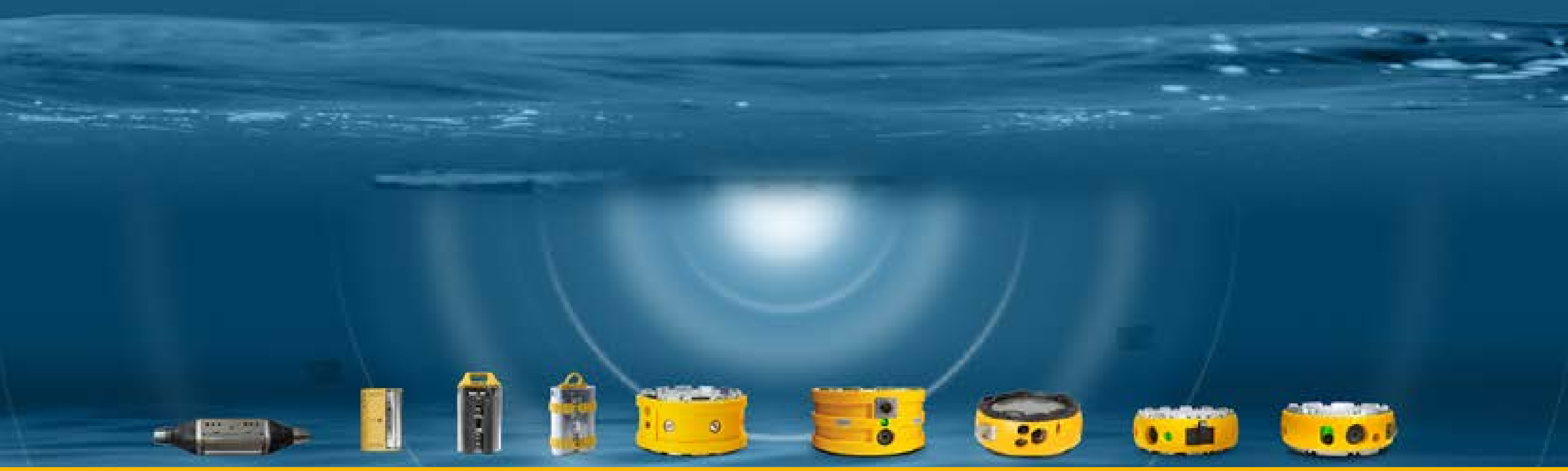
Q4
2018



Magseis Fairfield ASA

Fourth quarter

magseis fairfield
Strandveien 50, N-1366 Lysaker NORWAY, Phone: +47 23 36 80 20

HIGHLIGHTS

Creating the leading provider of marine seismic solutions

FOURTH QUARTER, (includes legacy Fairfield for the period 18-31 DEC 2018)

- ***MUSD 233 acquisition of Fairfield completed, MUSD 145 of equity raised in private placement at market***
- ***Magseis Fairfield total backlog of MUSD 418 (FY2019 MUSD 388)***
- ***Signed a MUSD 150 technology sale to Chinese BGP Offshore***
- ***Revenue of MUSD 76.2 compared to MUSD 4.8 in Q417 and MUSD 16.0 sequentially***
- ***EBITDA of MUSD 8.0 compared to MUSD -4.5 in Q417 and MUSD -0.5 sequentially***
- ***EBIT of MUSD 0.1 compared to MUSD -8.0 in Q417 and MUSD -4.7 sequentially***
- ***Net loss of MUSD -2.0 compared to MUSD -9.8 in Q417 and MUSD -5.9 sequentially***
- ***Cash flow from operations MUSD 9.1 compared to MUSD 2.4 in Q417 and MUSD 7.6 sequentially***

CEO STATEMENTS

I'm proud to present Magseis Fairfield ASA – the world's leading provider of next generation marine seismic solutions. The transaction between Magseis and Fairfield combines two highly complementary businesses, with a record backlog of USD 418 million, which creates a robust foundation for delivering on its growth ambitions. Furthermore, Magseis Fairfield will have the scale, project portfolio, inventory and global reach to take advantage of the accelerated growth in our markets. We are also pleased to welcome a diversified investor base that enabled us to successfully complete the transaction in a volatile market environment.

I'm particularly pleased to report that the integration between the two companies is on track and that the newly combined team is energised and working well together to execute on this record backlog.

In December 2018, Magseis delivered its first shipment of nodes and handling system to BGP Offshore, ahead of schedule. The contract which was signed earlier in the Q4 2018 is a testament to the value and large-scale customer adoption of Magseis' MASS nodes and modular handling technology. The BGP order also demonstrates Magseis Fairfield's revenue model flexibility while continuing to have the ability to successfully bid on service contracts globally.

The company faced some operational challenges in Malaysia during the Q4 2018. Measures has been taken to mitigate similar project risks going forward. The experience and portfolio diversification due to the Magseis Fairfield combination further mitigates the relative impact of these challenges to the overall outlook of the enterprise. The project is now on track to be completed by the end of First quarter 2019.

