign subsidiaries.

USD thousands	Increase/decrease in NOK/USD	Effect on EBITDA
2020	+10%	+1 915
	10%	(2 341)
2019	+10%	+5 838
	10%	(7 135)

USD thousands	Increase/decrease in GBP/USD	Effect on EBITDA
2020	+10%	+940
	10%	(1 149)

Interest rate risk

The Group's interest rate risk is mainly related to loans where an element of interest rate is not fixed, where an increase in floating rates would lead to an increase in interest costs and reduce net income and cash flow.

The Group currently has one long-term interest-bearing loan.

The table below shows a sensitivity of exposure to interest rate risk at the reporting date. This analysis assumes that all other variables remain constant and ignores any impact of forecast transactions

USD thousands	2020	2019
Carrying amount of interest-bearing debt excluding finance lease obligations	30 000	33 334
Effect of 1%-point increase in interest rate on profit before tax	300	333

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Lack of payments from customers may significantly and adversely impair the Group's liquidity. The concentration of the Group's customers in the oil and gas industry may impact the Group's overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which the Group operates could make collection difficult or time consuming. The Group undertakes due consideration to the credit quality of its potential customers during contract negotiations to minimize the risk of payment delinquency, but no assurance can be given that the Group will be able to fully avoid this risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Credit exposure* as of 31 December:

	Amortized cost / carrying value	
USD thousands	31-Dec-20	31-Dec-19
Financial assets		
Cash and cash equivalents	54 829	53 432
Trade receivables	38 141	24 353
Other current assets	15 253	15 074
Total	108 222	92 859

**See also note 19 Trade receivables for additional information related to the loss allowance and for the aging analysis of the accounts receivable.*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To ensure sufficient available cash at hand to meet expected cash outflows, the Group uses cash flow forecasts, to monitor cash flow requirements.

In first quarter 2020, the company completed a private placement of new shares raising NOK 277.4 million or approximately USD 30 million. In addition, the loan agreement was refinanced and converted to a Revolving Credit Facility (RCF) of USD 30 million with new covenants. See note 21 for further details.

Financial liability maturity schedule

The following are the contractual maturities of the financial liabilities including interest payments at the end of the reporting period:

Year ended 31 December 2020

USD thousands	Carrying amount	Less than 3 months	3-12 months	1-2 years	>2 years	Total
Non-current interest-bearing liabilities	30 624	330	990	31 944	-	33 264
Non-current non-interest-bearing liabilities	5 118	-	-	5 118		5 118
Current portion of interest-bearing liabilities	2 293	-	2 293	-	-	2 293
Lease liabilities	28 145	4 571	16 876	2 550	9 593	33 590
Trade payables	17 179	17 179	-	-	-	17 179
Total financial liabilities	83 359	22 080	20 159	39 612	9 593	91 444

Year ended 31 December 2019

USD thousands	Carrying amount	Less than 3 months	3-12 months	1-2 years	>2 years	Total
Non-current interest-bearing liabilities	15 824	-	-	17 248	-	17 248
Non-current non-interest-bearing liabilities	4 263	-	-	4 263	-	4 263
Current portion of interest-bearing liabilities	16 667	-	17 834	-	-	17 834
Lease liabilities	26 902	4 050	12 145	3 028	13 742	32 965
Trade payables	29 003	29 003	-	-	-	29 003
Total financial liabilities	92 659	33 053	29 979	24 539	13 742	101 313

If the Group were to be unemployed for a longer period, it would need to manage its cost base and would, inter alia, seek to reduce costs or negotiate a grace period from some of its largest cost sources such as the time-chartered vessels. The Group's asset light operating model, reflecting a relatively high variable cost base, conversion to an RCF facility and close follow up of working capital requirements, lowers the liquidity risk to a satisfactory level.

25. Capital management

The Group's objective for its capital management is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital. This includes being able to meet the financial covenants under the Group's credit facility.

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Based on the strong growth, resulting in working capital requirements and investment programs, the Group's financial strategy has been to maintain a solid equity ratio and sufficient and applicable debt financing to ensure necessary liquidity.

26. Fair value measurement

Financial Reporting Principles

The Groups' use of derivative contracts is limited and only entered into for economic hedging purposes to reduce cash flow risk and not as speculative investments. Derivatives are classified as FVTPL and initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value through profit and loss at the end of each reporting period. The fair values are based on observable market prices obtained from external parties and are based on mid-range marked interest rates and prices, excluding margins, at the reporting date. The derivatives are defined as Level 2 in the fair value hierarchy. The derivatives are classified as a non-current asset or liability if the maturity date is later than 12 months from the balance sheet date and there is no intention to close the position within 12 months from the balance sheet date. Changes in the fair value of any derivative instrument are recognized immediately in profit or loss and are included in finance income or finance expense if they are economic hedges for financing related risks. Derivatives that are economic hedges for operational cash flows are included in operating gains and losses in the profit or loss statement.

The Group has no outstanding derivatives as of the balance sheet date.

Fair value estimates

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and short-term equity investments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and contingent consideration. Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Warrants are included in level 2 where the fair values have been determined based on the Black–Scholes valuation model. Please see Note 27 Financial assets and financial liabilities for further information.

27. Financial assets and financial liabilities

Financial Reporting Principles

Financial assets and financial liabilities held by the Group consist of trade receivables, cash and cash equivalents, trade payables, borrowings, financial lease liabilities, derivatives and contingent consideration from the earn-out agreement relating to WGP Group and the Al Shaheen project.

Financial assets (excluding derivatives)

All financial asset, excluding derivatives, meet the SPPI (solely payments of principal and interest) criteria, and are managed in a business model of Hold to collect. These financial assets are in the measurement category amortized cost. The Group measures its trade receivables and cash and cash equivalents at amortized cost. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognized in the income statement. Financial assets are classified as current assets, except for those where management has the intention to hold the investment for over 12 month or financial assets with maturities later than 12 months after the balance sheet date. These assets are classified as non-current assets.

Financial liabilities (excluding derivatives)

The Group's financial liabilities consist of trade payables, contingent consideration, lease liabilities and borrowings. The Group initially recognizes financial liabilities at fair value net of transaction costs. Trade payables and borrowings are subsequently measured at amortized cost using the effective interest method. Transaction costs related to borrowings are amortized using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value. Lease liabilities are measured in accordance with IFRS 16, refer to note 16.

As of 31 December 2020, there are no differences between the amortized cost carrying amount and estimated fair value for any financial assets or financial liabilities measured at amortized cost. This also applies as of year-end 2019.

As a part of the consideration for the acquisition of Fairfield's seismic technology business, the Company issued 18 250 000 warrants. Each warrant gives the right to one new share in the Company, nominal value NOK 0.05, at a subscription price of NOK 25.425. Since the functional currency of Magseis Fairfield ASA is USD, whereas the warrants are settled in NOK, the IFRS definition of an equity instrument has not been met. As a result, the warrants are classified as a liability. The warrants were valued according to Black and Scholes model (BS) to market value as of December 2020 at USD 0.4 million (USD 0.3 million in 2019). The warrants are adjusted to fair value at each reporting date with a corresponding charge to income statement.

As a part of the acquisition, an earn-out arrangement was recognized relating to the WGP Group. The earn-out relates to the purchase, by Fairfield Geotechnologies, of the business and the assets of WGP Group Ltd (BVI) and its subsidiaries from Thalassa Holdings Ltd on 1 January 2018, and is contingent on WGP Group Ltd (UK) and/or its subsidiaries, successfully entering into agreements with a client on two prospective projects. At the date of the acquisition of WGP Group Ltd (UK) by Magseis Fairfield ASA on 18 December 2018, an agreement had successfully been entered into on the first project. There was also an earn-out agreement related to project Al Shaheen. As of 31 December 2020, a total combined earn-out liability of USD 6 million is recognized.

Financial assets and financial liabilities:

USD thousands	Measured at amortized cost	Measured at FVTPL	Measured at amortized cost	Measured at FVTPL
	2020		2019	
Financial assets				
Cash and cash equivalents	54 829	-	53 432	-
Trade receivables	38 141	-	24 353	-
Total	92 969	-	77 785	-
Financial liabilities				
Interest bearing liabilities	32 917	-	32 491	-
Long-term non-interest-bearing liabilities	4 000	-	4 000	-
Lease liabilities	28 145	-	26 902	-
Warrants (see note 26)	-	397	-	263
Trade payables	17 179	-	29 003	-
Total	82 241	397	92 396	263

28. Pledged securities

Below is an overview of assets that are pledged as security for the loan facility with DNB.

USD thousands	2020	2019
Current		
Trade receivables	38 141	24 353
Inventories	7 711	18 928
Cash and cash equivalents	53 880	53 432
Total current assets pledged as security	99 731	96 713
Non-current		
Property, plant and equipment	125 354	146 639
Total non-current assets pledged as security	125 354	146 639
Total assets pledged as security	225 086	243 352

In addition, all shares in subsidiaries have been pledged as security for the loan facility. For additional information please see note 21 Borrowings.

29. Commitments

The Group has entered contractual commitments for the acquisition of seismic equipment in 2021 amounting to USD 5.0 million as of 31 December 2020, all due within one year. Contractual commitments were USD 19.8 million as of 31 December 2019.

30. Share-based payments

Financial Reporting Principles

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions.

For cash-settled share-based payments, a liability is recognized for outstanding remuneration and measured at fair value. Until settlement of the liability, the fair value of the liability is reassessed at each balance sheet date and settlement date and any changes in fair value are recognized through profit or loss.

The grant date for fair value of all share-based payments plan was calculated using the Black-Scholes-Merton option pricing model. Expected volatility is estimated by consider historic average share price volatility of comparable listed entities.

In 2012 the Group established a share option program that entitles key management personnel, senior employees and some members of the board to purchase shares in the Company. In accordance with this program options are exercisable at the market price of the shares at the end of the grant and all options are equity settled.

Overview of outstanding options	# of instruments 2020	Weighted average strike price 2020 (NOK)	# of instruments 2019	Weighted average strike price 2019 (NOK)
Outstanding on 1 January	350 000	14.26	525 000	16.42
Exercised during the period	-	-	-	-
Expired during the period	(250 000)	13.70	(175 000)	21.24
Granted during the period	-	-	-	-
Outstanding on 31 December	100 000	15.65	350 000	14.26
Exercisable 31 December	100 000	15.65	300 000	14.03

No share options were granted to the employees in 2020 and 2019.

The share option program was replaced with a Restricted Share Unit (RSU)/Performance Share Unit (PSU) program in the Annual General meeting 2018.

Overview of outstanding RSU/PSU	# of RSU's	Average contractual life	# of PSU's	Average contractual life
Outstanding 1 January 2019	3 410 532		186 250	
Released/terminated during the period	(119 958)		(66 253)	
Granted during the period	-		-	
Outstanding 31 December 2019	3 290 574	2.9	119 997	1.5
Released/terminated during the period	(385 199)		(93 332)	
Adjusted during the period	35 000		-	
Granted during the period	2 082 500		117 500	
Outstanding 31 December 2020	5 022 875	1.1	144 165	1.1

31. Management remuneration

Remuneration to the management in 2020

USD thousands		Base salary	Earned bonus 2020	Severance payments	Share incentive program	Pension & Other benefits	Total
Name	*Position*						
Carel Hooijkaas	Chief Executive Officer	584	191	-	313	11	1 099
Mark Ivin	Chief Financial Officer	322	71	-	133	10	536
Mark Zajac	Chief Technology Officer (from 01.06.2020)	170	25	-	5	3	203
Tom Scoulios	Chief Operating Officer	315	51	-	93	10	469
Simon Hayter	Chief Sales Officer	264	51	-	54	13	382
Ivar Gimse	SVP Business development	212	34	-	15	12	273
Sharon Barclay	Chief Human Resources Officer (from 01.02.2020)	211	39	-	43	9	302
Laila Myksvoll	General Counsel	202	38	-	7	10	257
Nils Halvor Heieren	Chief Technology Officer (01.01.2020-31.05.2020)	71	-	212	8	5	296
Cathrin Bretzeg	SVP HR (01.01.2020-31.01.2020)	13	-	-	-	1	14
Eivind Frømyr	Chief Geophysicist (01.01.2020-31.05.2020)	67	-	90	-	2	159
Total		2 431	500	302	671	86	3 990

Guidelines for remuneration to the CEO and senior executives
The main purpose of the senior executive remuneration programs is to encourage a strong and sustainable performance-based culture, which supports growth in shareholder value. The total remuneration to senior executives consists of base salary, annual “short-term” cash incentive bonus and long-term equity and cash - based incentives.

Since the 2020 AGM, the Board has followed the guiding principles then approved by the AGM with respect to remuneration of the CEO and the executive officers.

Bonus and variable pay
There have been no bonus payments made in 2020 related to the financial year 2019. Bonus for 2020 has been concluded at 25% of target, reflecting a challenging year, plus a small discretionary payment, to be paid in March 2021.

Share incentive program
Share incentive cost in the above table is related to options and Right Share Unit (RSU)/Performance Share Unit (PSU) programs vested and allocated during the year.

The 2018 Annual General Meeting approved replacing the share option program with the RSU and PSU program. The share option program will be fulfilled, but no new grants will be awarded. As of 31 December 2020, the total number of outstanding options to Management was nil.

The shares in the RSU program shall become vested at vesting date and shares in the PSU program shall become vested over three years, where 33 percent of an award shall vest after the first calendar year following the grant date, 33 percent of an award shall vest after two calendar years following the grant date and 33 percent of an award shall vest after three calendar years following the grant date. Thomas Scoulios, Simon Hayter and Sharon Barclay also have RSUs under a separate three-year cliff program. RSUs of respectively 106,320, 86,442 and 76,878 are vesting three years after award, i.e. on 18 December 2021.

Severance pay

- The Chief Executive Officer is entitled to a severance pay equivalent to 18 month's salary, commencing at the end of the notice period, when the resignation is at the request from the company.
- The Chief Financial Officer is entitled to a severance pay equivalent to 12 months' salary, commencing at the end of the notice period, when the resignation is at the request of the company, plus a guaranteed pro-rated bonus of 60% of base pay.
- The Chief Operating Officer is entitled to a severance pay equivalent to 12 months' salary, commencing at the end of the notice period when the resignation is at the request from the company.
- The Chief Sales Officer is entitled to a severance pay equivalent to 6 months' salary, commencing at the end of the notice period when the resignation is at the request from the company.
- The Chief Technology Officer is entitled to a severance pay equivalent to 3 month's salary, commencing at the end of the notice period, when the resignation is at the request of the company.
- The Chief HR Officer is entitled to a severance pay equivalent to 6 months' salary commencing at the end of the notice period, when the resignation is at the request of the company.
- The General Counsel has a 6-month notice period.
- The EVP Business Development is entitled to a severance pay equivalent to 3 months' salary, when the resignation is at the request of the company.

Severance pay in table above is related to severance pay for previous members of the management team.

Magseis Fairfield has no outstanding loans or guarantees to any employees, managers or Directors.

Remuneration to the management in 2019

USD thousands		Base salary	Bonus 2018, Paid 2019	Variable pay	Bonus 2019 up to % of annual salary	Share incentive program	Pension & Other benefits	Total
Name	*Position*							
Carel Hooijkaas	CEO from 01.10.2019	156	-	363	50%	-	11	529
Mark Ivin	CFO from 01.09.2019	114	-	298	80%	-	4	416
Nils Halvor Heieren	CTO	160	79	-	50%	16	9	263
Tom Scoulios	COO	311	145	-	50%	-	-	456
Simon Hayter	CSO	258	88	-	50%	-	13	360
Ivar Gimse	SVP Business development	196	198	-	50%	20	32	446
André Bjørvik	SVP Multi-Client	116	58	-	50%	12	23	208
Cathrin Bretzeg	SVP Human Resources	148	73	-	50%	16	20	257
Eivind Frømyr	Chief Geophysicist	179		-	50%	-	7	186
Management team year-end 2019		1 638	640	660		63	119	3 120
Per Christian Grytnes	CEO up to 30.09.2019	187	125	1 104		29	9	1 364
Tom Henrik Sundby	CFO up to 08.03.2019	141	-	429		15	2	587
Kevin Crosby*	CFO 08.03.19-31.08.19	-	-	-		-	-	-
Bjørn Jensen	COO up to 09.07.2019	168	-	283		16	5	472
Jan Gateman (GEO Innova AS)**	EVP no longer part of EMT	219	-	-		-	-	219
Helene Dessagne	General Counsel up to 18.11.2019	110	66	-		5	9	190
Jens Petter Hamang	SVP Corporate Development 05.02.19-01.11.19	134	-	158		-	8	300
Susan Penty	SVP QHSE up to 16.12.201	145	-	291		16	9	461
Previous Management team		1 196	190	2 209		80	43	3 593
Total		2 743	831	2 835		143	162	6 713

*Kevin Crosby was employed by Fairfield Geotechnologies
**Jan Gateman was engaged as an independent consultant as Senior Vice President: Mr. Gateman left the senior management team as from fourth quarter 2019. Mr. Gateman is a board member of Magseis Fairfield ASA.

Bonus and variable pay
There were no bonus payouts related to the financial year 2019. Variable pay in the above table relates to sign on bonus for new CEO and CFO and severance pay for previous members of management team.

Share incentive program
Share incentive cost in the above tables is related to options and Right Share Unit (RSU)/Performance Share Unit (PSU) programs vested and allocated during the year.

As of 31 December 2019, the total number of outstanding options to Management was 270,000, of a total of 350,000 share options outstanding issued to employees of the Group. 300,000 share options are exercisable as of year-end 2019 with an average strike price of NOK 14.26.

Remuneration for Board members 2020

USD thousands		Board fees	Audit & Risk comm.	Comp. comm.	Sub-total	RSU's	Total
Name	*Position*						
Wenche Kjølås	Chair of the Board	74	16	6	96	7	103
Jan B Gateman	Board member	50	6	-	56	5	61
Anthony Dowd	Board member from 23.04.2020	36	-	6	42	5	47
Luis Araujo	Board member	50	-	5	55	5	60
Angela Durkin	Board member	50	6	-	56	5	61
Roar Bekker	Nomination comm. / chairman	-	-	-	-	-	-
Anthony Dowd	Nomination comm.	-	-	-	-	-	-
Anders Farestveit	Nomination comm.	-	-	-	-	-	-
Jonathan Cudmore	Board member (employee elected) as from August 2020	3	-	-	3	-	3
Janie Garcia	Board member (employee elected) as from May 2020	4	-	-	4	-	4
Charles W. Davison Jr.	Board member until 23.04.2020	19	-	-	19	-	19
Bettina Bachmann	Board member until 23.04.2020	15	2	-	17	-	17
Edvin Endresen	Board member until 23.04.2020	15	2	-	17	-	17
Total		316	32	17	365	26	391

Remuneration to the Board of Directors, nomination committee and audit committee 2019

USD thousands

Board of Directors	Position	Board fees	Audit committee	Total
Wenche Kjølås	Chair of the Board	31	9	40
Jan B Gateman	Board member	60	-	60
Charles W. Davison	Board member	63	-	63
Luis Araujo	Board member	31	-	31
Bettina Bachmann	Board member	60	4	64
Edvin Endresen	Board member	63	4	67
Angela Durkin	Board member	31	-	31
Total		339	17	356

Wenche Kjølås, Luis Araujo and Angela Durkin were elected as Board members in General Meeting 22 May 2019. Mrs. Kjølås was elected as Chair of the Board on 22 November 2019, replacing Charles W. Davison as Chair.