Magseis Fairfield has a backlog of approximately USD 418 million of which USD 388 million is for 2019. We are on track with our integration plans and executing on this backlog. We have a substantial sales opportunity pipeline in addition to this backlog and are therefore confident in our ability to deliver on our revenue guidance of USD 500 million.

Per Christian Grytnes - **CEO Magseis**

KEY FINANCIALS

In thousands of USD

Profit and loss	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenues	76 198	4 752	136 477	73 877
Cost of sales	55 874	5 454	86 764	35 700
EBITDA	7 980	-4 514	23 012	26 136
EBITDA %	10.5 %	-95.0 %	16.9 %	35.4 %
EBIT	123	-8 025	3 077	10 293
EBIT %	0.2 %	-168.9 %	2.3 %	13.9 %
Net Profit	-1 998	-9 787	-2 821	6 696
Basic earnings (loss) per weighted average shares	-0 02	-0 16	-0 04	0 12

Financial Position		
Total assets	518 701	123 549
Total liabilities	185 128	28 509
Total equity	333 573	95 040
Equity ratio	64.3%	76.9%

Cash Flow		
Net cash from operating activities	13 732	24 158

OPERATIONAL COMMENTS

Eastern Hemisphere (legacy Magseis)

Our operation in the Red Sea continues to deliver in line with the expectation. The performance has been excellent without any significant events that have affected the operation. Due to the outstanding efforts of our crews the Technical downtime is at or below 1% for each of the last 6th quarters

The Artemis Athene is still acquiring data in the Red Sea and her current survey is scheduled to last until late Q1/ early Q2 2019, after which she will go to yard for class work.

The technical performance of our MASS system continues to be exceptionally good on the "nodes on a rope" operation in Northern Europe. Despite a challenging environment, the MASS Modular system and accompanying nodes performed according to specification. The Magseis crew supplied to support the operation did a fantastic job in a demanding environment, and the accumulated Technical downtime amounted to less than one hour in total for the MASS system.

The operations offshore on the project in Malaysia has had some setbacks due to a challenging and changing permitting process, lower than expected node deployment performance and high source downtime. The net impact of these setbacks is project delays. We have taken steps to mitigate these impacts. Specifically, we deployed a second ROV vessel has been engaged to mitigate further project delays. We will continue to leverage the wider Magseis Fairfield experience base to continue to mitigate the impact of these project delays through best practises in commercial contract and risk management.

We are very pleased to report that the first part of Magseis' sale of nodes and related MASS robotised handling systems to BGP was delivered to the customer just prior to Christmas – ahead of schedule. The system delivered comprised of 4500 MASS nodes and a full MASS Modular node handling system. Rigging of the system took place during the first half of January 2019 and the system is currently in operation offshore Abu Dhabi. The delivered system is the first of a total of four MASS Modular systems and 17 000 MASS nodes to be delivered during 2019.

In addition to the three parallel operations in Q418 and the delivery of equipment to BGP, Magseis' first operation in the US Gulf of Mexico was recently mobilised. The operation is in deep-water and our MASS nodes will be deployed with ROV. Lessons learned from the past projects and knowledge transfer from legacy Fairfield were incorporated into the project planning further illustrating the realisation of immediate transaction synergies. Mobilisation, rigging of the vessel and deployment of first node in position at the seabed were finalised ahead of schedule.

Western Hemisphere (legacy Fairfield)

Our GOM Deep water operation continued through the end of the year. This project is the first ever deep water Sparse Node project undertaken. It was acquired with a large single patch (<2800 nodes), deployed and retrieved with dual ROV's and a HSL (High Speed Loader) for subsea replenishment. The source effort included multiple dual source vessels operating in a simultaneous mode, acquiring long offsets. The source effort completed early in Q1 with node retrieval later in the quarter.

In Middle East, our full complement of Z700 nodes was mobilised onto two newly rigged high capacity node handlers in preparation for acquisition of the largest live spread undertaken in the history of node based seismic surveys. This project has been fully mobilised in Q1 , is now in full production and is expected to last throughout most of the year.

WGP Source

WGP completed the ConocoPhillips and Equinor permanent reservoir monitoring (PRM) autumn surveys and demobilised in November both with zero HSE and equipment incidents recorded.

Despite significant weather related challenges, both surveys saw an increase in their operational performance with zero downtime recorded for the Snorre and Grane survey onboard the Siddis Sailor.

The equipment and crew have been demobilised and winterisation has commenced at the WGP base in Stavanger.

Project close out meetings for the year were completed in early December with positive feedback from Conoco Philips and Equinor. Both clients are looking forward to further cooperation in 2019 with the additional news from

ConocoPhillips that WGP have been awarded the source operations for their Eldfisk OBN survey starting towards the end of Q2 in 2019.

WGP is currently in the process of planning, procuring and assembling the PRM source system that will be used on the Johan Sverdrup project It is expected that Equinor will announce the vessel to be utilised when operations start in Q3 of 2019 .

QHSE COMMENTS

Q4 was the busiest quarter that the legacy Magseis business has ever seen, with 3 operating crews including the complex project in Malaysia. There were no recordable incidents in Q4 There was however an increase in first aid cases in line with the increased exposure hours and a slight uptick in minor manual handling related injuries. Steps are being taken to study the root cause in this trend and the management team is focused on making sure that corrective action if any needs to be taken.