Number of shares and share options held by the management and Board of Directors 2020

Name	Position	Shares	Options	RSUs	PSUs
Board of Directors					
Wenche Kjølås [1]	Chair of the Board	351 038	-	75 000	-
Jan B Gateman [2]	Board member	5 814 852	-	50 000	-
Anthony Dowd	Board member	-	-	50 000	-
Luis Araujo	Board member	45 000	-	50 000	-
Angela Durkin	Board member	78 892	-	50 000	-
Jonathan Cudmore	Board member (employee elected)	2 000	-	-	-
Janie Garcia	Board member (employee elected)	-	-	58 314	-
Management					
Carel Hooijkaas [3]	Chief Executive Officer	296 038	-	713 928	-
Mark Ivin [4]	Chief Financial Officer	-	-	259 090	-
Mark Zajac	Chief Technology Officer	-	-	125 000	-
Tom Scoulios	Chief Operating Officer	-	-	196 320	35 000
Simon Hayter	Chief Sales Officer	-	-	126 442	35 000
Ivar Gimse [5]	SVP Business development	946 214	-	37 500	20 833
Sharon Barclay	Chief Human Resources Officer	-	-	91 878	35 000
Laila Myksvoll	General Counsel	-	-	75 000	-
Total		7 534 034	-	1 958 472	125 833

[1] Mrs. Kjølås holds her shares in the company indirectly through Jawendel AS.
[2] Mr. Gateman holds his shares in the Company indirectly through Geo Innova AS.
[3] If share price is above target on vesting date 1 October 2022, RSUs as per above will be allocated. If share price is below target, amount of USD 750 000 is due for payment
[4] If share price is above target on vesting date 1 September 2022, RSUs as per above will be allocated. If share price is below target, minimum amount of USD 300,000 is due for payment.
[5] Mr. Gimse also holds shares in the company indirectly through Gneis AS

Number of shares and share options held by the management and Board of Directors 2019

Name	Position	Shares	Options	RSU's	PSU's
Board of Directors					
Wenche Kjølås [1]	Chair of the Board	55 000	-	-	-
Jan B Gateman [2]	Board member	4 638 382	-	-	-
Charles W. Davison	Board member	-	-	-	-
Luis Araujo [3]	Board member	-	-	-	-
Bettina Bachmann [4]	Board member	-	-	-	-
Edvin Endresen [5]	Board member	20 000	-	-	-
Angela Durkin [6]	Board member	-	-	-	-
Management					
Carel Hooijkaas [7]	CEO	-	-	-	-
Mark Ivin [8]	CFO	-	-	-	-
Nils Halvor Heieren	CTO	12 727	20 000		13 333
Tom Scoulios	COO	-	-	156 320	-
Simon Hayter	CSO	-	-	86 442	-
Ivar Gimse	SVP Business development	946 214	250 000	-	16 666
André Bjørvik	SVP Multi-client	15 500	-	-	10 000
Cathrin Bretzeg	SVP Human Resources	18 867	-	-	13 333
Eivind Frømyr	Chief Geophysicist	5 000	-	-	-
Total		5 711 690	270 000	242 762	53 332

[1] Mrs. Kjølås holds her shares in the company indirectly through Jawendel AS. In connection with Private Placement in February 2020, additional 296 038 were acquired, resulting in total number of 351 038 shares held through Jawendel AS.
[2] Mr. Gateman holds his shares in the Company indirectly through Geo Innova AS. In connection with Private Placement in February 2020, additional 1 176 470 were acquired, resulting in total number of 5 814 852 shares held through Geo Innova AS.
[3] On 14 February 2020, Mr. Araujo acquired 45 000 shares in the company.
[4] On 21 February 2020, Mrs. Bachman acquired 50 000 shares in the company.
[5] On 25 February 2020, Mr. Endresen acquired 40 000 shares in the company.
[6] On 14 February 2020, Mrs. Durkin acquired 78 892 shares in the company.
[7] On 13 February 2020, it was announced that Mr. Hooijkaas was granted 713 928 RSUs under the RSU program. The RSUs vest on 1 October 2022.
[8] On 13 February 2020, it was announced that Mr. Ivin was granted 259 090 RSUs under the RSU program. The RSUs vest on 1 September 2022.

32. Legal claims

Since acquiring Fairfield in December 2018, the Company has been involved in a patent lawsuit against Seabed Geosolutions for infringement of four of the Group's U.S. patents. This and other lawsuits and disputes regarding IPR infringement, may force the company to incur substantial costs in defending itself and its IP portfolio.

Magseis Fairfield continues to assert patent infringement claims against Seabed Geosolutions and remains confident in its litigation position. The Group intends to press forward with its lawsuit and demands for monetary damages and a permanent injunction in 2021.

The lawsuit was brought in the U.S. District Court for the Southern District of Texas and alleges that Seabed infringes four Magseis Fairfield U.S. Patents (Nos. RE45,268 ('268), 9,829,589 ('589), 8,228,761 ('761), and 8,879,362 ('362)). The Court has presently stayed the suit pending final resolution of three Inter Parties Review petitions challenging patent validity which Seabed filed with the U.S. Patent and Trademark Office, including appeals thereof. These appeals are expected to be resolved in 2021, after which Magseis Fairfield will seek to lift the litigation stay and timely resume litigation in the district court.

33. IFRS issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts I
- FRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

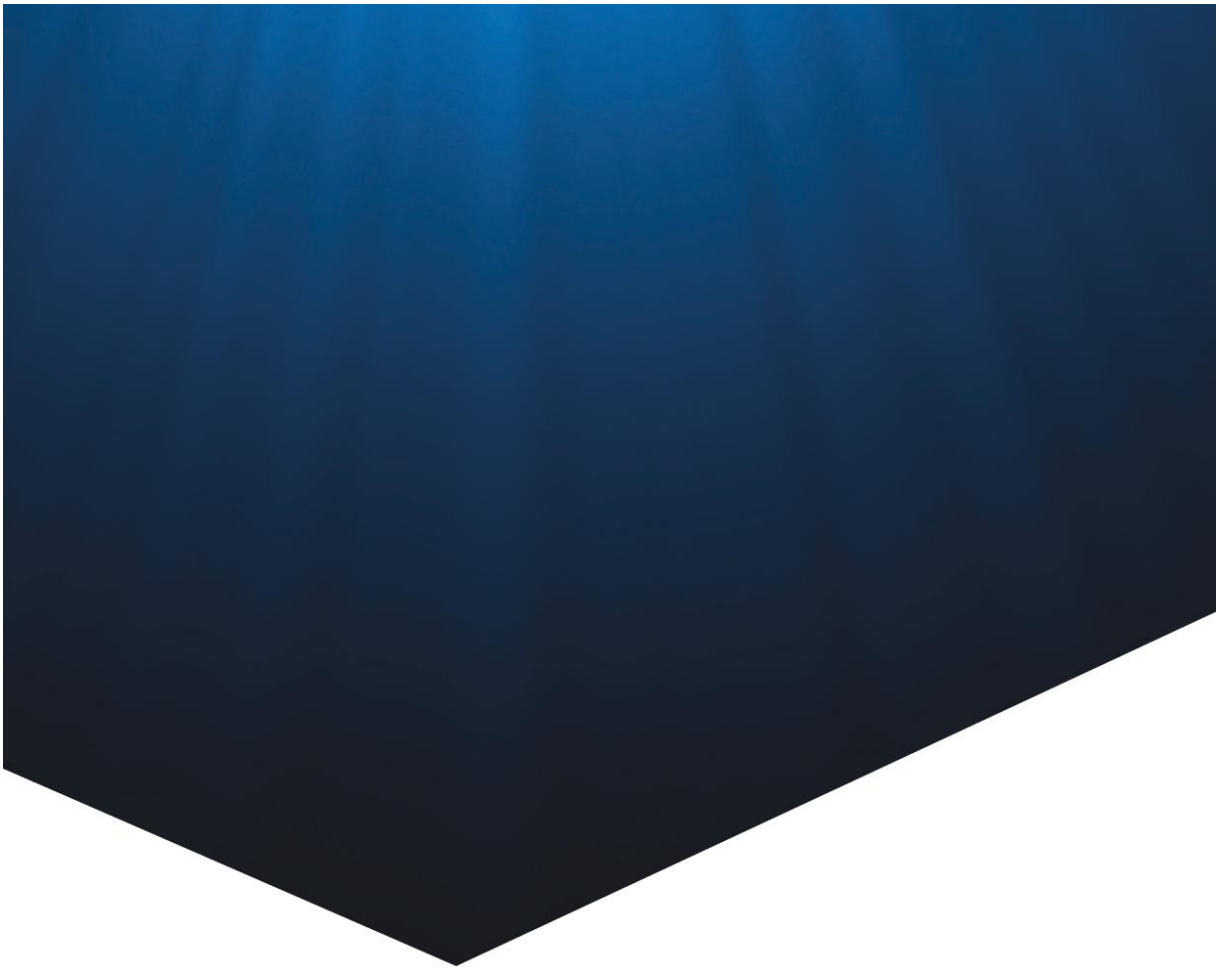
It is not expected that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

34. Events occurring after the reporting date

On 1 February, Magseis Fairfield was awarded a 4D Ocean Bottom Node monitor survey in the Norwegian North Sea for a major E&P company. The survey is scheduled to commence late in the first quarter 2021 and last for approximately 1 month.

On 10 February, Magseis Fairfield was awarded a contract for a deep-water Ocean Bottom Node baseline survey (3D) offshore Angola for a major international energy company. The project is expected to start in Q2-2021 and run for approximately three months.

On 12 February, Magseis Fairfield was awarded a contract for a deep-water Ocean Bottom Node monitor survey (4D) in the Gulf of Mexico for a repeat customer. The project is expected to start in Q2-2021 and run for approximately two months.



Magseis Fairfield ASA
Parent
Financial Statements

Statement of comprehensive income

USD thousands	Note	2020	2019
Revenues and other income			
Revenues and other income	3,8	14 354	147 687
Operating expenses			
Cost of sales	4	(8 289)	(98 862)
General and administrative costs	5	(15 365)	(31 267)
Depreciation	9,10	(10 657)	(13 778)
Amortization	9,10	(0)	(446)
Impairment	11	(288)	(14 121)
Total operating expenses		(34 599)	(158 475)
Operating profit/(loss)		(20 246)	(10 788)
Finance income and costs			
Finance income	6	5 568	16 329
Finance costs	6	(4 672)	(3 967)
Impairment of investments in subsidiaries	11	(1 465)	(153 734)
Net finance income/(costs)		(569)	(141 372)
Net profit/(loss) before tax		(20 815)	(152 159)
Income tax expense	7	0	(614)
Net profit/(loss) and total comprehensive income		(20 815)	(152 774)

Statement of financial position

USD thousands	Note	31-Dec 2020	31-Dec 2019
Non-current assets			
Other intangible assets	10,11	864	-
Property, Plant and Equipment	9,11	56 354	59 781
Intercompany loans	8	28 628	-
Investment in subsidiaries	1,11	109 468	110 934
Total non-current assets		195 315	170 715
Current assets			
Cash and cash equivalents	13	24 211	14 924
Trade receivables	15	1 175	949
Inventories	14	2 412	4 860
Other current assets	16	17 413	73 206
Total current assets		45 211	93 939
Total assets		240 525	264 654
Equity			
Share capital	2	1 578	1 167
Share premium	2	407 662	382 148
Other equity		(214 579)	(195 377)
Total shareholders' equity		194 660	187 939
Non-current liabilities			
Interest bearing liabilities	17,18	29 325	15 824
Non-interest-bearing liabilities	17,18	414	263
Lease liabilities	12,18	985	1 179
Total non-current liabilities		30 724	17 266
Current liabilities			
Trade payables		896	2 422
Intercompany payables		1 507	-
Current portion of interest-bearing liabilities	17,18	-	16 667
Current portion of lease liabilities	12,18	275	597
Current tax payable	7	150	150
Other current liabilities	19	12 313	39 614
Total current liabilities		15 141	59 449
Total liabilities		45 865	76 715
Total equity and liabilities		240 525	264 654

Board of Directors and CEO of Magseis Fairfield ASA

Lysaker, 11 March 2021

[Sign.]

Wenche Kjølås
Chair of the Board of Directors

Jan Gateman

Anthony Dowd

Luis Araujo

Angela Durkin

Jonathan Cudmore

Statement of changes in equity

USD thousands	Share capital	Share premium reserve	Share based payments reserve	Other equity	Total
Balance 1 January 2020	1 167	382 149	5 784	(201 162)	187 939
Share issuance tranche 1	199	13 301	-	-	13 500
Expenses related to tranche 1	-	(683)	-	-	(683)
Share issuance tranche 2	212	14 249	-	-	14 461
Expenses related to tranche 2	-	(1 354)	-	-	(1 354)
Share based payments	-	-	1 712	-	1 712
Other charges	-	-	-	(98)	(98)
Profit/(Loss) for the period	-	-	-	(20 815)	(20 815)
Balance 31 December 2020	1 578	407 662	7 496	(222 074)	194 660

Statement of cash flows

USD thousands	Note	2020	2019
Cash flows from operating activities			
Profit / (loss) before tax		(20 815)	(152 159)
Income tax paid and WHT paid	7	-	(614)
Depreciation, amortization and impairment	9,10,11	10 945	182 079
Share-based payments expense	25	1 712	2 540
Finance expense	6	6 137	3 967
Finance income	6	(5 568)	(16 329)
Cost of sales used nodes, non-cash effect	9	-	28 820
(Increase)/decrease in current assets		60 064	10 380
Increase/(decrease) in current liabilities		(25 794)	4 566
Net cash from operating activities		26 682	63 249
Cash flows from investing activities			
Interest received	6	45	476
Acquisition of equipment	9	(7 911)	(51 272)
Investment in subsidiaries (settlement of seller's credit)		-	(3 250)
Investments in intangibles		(864)	
Loans to subsidiaries	8	(28 628)	(18 262)
Net cash used in investing activities		(37 358)	(72 307)
Cash flows from financing activities			
Down-payments of interest-bearing liabilities	17,18	(3 333)	(22 374)
Payment of lease liabilities	12,18	(515)	(641)
Proceeds from issue of shares	2	25 924	-
Interest paid	6	(2 113)	(4 177)
Net cash from financing activities		19 963	(27 192)
Net change in cash and cash equivalents	13	9 287	(36 250)
Cash and cash equivalents at period start	13	14 924	51 174
Cash and cash equivalents at period end		24 211	14 924

Notes to the financial statements

1. General Information and basis of preparation

General Information

Magseis Fairfield ASA is a public limited company incorporated in Norway. The Company's registered office is at Strandveien 50, Lysaker, Norway.

Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with the simplified application of International Financial Reporting Standards (Norwegian Forenklet IFRS) in accordance with the Norwegian accounting act § 3-9 and the related directive. The directive refers to the general recognition and measurement requirements in IFRS as endorsed by the European Union, but with certain exemptions.

The financial statements were authorized for issue by the Board of Directors and the chief executive officer (CEO) on 11 March 2021. The financial statements will be presented to the Annual General Meeting on 7 April 2021 for approval. Until this date the Board of Directors has the authority to amend the financial statements.

Financial reporting principles

Magseis Fairfield ASA prepared its financial statements for 2020 in accordance with IFRS. The transition to financial statement preparation based on simplified IFRS in accordance with the Norwegian Accounting Act § 3-9 and the related directive has not affected any recognition or measurement criteria, neither for the current year or for comparative reporting periods.

The relevant exemption applicable to Magseis Fairfield relates to the recognition of Group contributions (Norwegian "konsernbidrag"). Group contributions and dividends under simplified IFRS may be recognized in accordance with Norwegian generally accepted accounting principles for the distributing and receiving entity. This means that the distributing entity may recognize a liability when the contribution or dividend is proposed, but before it has been approved. The receiving entity may also recognize the dividend or contribution receivable before it has been approved.

Disclosure requirements are in accordance with the directive, which refers to disclosure requirements in accordance with the Norwegian Accounting Act chapter 7 and Norwegian generally accepted accounting principles, with certain differences.

If not included in the notes below, the Company's significant accounting policies are disclosed in relevant sections in the consolidated financial statement. These principles have been applied consistently in all periods presented in the financial statements, unless stated otherwise.

Basis of measurement

The financial statements are prepared in accordance with the historical cost principle, with the exemption of derivatives which are measured at fair value.

Judgements and estimates

Preparation of financial statements in accordance with simplified IFRS requires the use of estimates. The application of Company's accounting principles further requires management to apply judgement.

New Financial Reporting Standards

Certain new or revised standards, amendments or interpretations of existing standards have been implemented, please see note 2.9 in the consolidated financial statement and note 12 Leases. For standards issued but not yet effective, please see note 32 in the consolidated financial statements.

Going concern

The financial results for the Company were characterized by continued financial and operational challenges in 2020, due to the Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices. However, the Company has reduced the cost and capital expenditure levels significantly through 2020, to align spending with a lower activity level and preserve cash and safeguard business continuity.

The Group's backlog for 2021 increased during the fourth quarter 2020 and the first months of 2021, giving increasing support for the 2021 forecasts.

Supported by the equity raise and refinancing in the first quarter 2020, the Group ended the year with USD 54.8 million in cash and cash equivalents and a net cash position of USD 21.9 million. Given the established lower level of SG&A costs and capital expenditure, it is the Management's view that this provides sufficient liquidity for the current activity level.

Although there are uncertainties related to events or conditions that might impact the future cash flows, such as Covid-19 pandemic and a weaker market environment due to lower and more volatile oil prices, Management are of the opinion that the going concern assumption is appropriate and the accounts are prepared under this assumption.

Shares in subsidiaries

Year ended 31 December 2020

USD thousands	Incorporation	Total equity	Net income/ (loss) 2020	Carrying value
Magseis Operations AS	Norway	5 017	1 891	3 025
Magseis Singapore Services Pte. Ltd.	Singapore	347	593	0
Magseis Technology AB	Sweden	453	(248)	6
Magseis Malaysia Sdn. Bhd.	Malaysia	477	(385)	477
Magseis FF AS	Norway	86 121	(757)	86 121
Fairfield Industries International Ltd.	UK	19 816	3 817	19 816
Magseis Brasil Ltda.	Brazil	23	(78)	23
Total		112 254	4 834	109 468

The Company holds 100 percent of all shares and all voting rights for its subsidiaries. Main operations for all subsidiaries are Geophysical services, besides the holding company Magseis FF AS and Magseis Technology AB where product development is the main activity.

2. Share information

Ordinary shares - Issued and fully paid	Number of shares	Share capital USD '000	Share premium USD '000
Balance 1 January 2019	184 982 362	1 166	382 151
Private placement 14 January 2019	2 019	-	3
Private placement 24 April 2019	186 211	1	(6)
Balance 31 December 2019	185 170 592	1 167	382 148
Private placement 17 February 2020	37 034 118	199	12 618
Private placement 17 March 2020	44 565 882	213	12 895
Balance 31 December 2020	266 770 592	1 578	407 662

Nominal value

The nominal value of the shares is NOK 0.05. The share capital is fully paid. Magseis Fairfield ASA has one class of shares, ordinary shares, with equal rights for all shares. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at general meetings.