The Data Acquisition and Systems Divisions of the legacy Fairfield business maintained a consistently high-level of HSE performance throughout the Magseis acquisition and the creation of Magseis Fairfield. With over 600,000 exposure hours and zero recordable incidents in Q4, the legacy Fairfield team closed out the year with zero recordable incidents for the entire 2018 recording period.

Magseis Fairfield management summit January 2019 at Lysaker Norway. From left to right: *JP Hamang, Nils H Heieren, Ivar Gimse, Cathrin Bretzeg, Matt Adey, Chris Mitchell (Crowe), Susan Penty, Tom Scoulios, Keith Bethel, Shawn Rice, Steve Mitchell, Joshua Klesges, Sharon Barclay, Jerry Larson (Crowe), Kevin Crosby, Andre Bjørvik, Knut Barstad, Terry Hibben, Per Christian Grytnes, Bjørn Jensen, Jan Gateman, Nils Gateman, Tom Henrik Sundby, Helene Dessagne, Simon Hayter.*

BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

The acquisitions of Fairfield and WGP Group closed on 18 December 2018. Q4 2018 financial results therefore reflect 13 days performance from these two companies and are included in the Group's result. The purchase price allocations (PPA) excess value has been booked against Goodwill and will be re-allocated when the annual report 2018 is released in April 2019.

Revenues

Revenues for the fourth quarter of 2018 were USD 76.2 million compared to USD 4.8 million for the fourth quarter of 2017. Revenue of USD 35.4 million is related to the four data acquisition operations (including GOM from Fairfield for 13 days) and USD 40.8 million related to system sales of MASS nodes to BGP Offshore.

Revenue for 2018 was USD 136.5 million compared to USD 73.9 million in 2017.

Operational costs

Cost of sales (COS) in the fourth quarter of 2018 was USD 55.9 million compared to USD 5.5 million in the fourth quarter of 2017. Due to the operational challenges and delays on the Malaysia project the Company had to book a provision for onerous contract in Q4 2018. Total cost booked in Q4 2018 related to this project was USD 24.2 million of which USD 7.4 million relates to the provision for onerous contract.

Cost of sales (COS) of finished goods related to the sale of the first batch of nodes to BGP Offshore was USD 21.0 million.

The remaining cost of sales of USD 8.7 million relates to the operations in Red Sea, Northern Europe and includes USD 2.0 million related to Fairfield and WGP for 13 days.

Fourth quarter of 2017 had operations in 1.5 months and capitalised mobilisation before the Red Sea project of USD 2.4 million.

In 2018 COS amounted to USD 86.7 million compared to USD 35.7 million during the same period in 2017.

Selling, general and administration expenses (SG&A) and other expenses in the fourth quarter of 2018 amounted to USD 10.2 million, compared to USD 3.3 million in the fourth quarter of 2017. Of the USD 8.9 million in legacy Magseis, USD 2.8 million relates to accrual of bonus and USD 1.8 million relates to advisory fees due to acquisition of Fairfield and BGP Offshore transaction. USD 1.2 million relates to legacy Fairfield and WGP.

USD 6.2 million in advisory fees is booked directly against equity which relates to fees directly related to the Fairfield transaction.

Total SG&A for 2018 and other expenses amounted to USD 22.7 million compared to USD 10.0 million during the same period of 2017. In addition to the effects for Q4 2018 the increase of staff in the organisation according to the company's growth plan.

Research and development

Research and development (R&D) expenses amounted to USD 2.1 million for the fourth quarter of 2018 compared to USD 0.5 million in the fourth quarter of 2017. The increase is due to one project that was initially capitalised before a decision was made to not commercialise the technology. The expense was booked in profit and loss in Q4 2018.

R&D in 2018 was USD 4.0 million compared to USD 2.0 million in 2017. The increase is related to the project described above.

Depreciation

Depreciation was USD 7.6 million (legacy Magseis 6.7) during the fourth quarter of 2018 compared to depreciation of USD 3.4 million in the fourth quarter of 2017. The increase is due to more equipment in use and amortisation of depreciation with adding USD 1.0 million to depreciation regarding the mobilisation for the Malaysia project this quarter.

In 2018 depreciation was USD 19.1 million compared to USD 15.1 million in 2017, where net depreciation due to yard stay and mobilisation amounted to adding of USD 1.8 million in 2018 compared to USD 2.0 million last year.

Amortisation

Fourth quarter 2018 amortisation of USD 0.3 million compared to USD 0.1 million in the fourth quarter of 2017. The amortisation was related to other intangible assets only.

For 2018 amortisation amounted to USD 0.8 million compared to USD 0.5 million in 2017 where the amortisation only relates to other intangible assets.

Impairment

Fourth quarter 2018 and 2017 has no impairment.

For 2018 there was no impairment compared to USD 0.2 million for 2017.