Share based payments reserve

Share-based payments represent a cost charged to the income statement over the vesting period based on the fair value measured at grant date for equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

The 20 largest shareholders as of 31 December 2020 are as follows:

	Number of shares	Ownership interest
Fairfield MS LLC	48 262 582	18.1%
Morgan Stanley & Co. LLC	38 530 304	14.4%
AS CLIPPER	11 283 402	4.2%
DB London (Inv. Serv.) Nominees Lt	8 500 000	3.2%
WESTCON GROUP AS	8 156 291	3.1%
ANFAR INVEST AS	7 373 326	2.8%
KAS BANK N.V.	7 203 200	2.7%
STRAWBERRY CAPITAL AS	6 910 076	2.6%
VERDIPAPIRFONDET KLP AKSJENORGE	6 446 448	2.4%
GEO INNOVA AS	5 814 852	2.2%
Merrill Lynch Prof. Clearing Corp.	3 900 000	1.5%
REDBACK AS	3 578 289	1.3%
JPMorgan Chase Bank	3 532 643	1.3%
BARRUS CAPITAL AS	3 304 410	1.2%
BAKKEJORD	3 047 407	1.1%
VERDIPAPIRFONDET PARETO INVESTMENT	2 340 000	0.9%
Skandinaviska Enskilda Banken AB	2 230 220	0.8%
SEB CMU/SECFIN POOLED ACCOUNT	2 178 074	0.8%
J.P. Morgan Bank Luxembourg S.A.	1 450 000	0.5%
ØRNES AS	1 413 635	0.5%
Total largest shareholders	175 455 159	65.8%
Other shareholders	91 315 433	34.2%
Total outstanding shareholders	266 770 592	100.0%

3. Revenue from customer contracts

Revenue from contracts with customers

Revenue from contracts with customers arise primarily from the delivery of exclusive seismic services, granting of licenses to the Company's Multiclient survey data library, marine geophysical services and sales of nodes and other equipment.

Revenue is recognized at the amount that the Company expects to be entitled to and expects to collect under the customer contracts. If a customer contract consists of multiple performance obligations, the consideration is allocated among the performance obligations based on their estimated relative fair values. Amounts received from customers in advance of the Company satisfying its performance obligations are recognized as a contract liability. In the rare event the Company has satisfied a performance obligation and is otherwise entitled to compensation under the contract but there is a significant uncertainty as to ultimately collecting the compensation, revenue recognition is deferred until such uncertainty no longer exists. When the Company has satisfied its performance obligations and has a right to the agreed consideration, revenue is recognized.

The principles applied for each of the main types of contracts with customers are described in more detail below.

Proprietary acquisition projects/Reservoir monitoring/Source

The Company performs ocean bottom seismic services in accordance with customer specifications, and where the customer retain ownership to the seismic data gathered. These contracts are considered to contain one single performance obligation, and the performance obligation is satisfied over time since the Company

performs the service at the customer specification. The resultant seismic data is retained by the customer and the Company has no alternative right to otherwise utilize or benefit from the data.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is normally due based on the contractually agreed payment plan when legal title to the seismic data has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component. The project is measured based on the physical progression, and revenue is recognized based on the ratio of the project's progress to date (percentage of completion), provided that the performance obligation is satisfied. Revenue recognition can be based on various parameters, such as length of cable deployed, number of shots, square kilometers of acquired data or time progressed.

Multi-client surveys

The multi-client library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Revenues generated from multi-client surveys falls into two categories:

Pre-commitment arrangements – Comprise of contracts where the Company obtains pre-funding from customers before a seismic project is started, or during the project period. These pre-commitments cover specific areas or license blocks. In return for the commitment, the customer obtains early access to the data, favorable pricing compared to late sales and a degree of influence over the project scope. 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.

Late sales – Comprise of contracts where the Company grants a license entitling non-exclusive access to utilize a defined portion of the multi-client data library in exchange for a fixed payment. Revenue is recognized at the point in time when the customer has been granted access to the data.

For multi-client library 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.

Revenue from sale of nodes

The Company provides the sale of nodes to external customers, where each sale is defined as a customer contract. The sales contracts normally include one performance obligation which is satisfied upon the delivery of an agreed number of nodes in accordance with the agreed specifications. Revenue is recognized at the point in time when the control of the goods is transferred to the customer, which occurs when the products have been shipped to a contractual agreed location, and the risks of obsolescence and loss have been transferred to the customer. The revenue is measured at the transaction price as agreed under the contract.

Other services revenue

Customer contracts for other marine geophysical services are similar in nature and terms to the proprietary contract sales. Revenue is recognized over time as the Company satisfies the performance obligation and is entitled to the compensation under the contract. Lease income is recognized on a straight-line basis over the lease period.

Significant judgements

The deliveries in the customer contracts are reviewed to identify distinct performance obligations, and this assessment may involve significant judgement. For most of the identified performance obligations for Proprietary acquisition projects, control has been assessed to be transferred to the customer over time as the performance obligation is satisfied. Revenue is recognized over time using either a cost-based progress method, or revenue is recognized as physical progress of the project represents the transfer of seismic data to

the customer. These methods are assessed to best reflect the pattern of transfer of control of goods and services to the customer.

Disaggregation of revenue

In accordance with IFRS 15 management analyses the revenue contracts with customers and disaggregates the revenue into the following product categories, which depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

- Proprietary acquisition projects
- Multi-client surveys
- Revenue from sale of nodes
- Other service revenues

Revenue from customers is disaggregated in the table below by geographical location, by type of product, and by the timing of the revenue.

Disaggregation of revenue from contracts with customers:

USD thousands	Multi-client surveys	Revenue from sale of nodes	Other services*	Inter-company revenue	2020
Norway and Sweden	-	-	-	5 682	5 682
USA	-	-	-	3	3
UK				187	187
Asia	-	5 353	-	433	5 786
Revenue from contracts with customers	-	5 353	-	6 305	11 658
Point in time revenue recognition					
Multi-client surveys	-	-	-	-	-
Revenue from sale of nodes	-	5 353	-	-	5 353
Point in time revenue recognition	-	5 353	-	-	5 353
Over time revenue recognition					
Other services revenues	-	-	721	6 305	7 026
Total over time revenue recognition	-	-	721	6 305	7 026
Lease income (intercompany)	-	-	-	1 975	1 975
Total revenue and income	-	5 353	721	8 280	14 354

USD thousands	Multi-client surveys	Revenue from sale of nodes	Other services*	2019
Norway	2 175	376	13 137	15 688
USA	-	4 213	-	4 213
Asia	-	112 166	-	112 166
Revenue from contracts with customers	2 175	116 755	13 137	132 066
Point in time revenue recognition				
Multi-client surveys	2 175	-	-	2 175
Revenue from sale of nodes	-	116 755	-	116 755
Point in time revenue recognition	2 175	116 755	-	118 930
Over time revenue recognition				
Other services revenues	-	-	13 137	13 137
Total over time revenue recognition	-	-	13 137	13 137
Lease income (intercompany)	-	-	-	15 621
Total revenue and income	-	-	-	147 687

*Other services include revenue from seismic support services.

Assets and liabilities related to contracts with customers

Contract assets and contract liabilities from customers are disclosed below.

Contract assets

Contract assets are recognized whenever a performance obligation is satisfied before the point in time where we have right of invoicing. This relates mainly to proprietary acquisition projects arrangements where the timing of invoicing is decided by the customer contract.

No contract assets were recognized as of 31 December 2020 or 2019.

Contract liabilities (Advance payments from customers)

Advance payments from customers is recognized if the Company receives consideration or if it has the unconditional right to receive consideration in advance of performance. A portion of the Company's customers pay fees in advance, and these prepayments are recognized as non-financial debt and will be settled in the Company's services.

No contract liabilities were recognized as of 31 December 2020 or 2019.

4. Costs of sales

USD thousands	2020	2019
Charter hire and other vessel costs	200	7 624
Wages and other personnel costs	4 266	1 869
Other cost of sales	3 822	89 369
Capitalized to multi-client project	-	-
Total cost of sales	8 289	98 862

5. Other operating expenses

Financial Reporting Principles

Other operating expenses are recognized in the period in which the associated goods and services are delivered to the Company. Personnel expenses include wages, salaries, social security contributions, sick leave, parental leave and other employee benefits. The benefits are recognized in the year in which the associated services are rendered by the employees. At the end of 2020, the company had a total of 58 FTEs, with 51 employees and 7 contractors.

USD thousands	2020	2019
Wages and other personnel costs	7 690	15 940
Professional services	2 488	5 720
Other expenses	5 187	9 607
Total other operating expenses	15 365	31 267
Salary and social expenses are specified as such		
Salary	4 033	9 247
Social security tax	1 000	1 547
Pension costs	278	449
Share-based payments	2 218	2 540
Other personnel cost	162	2 158
Total salary and social expenses	7 690	15 940

For the Norwegian employees, the Company are obliged to provide an employment pension plan. Magseis Fairfield ASA has a defined contribution plan that meets this requirement. The expected contributions to be paid in 2021 is in line with the contributions in 2020.

The audit fee (exclusive of VAT) to Deloitte is specified in the table below:

USD thousands	2020	2019
Audit services		
Audit of annual financial statements	100	203
Other services		
Other assurance services	54	71
Total audit remuneration	154	274

Other assurance services in 2020 relates to tax services.

6. Financial income and expense

Interest income include effects from using the effective interest rate method where fees, interest paid, transaction costs and other premiums are deferred and amortized over the life of the instrument. Net effects from fair value gains or losses on financial assets at fair value through profit or loss, and adjustments to the carrying amount of financial liabilities at amortized cost are recognized in other financial items.

Foreign exchange gains and losses arise upon settlement of monetary assets and liabilities that are not hedged. Foreign exchange gains and losses also include the effects from translating monetary assets and liabilities denominated in foreign currencies at the balance sheet date.

Financial income includes interest income from financial assets held for cash management purposes, and financial costs includes borrowing costs, interest expenses in respect of lease liabilities and exchange differences arising from foreign currency borrowings.

Financial income and expense:

USD thousands	2020	2019
Revaluation of warrants	-	6 479
Interest income	1 905	2 590
Foreign exchange gains	3 663	1 234
Other financial items	-	6 026
Total financial income	5 568	16 329
Interest expense on loan facility	(2 017)	(1 410)
Interest expense on financial leases	(96)	(118)
Bank guarantees and other bank charges	(1)	(1 379)
Unrealized foreign exchange losses	(78)	(116)
Foreign exchange losses	(2 258)	(1 061)
Other financial expenses	(222)	-
Total finance expense	(4 672)	(3 967)
Net finance income/(expense) excl. impairment	896	12 362

For 2019, other financial items relate to reversal of previous recognized contingent liability of USD 6 million. In addition, USD 2 million in previously accrued interest expenses on the contingent liability has been reversed, reflected in reduced interest expense in the table above.

7. Income tax

Financial Reporting Principles

Income tax consists of current tax, effect of change in deferred tax positions and withholding tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date that will be paid during the next 12 months. Current tax also includes any adjustment of taxes from previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences.

Income tax expense specification:

USD thousands	2020	2019
Current tax:		
Tax payable	-	-
Withholding taxes and Permanent Establishment taxes	-	614
Deferred tax:		
Changes in deferred tax	-	-
Tax expense	-	614

A reconciliation of the effective rate of tax and the tax rate in parent's country of registration:

USD thousands	2020	2019
Net profit/ (loss) before tax	(20 815)	(152 774)
Income taxes calculated at 22%	(4 579)	(33 610)
Changes in temporary differences	-	(135)
Changes in unrecognized deferred tax asset	3 691	1 109
Non-deductible expenses	888	32 968
Use of withholding tax	-	(131)
Withholding taxes paid	-	615
Other	-	(202)
Tax expense	-	614

The Company has unutilized tax losses of USD 46.1 million in 2020 available to be offset against future taxable income. The deductible temporary difference and tax losses do not expire under current tax legislation. The net deferred tax asset for the Company has not been recognized on the basis that it does not meet the criteria for asset recognition as the Company currently cannot document that the future taxable income can be utilized against available tax losses. The applicable Norwegian tax rate is 22 percent (22 percent in 2019).

Deferred tax assets and liabilities, of which none were recognized:

USD thousands	2020	2019
Non-current assets	2 941	4 192
Non-current liability	(76)	-
Provision	(2 089)	-
Current liabilities	94	(3 792)
Tax- losses carried forward	(10 150)	(5 632)
Total (assets)/liabilities	(9 280)	(5 232)
Not recognized deferred tax assets	9 280	5 232
Net recognized deferred (assets)/liabilities	-	-

8. Related party and intercompany transactions

Financial Reporting Principles

Related parties' relationships are defined to be entities outside the Company 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 receivables/payables with group companies were as follows:

2020 USD thousands	Income from lease of equipment and seismic services	Income for management fee	Interest income	Seismic equipment & services	Net receivable/ (liability)	Inter-company loans
Magseis Operations AS	1 584	3 488	157	391	13 157	447
Magseis Singapore Services Pte. Ltd	-	235	-	-	512	-
Magseis Malaysia SDN BHD	-	198	-	-	198	-
Magseis Technology AB	-	219	-	-	82	-
Magseis USA LLC	546	-	-	-	-	-
Magseis FF AS	-	-	753	-	-	15 902
Magseis Fairfield LLC	-	1 432	950	-	1 262	12 279
WGP Group Ltd	37	150	-	-	143	-
Total	2 167	5 722	1 860	391	15 355	28 628

2019 USD thousands	Income from lease of equipment and seismic services	Income for management fee	Interest income	Seismic equipment & services	Net receivable/ (liability)
Magseis Operations AS	21 056	5 148	987	572	20 241
Magseis Singapore Services Pte. Ltd	2 128	326	-	1 077	(175)
Magseis Malaysia SDN BHD	(2 232)	345	-	-	-
Magseis Technology AB	-	308	-	3 731	(858)
Magseis USA LLC	-	-	-	-	-
Magseis FF AS	-	-	347	-	-
Magseis Fairfield LLC	311	817	776	13 002	7 683
WGP Group Ltd	69	115		609	128
Total	21 333	7 059	2 110	18 991	27 018

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

		Transaction value		Trade payables	
USD thousands		2020	2019	2020	2019
Westcon Group (shareholder)	(I)	8	876	-	(6)
Artemis Athene	(II)	3	-	-	-
J B Gateman (Geo Innova AS) (shareholder)	(III)	144	270	-	(59)
Total		156	1 145	1	(65)

(I) Time charter agreements for the vessels Artemis Athene, Artemis Angler and Artemis Arctic. Westcon Group also delivers Marine Management services as a part of the time charters.
(II) In 2020 there is only one transaction related to port fees.
(III) J B Gateman was engaged as an independent consultant.

9. Property, plant and equipment

Financial Reporting Principles

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses. Components of property, plant and equipment with different useful lives are accounted for separately. Assets are normally depreciated on a straight-line basis over their expected economic lives as follows:

- Seismic equipment 3 - 7 years
- Fixtures and Fittings 3 years
- IT Equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Equipment under construction is classified as a non-current asset and recognized at the cost, it is not depreciated until the non-current asset is ready for use.

Borrowing costs are capitalized as part of the cost of the asset when significant. The cost of self-constructed assets includes the cost of materials, direct labor, production overheads and borrowing cost.

Impairment triggers are assessed quarterly, and impairment testing is performed when triggers have been identified.

Judgement and Estimates

Judgement is involved when determining the depreciation period and when assessing impairment or reversal of impairment. Impairment is assessed for individual assets and for cash generating units. The impairment testing involves judgmental assumptions about future market development, cashflows, determination of weighted average cost of capital (WACC), growth rate and other assumptions that may change over time.

USD thousands	Seismic equipment	Assets under construction	Furniture fixtures etc.	Right-of-use assets	Total
Accumulated investment					
Balance 1 January 2019	99 362	19 757	1 068	-	120 187
Implementation of IFRS 16	-	-	-	2 279	2 279
Reclassification asset under construction	1 636	(1 806)	170	-	-
Additions	31 955	19 003	314	-	51 272
Disposals	(41 786)	(19 135)	-	-	(60 921)
Balance 31 December 2019	91 167	17 818	1 553	2 279	112 945
Additions	1 174	6 736	-	-	7 911
Disposals	(42 634)		(423)		(43 056)
Other	344	(13)	(151)		181
Balance 31 December 2020	50 052	24 542	979	2 279	77 852
Accumulated Depreciation and Impairment					
Balance 1 January 2019	(41 631)	-	(593)	-	(42 225)
Depreciation for the year	(13 005)	-	(237)	(536)	(13 778)
Acc. depreciation sold/scrapped assets	12 965	-	-	-	12 965
Impairment	(9 831)	-	(167)	-	(9 998)
Balance 31 December 2019	(51 502)	-	(997)	(536)	(53 035)
Depreciation for the year	(9 920)	-	(201)	(536)	(10 658)
Acc. depreciation sold/scrapped assets	42 084		406		42 490
Other	(1 806)	1 806		(7)	(7)
Impairment				(288)	(288)
Balance 31 December 2020	(21 144)	1 806	(793)	(1 367)	(21 498)
Net carrying amounts					
1 January 2020	39 665	17 818	555	1 743	59 781
Balance 31 December 2020	28 908	26 348	187	912	56 354

Commitments

The Company has entered contractual commitments for the acquisition of seismic equipment in 2021 amounting to USD 5 million as of 31 December 2020.

10. Other intangible assets

Financial Reporting Principles

Research and development costs are expensed as incurred until a program has completed the concept phase.

Development activities involve a plan or design to produce new or substantially improved products and processes. Development costs are only capitalized if the product or process is technically and commercially feasible and the business case shows a positive net present value. Capitalized development costs mainly include internal labor costs in addition to materials for the development program. Any third-party funding is presented as a reduction of the capitalized amount.

Capitalized development costs are amortized over three to six years on a straight-line basis.

Other intangible assets:

USD thousands	Other intangibles
Accumulated investments	
Balance 1 January 2020	7 373
Additions/disposals	864
Balance 31 December 2020	8 237
Accumulated amortization and impairment	
Balance 1 January 2020	(7 373)
Amortization for the period	(0)
Impairment for the period	-
Balance 31 December 2020	(7 373)
Carrying amounts	
Balance 1 January 2020	-
Balance 31 December 2020	864

11. 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.

Significant judgements and critical estimates

In 2019, management identified several impairment indicators as the financial guidance on EBITDA for 2019 was reduced from USD 100m to USD 45-55m and the share price fell from NOK 10 per share to NOK 5 per share. Further, synergies from the recent acquisition of Fairfield and WGP had not materialized as expected. It was clear that the project margins had not developed as expected and the backlog had been reduced throughout the year. Consequently, management revised the Group's prognoses and long-term market

outlook. As a result of these impairment indicators, management made an impairment test. This test indicated that the recoverable amount tested was lower than the carrying amount, resulting in a recognized impairment charge of USD 167.9 million.

During 2020, several impairment indicators have been present; the outbreak and spreading of the coronavirus have led to a reduction in the economic activity and a rapid and significant reduction in oil demand and generated an oversupply situation with significantly lower and more volatile oil prices. The impact on the E&P industry has been profound and Magseis Fairfield's customers have cut their capex and cancelled or postponed their investment plans to preserve cash. Consequently, management has initiated impairment tests for all quarters during the year.