EBITDA and EBIT

The EBITDA was USD 8.0 million in the fourth quarter of 2018 compared to USD -4.5 million the fourth quarter of 2017. This increase in EBITDA is due to sale of MASS nodes in December and four operations at the same time compared to 1.5 months production in 2017.

EBIT was USD 0.1 million in the fourth quarter of 2018 compared to USD -8.0 million during the same period in 2017. The increase in EBIT relates to the same factors as the increase in EBITDA described above.

EBITDA in 2018 was USD 23.0 million compared to USD 26.1 million for the same period of 2017. EBIT was USD 3.1 million in 2018 compared to USD 10.3 million during 2017.

Balance Sheet and Cash Flow

Total assets increased to USD 518.7 million from USD 123.5 million of which USD 310.5 million is related to the acquisition of Fairfield and WGP including working capital. The purchase price allocation (PPA) has not yet been performed and all excess value has been booked as goodwill in Q4 2018. PPA will be included in Annual Report 2018 with reallocations.

As of 31 December 2018, current assets amounted to USD 211.1 million compared to USD 49.1 million as of 31 December 2017. USD 36.3 million relates to inventory of seismic equipment for sale from Fairfield and WGP. Trade receivable as of December 2018 is USD 75.3 million (legacy Magseis 48.1, legacy Fairfield 25.0, legacy WGP 2.2) compared to USD 9.1 million last year. Cash and cash equivalents were USD 68.1 million (MUSD 8.2 restricted) compared to USD 29.8 million (MUSD 0.4 restricted) as of 31 December 2017.

As of 31 December 2018, the Group's equity was USD 333.6 million compared to USD 95.0 million at 31 December 2017. During 2018 the Company raised net USD 176.2 million after transaction costs. The equity ratio was 64.3% as of end December 2018.

Non-current liabilities increased to USD 54.7 million as of 31 December 2018, compared to USD 13.0 million as of 31 December 2017. The liabilities are related to non-current portion (MUSD 33) of the USD 50 million facility from DNB Bank and Warrants USD 6 million). Funding of accumulated USD 7.9 million was received from Shell Global Solutions related to the cooperation agreement for development of a deep-water solution for seismic operations. This funding is recognised as a finance arrangement in the financial statements and is considered a contingent liability.

Current liabilities as of 31 December 2018, amounted to USD 130.4 million compared to USD 15.5 million as of 31 December 2017. The increase in trade payables was USD 42.0 million. Included in other current liabilities is prepayment from clients USD 25.6 million, project related accruals USD 15.8 million and provision of USD 8.4 million.

The current portion of long-term debt amounted to USD 27.8 million as of December 2018, compared to USD 3.2 million as of December 2017. The high amount is mainly due to settlement of financing from Export Credit Norway and Innovation Norway in January 2019, in addition to the DNB facility.

Cash flow from operating activities was USD 13.7 million in 2018 compared to USD 24.2 million in 2017. The main reason for the decrease in cash flow from operations is the net change in current assets and liabilities of USD -13.7 million.

The net cash outflow from investing activities amounted to USD -196.8 million in 2018, resulting from acquiring of Fairfield and investment in new seismic equipment neutralised by sale of MASS nodes from existing equipment reclassed to operative activity compared to USD -44.6 million in the same period of 2017 when the investments in seismic equipment was lower.

Cash flow from finance activities was USD 221.4 million in 2018 compared to USD 31.2 million in the same period of 2017. The proceeds are related to the share capital increase of net USD 176.2 million, proceeds from new loan by USD 50.0 million offset by instalments and interest relating to the loans and finance lease totalling USD 4.8 million.

Employees

As of 31 December 2018, Magseis had a total of 426 full-time employees including contractors (31 December 2017: 127) including the offshore seismic crew of 62 employees (31 December 2017: 56).

OUTLOOK

Magseis Fairfield continue to see an increase in demand for its services and has a current backlog of USD 418 million (MUSD 388 for 2019). The Company continues to be confident of its ability to deliver on its revenue guidance for FY 2019 of USD 500 million.

STATEMENT OF FINANCIAL COMPLIANCE

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and results of the Group. We also confirm, to the best of our knowledge that the condensed consolidated interim financial statements present a fair view of the development and performance of the business during the period, and together with the 2017 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis Fairfield ASA,
Lysaker, 28 February 2019

Charles W. Davison Jr
Chairman

Jan Gateman,
Director and Senior Vice President

Gro Gunleiksrud Haatvedt
Non-executive Director

Bettina R. Bachmann,
Non-executive Director

Edvin Endresen,
Non-executive Director

20 LARGEST SHAREHOLDERS 31 DECEMBER 2018		
Shareholder	**Holdings**	
Fairfield MS LLC	33 500 000	18.1 %
Morgan Stanley & Co. LLC	8 484 843	4.6 %
ANFAR INVEST AS	6 196 856	3.3 %
UBS AG	5 728 805	3.1 %
AS CLIPPER	5 696 521	3.1 %
WESTCON GROUP AS	5 661 436	3.1 %
KLP AKSJENORGE	5 057 948	2.7 %
KAS Bank N.V.	5 000 000	2.7 %
GEO INNOVA AS	4 613 382	2.5 %
Merrill Lynch Prof. Clearing Corp.	3 900 000	2.1 %
JPMorgan Chase Bank, N.A., London	3 789 505	2.0 %
EVERMORE GLOBAL VALUE FUND	3 610 000	2.0 %
KOMMUNAL LANDSPENSJONSKASSE	3 411 771	1.8 %
REDBACK AS	3 218 289	1.7 %
VPF NORDEA NORGE VERDI	3 197 733	1.7 %
VPF NORDEA KAPITAL	2 472 872	1.3 %
SEI INSTITUTIONAL INTERNATIONAL	2 467 811	1.3 %
KLP ALFA GLOBAL ENERGI	2 300 000	1.2 %
BARRUS CAPITAL AS	2 292 351	1.2 %
VERDIPAPIRFONDET PARETO INVESTMENT	2 252 659	1.2 %
Total 20 largest shareholders	**112 852 782**	**61.0 %**
Other shareholders	72 129 580	39.0 %
Total outstanding shareholders	**184 982 362**	**100.0 %**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of USD	*Note*	Q4 2018 *(unaudited)*	Full Year 2018 *(unaudited)*	Q4 2017 *(unaudited)*	Full Year 2017 *(audited)*
REVENUE AND OTHER INCOME					
Revenue	*4*	76 198	136 477	4 752	73 877
Total revenue and other income		**76 198**	**136 477**	**4 752**	**73 877**
OPERATING EXPENSES					
Cost of sales		55 874	86 764	5 454	35 700
Research and development expenses		2 183	3 995	494	2 002
Selling, general and administrative costs and other expenses		10 160	22 705	3 318	10 039
Depreciation and amortisation	*5*	7 591	19 097	3 395	15 148
Amortisation	*6,7*	266	839	116	463
Impairment	*5*	0	0	0	233
Total operating expenses		**76 075**	**133 400**	**12 778**	**63 585**
OPERATING PROFIT (LOSS)		**123**	**3 077**	**-8 025**	**10 292**
FINANCIAL INCOME AND EXPENSES					
Finance income		892	2 628	987	3 703
Finance costs		-1 529	-5 058	-1 671	-4 101
Net finance costs		**-638**	**-2 430**	**-684**	**-397**
NET PROFIT (LOSS) BEFORE TAX		**-515**	**647**	**-8 709**	**9 895**
Income tax expense		1 484	3 468	1 078	3 199
NET PROFIT (LOSS)		**-1 998**	**-2 821**	**-9 787**	**6 696**
Basic earnings (loss) per ordinary share		-0.02	-0.04	-0.16	0.12
Diluted earnings (loss) per ordinary share		-0.02	-0.04	-0.16	0.12
OTHER COMPREHENSIVE INCOME					
Currency exchange differences				0	0
Total comprehensive income (loss) for the period		**-1 998**	**-2 821**	**-9 787**	**6 696**