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 31 December 2020 were:

- Cash flow projections are based on flat revenue growth assumptions in 2021 and a market rebound in 2022 bringing revenue and margins closer to 2019 levels. We have applied a growth rate of 6-8% for the period 2023-2024, with an estimation of terminal value in subsequent periods. Hence, market uncertainty and recovery are reflected in the projections
- We have analyzed the historic and future OBS market and made assumptions about our market share, which has been used as a basis for the revenue scenario applied in the cash flow projections
- Terminal value reflects long term steady state revenue and margin levels based on a combination of historic levels and judgements applied
- Lower cost base following reorganization is reflected in the model
- Capex levels are aligned with revenue assumptions
- Weighted average cost of capital applied in the model is 8.6%

The test suggests no impairment required for 2020, but it must be emphasized that the model is highly sensitive to its assumptions, such as timing of market recovery which is difficult to predict in the current challenging market situation.

Sensitivities

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

Sensitivities (break-even analysis)	
Long-term revenue reduction	Δ 13%
Long-term EBITDA margin reduction	Δ 5%
Discount rate increase	Δ 11%

In addition to the overall impairment test, specific reviews of assets are undertaken. This review resulted in impairment charges of USD 1.5 million in 2020 related to shares in subsidiaries. Impairment charges of USD 0.3 million related to right of use assets was also recognized in 2020, reflecting impairment of long-term office leases where the company seeks to sublease excess office space.

Overview of impairment charges:

USD thousands	2020	2019
Asset category		
Shares in subsidiaries	1 465	153 734
Other Intangible assets	-	4 123
Right of use asset - Leases	288	-
Property, plant and equipment	-	9 998
Total impairment of non-current assets	1 753	167 855

12. Leases

Financial Reporting Principles

The Company adopted new accounting standard IFRS 16 Leases with effect from 1 January 2019. The lease in table below relates to office in Oslo, Norway. The lease contract ends 31 March 2023. The right of use assets is depreciated over the contract period on a straight-line basis.

Right-of-use-assets

USD thousands	Offices	Total
Carrying value		
Balance 1 January 2019	2 416	2 416
Additions	-	-
Depreciation	(536)	(536)
Impairment	-	-
Other adjustments	(137)	(137)
Balance 1 January 2020	1 743	1 743
Additions	-	-
Depreciation	(581)	(581)
Impairment	(288)	(288)
Other adjustments	45	45
Balance 31 December 2020	919	919

Lease liabilities

USD thousands	Non-current	Current	Total
Carrying value			
Balance 1 January 2019	1 849	567	2 416
Additions	-	-	-
Reclassification to current	(29)	29	-
Lease payments	(641)	-	(641)
Other adjustments	-	-	-
Balance 1 January 2020	1 179	596	1 775
Additions	-	-	-
Reclassification to current	(194)	194	-
Lease payments	-	(515)	(515)
Other adjustments	-	-	-
Balance 31 December 2020	985	275	1 260

13. Cash and cash equivalents

Financial Reporting Principles

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid deposits with original maturity of three months or less.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

USD thousands	2020	2019
Unrestricted cash balances		
Unrestricted cash balances	23 287	13 768
Restricted cash balances		
Deposits	433	467
Employee tax withholding accounts	490	689
Total restricted cash balances	924	1 156
Total cash and cash equivalents	24 211	14 924

14. Inventories

Financial Reporting Principles

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses and the estimated cost to complete the inventory. The cost of inventories is based on the weighted average cost.

Judgments and Estimates

The assessment of obsolete and slow-moving inventory in order to determine inventory write-downs is subject to management judgment. The selling price in the market must be estimated, and there is a risk that the actual selling price may turn out to be different than the amount estimated by management.

USD thousands	2020	2019
Raw materials	1 707	4 344
Battery stock	705	516
Total inventories	2 412	4 860

15. Trade receivables and contract assets

Financial Reporting Principles

Trade and other receivables are recognized at the initial invoiced amount, less any impairment losses. The invoiced amount is approximately equal to the value derived if the amortized cost method would have been used.

Impairment of accounts receivable and contract assets (financial asset at amortized cost)

Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9.

The Group's impairment model for accounts receivable, contract assets and other current assets is a simplified approach based on lifetime expected credit losses (ECL). Impairment is based on an estimate of the probability of default for the financial assets reflecting an unbiased amount determined by evaluating a range of possible outcomes; the time value of money and reasonable available information related to past events, current conditions and forecasts of future economic conditions.

The Group uses an impairment model with the following characteristics:

The receivables are organized in portfolios based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typical large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all of the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy.

USD thousands	2020	2019
Trade receivables	1 175	949
Contract assets	-	-
Trade receivables and contract assets	1 175	949

USD thousands	31 December 2020 Carrying amount	31 December 2020 Loss allowance	31 December 2019 Carrying amount	31 December 2019 Loss allowance
Not overdue	201	-	15	-
Past due 0-30 days	65	-	155	-
Past due 31-120 days	881		779	
Past due more than 120 days	28	-	0	-
Total	1 175	-	949	-

Credit risk on the customer receivables is evaluated as very low. At year-end 31 December 2020 no loss allowance has been recognized.

16. Other current assets

USD thousands	2020	2019
Prepayments	253	1 235
Intercompany receivables	16 709	71 504
Other receivables	451	467
Total other current assets	17 413	73 206

17. Borrowings

Financial Reporting Principles

Borrowings is recognized initially at fair value less transaction costs. Subsequent to initial recognition, borrowings is stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

USD thousands	2020	2019
Interest bearing liabilities (excl. leases)		
Nominal value bank facility	30 000	33 334
Prepaid fees bank facility	(675)	(843)
Nominal value other loans	-	-
Total	29 325	32 491
Long term	*29 325*	*15 824*
Short term	-	*16 667*
Repayment profile at balance sheet date		
2020	-	16 667
2021	-	16 667
2022	30 000	-
Total	30 000	33 334

USD thousands	2020	2019
Lease liabilities (see note 12)		
Long-term	985	1 179
Short-term	275	596
Total	1 260	1 775

In 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 interest terms are LIBOR + margin of 4.25 percent. The arrangement cost is amortized over the term of the loan facility.

Financial covenants

The financial covenants as of 31 December 2020 (effective from 1 April 2020):

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

- Node Loan to Value (LTV) – Carrying value of RCF cannot exceed 50% of carrying value of seismic equipment

Magseis Fairfield is in compliance with all financial covenants as of 31 December 2020.

In April 2020, the Company received U.S. loan program of USD 3.6 million. The loan is payable over two years at an interest rate of 1%, with deferral of payments for the first ten months. The loan and accrued interest can be partially forgiven on certain conditions.

Securities

The following security has been provided to DNB Bank ASA, which secures both the loan agreement and any guarantee facility provided by DNB Bank ASA:

Magseis Fairfield ASA:

- Guarantee of USD 60 million plus interest and expenses
- Pledge over the shares in Magseis FF (UK) Ltd. AS
- Pledge over the shares in Magseis Operations AS
- Assignment over any monetary claims under the Fairfield share purchase agreement.
- Floating charges over operating assets, inventory and trade receivables
- Pledge over Norwegian bank accounts

Magseis Operations AS:

- Guarantee of USD 60 million plus interest and expenses
- Floating charges over operating assets, inventory and trade receivables
- Pledge over Norwegian bank accounts

Magseis FF AS:

- Guarantee of USD 60 million plus interest and expenses
- Pledge over the shares in Magseis FF LLC
- Floating charges over operating assets, inventory, and trade receivables
- Pledge over Norwegian bank accounts

Magseis FF (UK) Ltd.

- Guarantee of USD 60 million plus interest and expenses
- Security over all assets (general debenture)

Magseis FF LLC:

- Guarantee of USD 60 million plus interest and expenses
- Security over all or substantially all assets, including patents/IP and bank accounts

Guarantees

The company has provided guarantees, including counter guarantees, mainly related to project performance of USD 7 million as of 31 December 2020.

18. Cash flow information

Financial Reporting Principles

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows relating to leases are presented as follows:

(a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities

(b) cash payments for the interest portion consistent with presentation of interest payments chosen by the Company, and

(c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Non-cash transactions from financing activities are illustrated in the reconciliation of liabilities from financing transactions below:

	Liabilities arising from financing activities			
USD thousands	Non-current liabilities	Current liabilities	Lease liabilities	Total
Liabilities 1 January 2019	40 799	22 501	2 416	71 716
Cash flows	-	(22 374)	(641)	(23 015)
Transactions without cash effect				
Fair value changes	(14 399)	-	-	(14 399)
Amortized cost effects	353	-	-	353
Reclassification	(16 667)	16 667	-	-
Other changes	-	(127)	-	(127)
Liabilities as 31 December 2019	16 087	16 667	1 775	34 530
Cash flows	-	(3 333)	(515)	(3 848)
Transactions without cash effect				
Refinancing of loan facility	13 334	(13 334)	-	-
Prepaid fees bank facility	26	-	-	26
Fair value changes	397	-	-	397
Other changes	(105)	-	-	(105)
Liabilities as 31 December 2020	29 739	-	1 260	31 000

19. Other current liabilities

Financial Reporting Principles

Trade and other payables are recognized at the original invoiced amount. The invoiced amount is considered to be approximately equal to the value derived if the amortized cost method would have been used.

A provision is a liability with uncertain timing and amount. Provisions are recognized when cash outflow is considered probable, the amount can be reliably estimated, and the obligation is a result of a past event. All provisions are presented as short-term as they are part of the operating cycle.

A contingent liability is a possible obligation that arises from past events that typically depends on a future event outside of the company's control, for example a court decision. A provision is made when it is considered as probable that a cash outflow will take place, and the obligation can be measured reliably.