CONDENSED CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	**Year End 2018** *(unaudited)*	**Year End 2017** *(audited)*
ASSETS			
Non-current assets			
Goodwill	*12*	140 333	0
Equipment	*5*	152 946	69 083
Multi-client library	*6*	0	0
Intangible assets	*7*	14 310	5 333
Total non-current assets		**307 589**	**74 416**
Current assets			
Cash and cash equivalents		68 110	29 776
Trade receivables		75 335	9 137
Other current assets		67 666	10 220
Total current assets		**211 111**	**49 133**
TOTAL ASSETS		**518 701**	**123 549**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*8*	1 166	438
Share premium	*8*	382 152	141 486
Other equity		3 244	3 284
Retained earnings		-47 864	-45 044
Currency translation reserve		-5 124	-5 124
TOTAL EQUITY		**333 573**	**95 040**
LIABILITIES			
Non-current liabilities			
Other non-current financial liabilities		54 703	13 049
Total non-current liabilities		**54 703**	**13 049**
Current liabilities			
Trade payables		48 037	6 010
Current tax payable		1 855	1 111
Short-term debt and current portion of long-term debt	*10*	27 791	3 249
Other current liabilities		52 741	5 090
Total current liabilities		**130 424**	**15 460**
TOTAL LIABILITIES		**185 128**	**28 509**
TOTAL EQUITY AND LIABILITIES		**518 701**	**123 549**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of USD	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency trans-lation reserve	Total
Balance at 1 January 2017	303	102 594	3 012	-51 740	-5 124	49 045
Profit / (loss) for the period	0	0	0	6 696	0	6 696
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	6 696	0	6 696
Share issuance	135	40 376	0	0	0	40 511
Expenses related to share issuance	0	-1 485	0	0	0	-1 485
Share-based payments (options)	0	0	272	0	0	272
Balance at 31 December 2017	**438**	**141 486**	**3 284**	**-45 044**	**-5 124**	**95 040**
Balance at 1 January 2018	**438**	**141 486**	**3 284**	**-45 044**	**-5 124**	**95 040**
Profit / (loss) for the period	0	0	0	-2 821	0	-2 821
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-2 821	0	-2 821
Share issuance	728	248 263	0	0	0	248 991
Expenses related to share issuance	0	-7 597	0	0	0	-7 597
Share-based payments (options)	0	0	-39	0	0	-39
Balance at 31 December 2018	**1 166**	**382 152**	**3 244**	**-47 865**	**-5 124**	**333 573**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of USD	*Note*	**Q4 2018** *(unaudited)*	**Full Year 2018** *(unaudited)*	**Q4 2017** *(unaudited)*	**Full Year 2017** *(audited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		-515	647	-8 709	9 895
Adjustment for:					
Income tax and withholding tax paid		-1 115	-2 904	-1 274	-4 447
Deferred lease discount amortisation		-87	-438	-87	-438
Depreciation and amortisation	*5, 6, 7*	7 857	19 936	3 511	15 611
Impairment	*5*	0	0	0	233
Share based payments expense		15	-40	52	272
Interest expense		949	1 523	245	1 347
Interest income		-443	-492	-18	-23
Cost of sales of Nodes, non cash*		9 221	9 221	0	0
Working capital adjustments:					
(Increase) / decrease in current assets**		-33 796	-43 033	4 975	2 368
Increase / (decrease) in trade and other payables and accruals**		27 036	29 313	3 685	-660
Net cash from operating activities		**9 123**	**13 732**	**2 380**	**24 158**
Cash flows from investing activities					
Interest received		134	182	18	23
Acquisition of equipment*		1 336	-33 765	-17 430	-44 366
Payments for capitalised development and intangibles	*7*	0	0	-73	-214
Multi-client library investments	*6*	0	0	0	0
Acquisition of Fairfield Geotechnologies´ Seismic Technologies Business		-163 263	-163 263	0	0
Net cash used in investing activities		**-161 793**	**-196 845**	**-17 485**	**-44 557**
Cash flows from financing activities					
Proceeds from loan		50 000	50 027	117	934
Payment of finance lease obligation and loan		-1 622	-4 033	-419	-7 412
Proceeds from issue of share capital		145 243	183 823	0	40 511
Expenses related to issue of share capital		-6 146	-7 597	0	-1 485
Interest paid		-198	-772	-245	-1 347
Net cash from financing activities		**187 277**	**221 447**	**-547**	**31 201**
Net change in cash and cash equivalents		34 606	38 334	-15 651	10 803
Cash and cash equivalents at 1 January		33 504	29 776	45 427	18 974
Cash and cash equivalents at period end		**68 110**	**68 110**	**29 776**	**29 776**

**Sale of nodes reclassed to operating activities.*

***Include opening balance of Fairfield and WGP as of 18 December 2018*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis Fairfield ASA is a public limited liability company listed on Oslo Stock Exchange main list and incorporated in Bærum, Norway. The address of the Company's registered office is Strandveien 50, 1366 Lysaker. These condensed consolidated interim financial statements comprise Magseis Fairfield ASA (referred to as the "Company") and its subsidiaries (together referred to as "Magseis" or the "Group"). The Group is primarily involved in marine seismic operations and seismic related activities.

2.1 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as of 31 December 2017.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 28 February 2019.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value, which are recorded through the profit and loss.

(c) Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis.

(d) Functional and presentation currency

The Company and its subsidiaries functional and presentation currency is stated in United States Dollar (USD).

The consolidated financial statements for the Group are presented in United States Dollars (USD). All financial information presented in USD has been rounded to the nearest thousand unless otherwise stated.

(e) Alternative Performance Measures ("APMs")

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs;

EBITDA

EBITDA means Earnings before interest, taxes, amortisation, depreciation and impairments. Magseis has included EBITDA as a supplemental disclosure because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for Magseis as it provides an indication of the profitability of the operating activities.
The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Backlog

Backlog is defined as the total value of future revenue from signed customer contracts. Management believes that the backlog figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Working Capital

When Magseis use working capital this is defined as Trade receivables minus Trade payables.

2.2 Basis for consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2018. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The accounting judgements, estimates and assumptions used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2017 annual financial statements.

2.4 Summary of significant accounting policies

The accounting principles used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2017 annual financial statements with except for the changes described below.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 on 1 January 2018 and have used the modified retrospective method for transition. This method requires the cumulative effect of initially applying IFRS 15 to be recognised in the opening balance (1 January 2018), with no restating of comparative periods. The Company's revenue currently is related to seismic services under contract for specific customers, whereby the seismic data is owned by that customer. The standard has not had any effects for the Company's revenue recognition and implementation of the standard resulted in no changes requiring the cumulative effect of initially applying IFRS 15 to be recognised.

IFRS 9 Financial instruments

The company adopted IFRS on 1 January 2018 and applied retrospectively. The standard has not had any material effects on the consolidated financial statements of Magseis.

IFRS 16 Leases

The company will adopt IFRS 16 on January 1, 2019, applying the modified retrospective method for transition. This method requires the cumulative effect of initially applying IFRS 16 to be recognised in the opening balance (1 January 2019), with no restating of comparative periods. The new standard is replacing IAS 17 leases.

Magseis Group has a very limited number of leases and the impact on the Group's balance sheet and profit and loss accounts are limited. The estimated lease liability and corresponding value of right of use is USD 4.6 million. Total annual depreciation is estimated to USD 1.2 million and the estimated financial cost amounts to USD 0.1 million.

3. Operating segments

The Group is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. Magseis are in process of evaluating the future segment reporting based on the acquisition of Fairfield and WGP 18 December 2018 and new sale of nodes for the first time in December 2018 for Magseis.

4. Revenues

	Total		Total	
In thousands of USD	Q4 2018	Q4 2017	Full Year 2018	Full Year 2017
Contract revenue	34 479	4 285	94 535	73 334
Mass Sale revenue	40 849	0	40 849	0
Multi-Client revenue	0	0	0	0
Lease revenue	6	0	6	0
Other revenues	864	468	1 087	543
Total revenue and other income	**76 198**	**4 753**	**136 477**	**73 877**

5. Equipment

In thousands of USD	Office machines	Seismic equipment	Seismic equip-ment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2017	**419**	**51 996**	**4 063**	**6 649**	**63 127**
Asset completed and ready for intended use	0	20 509	0	-20 509	0
Additions	261	657	0	38 742	39 660
Disposals	0	0	0	0	0
Impairment	0	-1 178	0	0	-1 178
Balance at 31 December 2017	**680**	**71 984**	**4 063**	**24 882**	**101 609**
Balance at 1 January 2018	680	71 984	4 063	24 882	101 609
Acquisition of new business 2018	828	55 461	28	13 683	70 000
Additions	233	1 728	0	51 219	53 180
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Asset sold	0	-22 714	0	0	-22 714
Reclass asset under construction	209	48 364	0	-48 573	0
Balance at 31 December 2018	**1 950**	**154 823**	**4 091**	**41 211**	**202 075**
Depreciation and impairment losses					
Balance at 1 January 2017	**335**	**17 245**	**2 556**	**0**	**20 136**
Depreciation for the year	95	12 272	786	0	13 153
Capex (Disposals)	0	0	0	0	0
Impairment	0	-762	0	0	-762
Balance at 31 December 2017	**430**	**28 755**	**3 342**	**0**	**32 527**
Balance at 1 January 2018	430	28 755	3 342	0	32 527
Acquistion of new business 2018	94	1 809	0	0	1 903
Depreciation for the year	205	16 392	721	0	17 318
Reversed depreciation sold/ scrappped capex (Disposals)	0	0	0	0	0
Impairment	0	0	0	0	0
Asset sold	0	-2 617	0	0	-2 617
Balance at 31 December 2018	**729**	**44 339**	**4 063**	**0**	**49 131**
Carrying amounts					
at 1 January 2017	85	34 750	1 507	6 649	42 991
at 31 December 2017	**250**	**43 229**	**721**	**24 882**	**69 083**
at 1 January 2018	984	96 881	749	38 565	137 180
at 31 December 2018	**1 221**	**110 484**	**28**	**41 211**	**152 944**
Depreciation of the year	205	16 392	721	0	17 318
Depreciation capitalised and deferred - net	0	1 779	0	0	1 779
Depreciation charged to expense **at 31 December 2018**	205	18 171	721	0	19 097

Useful life of equipment

Useful life of seismic equipment and office machines are 3-7 years.

Capitalisation

In 2018 Magseis has capitalised cost relating to the development of the seismic equipment of USD 1 012 thousands (2017: USD 87 thousands).

Impairment

Magseis has in 2018 recorded an impairment/scrapping of equipment of zero (2017: USD 233 thousands).

6. Multi-client library

In thousands of USD	2018	2017
Cost		
Balance at 1 January	4 383	4 383
Additions	0	0
Disposals	0	0
Balance at 31 December	**4 383**	**4 383**
Amortisation		
Balance at 1 January	4 383	4 383
Amortisation for the year	0	0
Disposals	0	0
Impairment	0	0
Balance at 31 December	**4 383**	**4 383**
Carrying amounts		
Balance at 1 January	0	0
Balance at 31 December	**0**	**0**

7. Other intangible assets

In thousands of USD	2018	2017
Cost		
Balance at 1 January	7 373	7 160
Acquistion of new business 2018	11 840	0
Additions	0	214
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	**19 213**	**7 373**
Amortisation		
Balance at 1 January	2 040	1 577
Acquistion of new business 2018	2 014	0
Amortisation for the year	849	463
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 September	**4 903**	**2 040**
Carrying amounts		
at 1 January	5 333	5 583
at 30 September	**14 310**	**5 333**

Development costs

In 2018 USD zero was capitalised, compared to USD 0.2 million in 2017.

8. Share capital and reserves

The shares of Magseis are listed on Oslo Stock Exchange.