USD thousands	2020	2019
Accrued warranties	4 131	8 802
Accrued expenses	3 546	11 528
Intercompany payables*	-	12 321
Provisions holiday pay	771	6 513
Other	3 866	449
Total other current liabilities	12 313	39 614

* In 2019, intercompany payables were classified under other current liabilities. For 2020, intercompany payables are presented as a separate balance sheet item and is therefore not presented in this note.

20. Financial risk management

The Company is exposed to a variety of financial risks; currency, interest rate, price, credit liquidity and capital risk. The objective of financial risk management is to manage and control financial risks exposure and thereby increase the predictability and minimize the potential adverse effects on the Company's financial performance. This also includes being able to meet the financial covenants related to the Company's borrowings. Refer to note 24 in the Group's consolidated financial statements for more details on how the various financial risks are managed.

21. Capital management

The Company's objective for its capital management is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital. This includes being able to meet the financial covenants under the Company's credit facility. Refer to note 25 in the Group's consolidated financial statements.

22. Fair value measurement

The entity's use of derivative contracts is limited and only entered into for economic hedging purposes to reduce cash flow risk and not as speculative investments. For further information on fair value measurements, please refer to note 26 in the Group consolidated financial statements.

23. Financial assets and financial liabilities

Financial Reporting Principles

Financial assets and financial liabilities held by the Company consist of trade receivables, cash and cash equivalents, trade payables, borrowings, financial lease liabilities, derivatives and contingent consideration from the earn-out agreement relating to WGP Group and the Al-Shaheen project.

Financial assets (excluding derivatives)

All financial asset, excluding derivatives, meet the SPPI (solely payments of principal and interest) criteria, and are managed in a business model of Hold to collect. These financial assets are in the measurement category amortized cost. The Company measures its trade receivables and cash and cash equivalents at amortized cost. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognized in the income statement. Financial assets are classified as current assets, except for those where management has the intention to hold the investment for over 12 month or financial assets with maturities later than 12 months after the balance sheet date. These assets are classified as non-current assets.

Financial liabilities (excluding derivatives)

The Company's financial liabilities consist of trade payables, contingent consideration, lease liabilities and borrowings. The Company initially recognizes financial liabilities at fair value net of transaction costs. Trade payables and borrowings are subsequently measured at amortized cost using the effective interest method. Transaction costs related to borrowings are amortized using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value. Lease liabilities are measured in accordance with IFRS 16, refer to note 12.

As of 31 December 2020, there are no differences between the amortized cost carrying amount and estimated fair value for any financial assets or financial liabilities measured at amortized cost. This also applies as of year-end 2019.

As a part of the consideration for the acquisition of Fairfield the Company issued 18 250 000 warrants. Each warrant shall give the right to one new share in the Company, nominal value NOK 0.05, at a subscription price of NOK 25.425. Since the functional currency of Magseis Fairfield ASA is USD whereas the warrants are settled in NOK, the IFRS definition of an equity instrument has not been met. As a result, the warrants are classified as a liability. The warrants were valued according to Black and Scholes model (BS) to market value as of December 2020 at USD 397 thousand (USD 263 thousand in 2019). The warrants are adjusted to fair value at each reporting date with a corresponding charge to income statement.

Financial assets and financial liabilities:

USD thousands	Measured at amortized cost (2020)	Measured at FVTPL (2020)	Measured at amortized cost (2019)	Measured at FVTPL (2019)
Financial assets				
Cash and cash equivalents	24 211	-	14 924	-
Trade receivables	1 175	-	949	-
Total	25 386	-	15 873	-
Financial liabilities				
Interest bearing liabilities	29 325	-	32 491	-
Long-term non-interest-bearing loan	-	-	4 000	-
Lease liabilities	1 260	-	1 776	-
Warrants*	-	397	-	263
Intercompany payables	1 507	-	2 321	-
Trade payables	896	-	2 422	-
Total	32 988	397	43 010	263

*Please see note 22 Fair value measurement.

24. Pledged securities

Below is an overview of assets that are pledged as security for the loan facility with DNB.

USD thousands	2020	2019
Current		
Trade receivables	1 175	949
Inventories	2 412	4 860
Cash and cash equivalents	23 721	14 235
Total current assets pledged as security	27 308	20 044
Non-current		
Property, plant and equipment	55 443	58 038
Total non-current assets pledged as security	55 443	58 038
Total assets pledged as security	82 750	78 082

In addition, all shares in subsidiaries have been pledged as security for the loan facility. For additional information please see note 17 Borrowings.

25. Commitment

The Company has entered into contractual commitments for the acquisition of seismic equipment in 2020 amounting to USD 5 million as of 31 December 2020, all due within one year.

26. Share-based payments

Financial Reporting Principles

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions.

For cash-settled share-based payments, a liability is recognized for outstanding remuneration and measured at fair value. Until settlement of the liability, the fair value of the liability is reassessed at each balance sheet date and settlement date and any changes in fair value are recognized through profit or loss.

The grant date for fair value of all share-based payments plan was calculated using the Black-Scholes-Merton option pricing model. Expected volatility is estimated by consider historic average share price volatility of comparable listed entities.

In 2012 the Company established a share option program that entitles key management personnel, senior employees and some members of the board to purchase shares in the Company. In accordance with this program options are exercisable at the market price of the shares at the end of the grant and all options are equity settled.

Overview of outstanding options:

Overview of outstanding options	Number of instruments 2020	Weighted average strike price 2020 (NOK)	Number of instruments 2019	Weighted average strike price 2019 (NOK)
Outstanding 1 January	350 000	14.26	525 000	16.42
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(250 000)	13.70	(157 000)	21.24
Granted during the period	-	-	-	-
Outstanding 31 December	100 000	15.65	350 000	14.26
Exercisable 31 December	100 000	15.65	300 000	14.03

No share options were granted to the employees in 2019 and 2020. The share option program was replaced with a Right Share Unit (RSU)/Performance Share Unit program in the Annual General meeting 2019.

Overview of outstanding RSU/PSU	# of RSU's	Average contractual life	# of PSU's	Average contractual life
Outstanding 1 January 2019	3 410 532		186 250	
Released/terminated during the period	(119 958)		(66 253)	
Granted during the period	-		-	
Outstanding 31 December 2019	3 290 574	2.9	119 997	1.5
Released/terminated during the period	(385 199)		(93 332)	
Adjusted during the period	35 000		-	
Granted during the period	2 082 500		117 500	
Outstanding 31 December 2020	5 022 875	1.1	144 165	1.1

27. Management remuneration

See note 31 Management Remuneration in the Group's consolidated financial statements for details of remuneration to the Board of Directors and the Group Management team.

28. IFRS issued but not yet effective

Please refer to note 32 in the Group's consolidated financial statements.

29. Events occurring after the reporting date

There are no events after the reporting date that significantly affect the financial statements for 2020.

Appendix - 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 a measure of earnings, revenues less cost of sales. **Gross margin** is gross profit divided by revenues.

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

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

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

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

EBITDA % is EBITDA/EBITDA excluding special items divided by revenue.

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.

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To the General Meeting of Magseis Fairfield ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Magseis Fairfield ASA, which comprise:

- The financial statements of the parent company Magseis Fairfield ASA (the Company), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Magseis Fairfield ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Property, plant and equipment and intangible assets account for 229 million USD or approximately 66% of the total consolidated assets as of 31 December 2020. Reference is made to note 15 in the consolidated financial statements. Management has considered the existence of impairment indicators such as the continued operating losses and sustained uncertainty in the seismic market and has performed an impairment testing to determine the recoverable amounts of the property, plant and equipment and intangible assets as at 31 December 2020 by determining the value in use. Estimating the value in use requires the use of various assumptions such as estimates of future revenues, operating expenses, growth rates and capital expenditures and determining discount rate. Significant management judgment needs to be applied to develop these assumptions which are impacted by the overall exploration and production spending within the oil and gas industry and there is a high degree of estimation uncertainty. Management's impairment evaluation is a key audit matter due to the multiple variables and the significant management judgement involved in estimating future cash flows in the continued uncertain market conditions.	Our procedures included: • Evaluating management's assessment of identification of impairment indicators. • Assessments of management's key assumptions and underlying data by comparing them to budgets, external market information, and historical data, and analyzing sensitivities. • Testing mathematical accuracy of the impairment model. • Involving an internal valuation specialist in evaluating the components of the applied discount rate. • Assessing the disclosures regarding the assumptions and management judgement applied.

Key audit matter	How the matter was addressed in the audit
Reference is made to note 2.4 in the consolidated financial statements. The financial results for the Group were characterised by continued financial and operational challenges in 2020, which were impacted by the outbreak of Covid- 19 and the volatile oil prices. In order to assess going concern management estimates future cash flows and develops assumptions about future revenues, operating expenses and capital expenditures. There is significant inherent uncertainty in forecasting future cash flows which is impacted by the overall exploration and production spending within the oil and gas industry. Management's going concern evaluation is a key audit matter due to the multiple variables and the significant management judgement involved in estimating future cash flows in the continued uncertain market conditions.	Our procedures included: • Obtaining management's cash flow projections for the 12-month period from the balance sheet date and compared the key input assumptions to underlying sources or historical information where relevant, or external sources where available. • Evaluating the assumptions in management's projections with reference to current market conditions, ongoing tendering activities by the group, and any other corroborating evidence. • Testing the arithmetic integrity of the calculations. • Considering the consistency of assumptions used in the going concern assessment with those used in the assessment of impairment. We evaluated the adequacy of the disclosure made in the Financial Statements regarding going concern.

Other information
Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures

in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 March 2021
Deloitte AS

Jørn Borchgrevink
State Authorised Public Accountant (Norway)

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jørn Olav Borchgrevink
State Authorised Public Accountant (Norway)
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