SHARE CAPITAL ISSUED

		Number of shares	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid				
At 1 January 2017		37 818 014	303	102 594
30 March 2017	*Private placement of 22,650,000 shares at NOK 15,00 per share*	22 650 000	132	39 651
	Capital raising costs	0	0	-1 282
20 April 2017	*Private placement of 424,377 shares at NOK 15,00 per share*	424 377	2	726
	Capital raising costs	0	0	-203
At 31 December 2017		**60 892 391**	**438**	**141 486**
Ordinary shares - Issued and fully paid				
At 1 January 2018		60 892 391	438	141 486
At 1 February 2018	*Private placement of 6,089,239 shares at NOK 18,00 per share*	6 089 239	40	14 229
	Capital raising costs	0	0	-1 351
At 21 February 2018	*Private placement of 10,577,428 shares at NOK 18,00 per share*	10 577 428	68	24 244
	Capital raising costs	0	0	-101
At 17 & 19 December 2018	*Private placement of 107,423,304 shares at NOK 16,95 per share*	107 423 304	621	209 790
	Capital raising costs	0	0	-6 146
At 31 December 2018		**184 982 362**	**1 166**	**382 151**

No dividends were paid during the period ended 31 December 2018 (2017: USD 0).

9. Related parties

Key management personnel and director transactions

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

RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES:						
In thousands of USD			Transaction value		Balance outstanding	
Name	**Transactions**	**Note**	**31 Dec.2018**	**31 Dec.2017**	**31 Dec.2018**	**31 Dec.2017**
J B Gateman	Consultant costs	(I)	177	167	60	0
Westcon Group	Leases	(II)	20 321	19 783	3 050	1 586
Westcon Group	Other services	(III)	4	0	0	0
Total			**20 502**	**19 950**	**3 110**	**1 586**

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

(II) *Relates to time charters (TC) for one vessel and a sale and leaseback arrangement. As part of the TC agreement for Artemis Athene, Westcon Group also delivers Marine Management services. As at 31 December 2018 the time charter lease was completed. An addendum for extension was signed and Athene is currently on lease until 30.06.2019*

10. Leases

Operating leases

The TC agreements with Westcon Group (related party) is classified as an operating lease. The table below sets out the future minimum lease payments of the arrangement based on full day rates:

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
In thousands of USD	**31 December 2018**	**31 December 2017**
Less than one year	6 681	18 195
Between one and five years	3 469	3 313
More than five years	283	0
Total	**10 434**	**21 508**

Finance lease

The sale & leaseback agreement with Westcon Group (related party) is treated as finance lease. The agreement was completed Nov 30th 2018.

Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

FUTURE MINIMUM LEASE PAYMENTS FINANCE LEASES				
	31 December 2018		**31 December 2017**	
In thousands of USD	**Future minimum lease payments**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Present value of minimum lease payments**
Less than one year	521	505	1 002	951
Between one and five years	4 615	3 951	0	0
More than five years	6 459	4 321	0	0
Total minimum lease payments	**11 596**	**8 777**	**1 002**	**951**
Less amounts representing finance charges	0	0	51	0
Present value of minimum lease payments	**11 596**	**8 777**	**951**	**951**

Refer to note 9 Related parties for further information about leases with related parties.

11. Capital commitments

Future minimum commitments relating to equipment are as follows:

In thousands of USD	31 December 2018	31 December 2017
Contracted but not yet provided for and payable:		
Within one year	41 018	36 323
One year later and no later than five years	0	0
Later than five years	0	0
Total	**41 018**	**36 323**

12. Goodwill

Magseis ASA acquired Fairfields seismic technologies business (All of the shares of the newly established Magseis FF LLC) and all of the shares of Fairfield International Limited, being the parent company for the WGP Group in the UK from Fairfield Geotechnologies on 18 December 2018.

The rationale for the acquisition of these two entities from Fairfield Geotechnologies is to create the technology leader in the new generation of marine seismic and establish a global scale and reach for the integrated business.

The consideration for these acquisitions was settled buy USD 166.2 million in cash and the issuance of 33.5 million Magseis shares to Fairfield Geotechnologies. The consideration was financed by USD 50 million in new debt financing and USD 115 million of new equity capital.

Set out below is a summary of the estimated purchase price for the shares of these two entities, the book value of the net assets acquired at 18 December 2018 and a calculation of the purchase price in excess of the book value of net assets at the acquisition date.

The excess of estimated purchase consideration over and above the book value of net assets acquired has not at this time been allocated to reflect the fair value of individual assets. Therefore, this excess value is classified as goodwill in the balance sheet for the purpose of the Q4 report.

A preliminary purchase price allocation will be prepared in connection with completion of the annual report for 2018.

As these transactions were completed at the end of 2018, no impairment test has been prepared.

PURCHASE PRICE AND EXCESS VALUES	
In thousands of USD	
Cash consideration	166 200
Shares issued to Fairfield	65 168
Initial purchase price	231 368
Warrants	7 052
Estimated purchase price	238 420
Book value of equity in Magseis FF LLC and WGP Group 18.12.2018	98 781
Excess value initially allocated to goodwill	**139 639**

13. Onerous contract

IAS 37.10 defines an onerous contract as: "… A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it". IAS 37 requires a provision to be made for an onerous contract.

For our ongoing contract in South East Asia we needed to accrue for onerours contract as of December 2018 as follows:

In thousands of USD	2018
Cost of sales	6 976
Depreciations	367
Total accruals for onerous contract	**7 343**

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