

AXXIS GEO
SOLUTIONS
ASA
Q3 2020
EARNINGS RELEASE



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AXXIS GEO SOLUTIONS ASA

HIGHLIGHTS Q3 2020

- OBN surveys in the North Sea and the Middle East were successfully completed
- USD 34.2 million of accounts payable converted to interest bearing debt
- Smart-stack cost-reduction solutions implemented in accordance with communicated business strategy
- New CEO appointed
- First late sales from the Utsira multi-client library secured

SUBSEQUENT EVENTS

- New contract with an international energy company for OBN work in the North Sea in Q2 2021 secured
- Discussions with stakeholders initiated in order to improve the company's financial position

KEY FINANCIALS IFRS REPORTING

USD thousands

Profit and loss	Q3 2020	Q3 2019	YTD Sep 2020	YTD Sep 2019	Full Year 2019
Revenue	35 043	970	92 776	66 806	70 744
Cost of sales	(8 986)	(1 796)	(48 522)	(49 135)	(58 634)
EBITDA (loss)	23 499	(2 496)	38 553	12 551	5 310
EBIT (loss)	2 425	(3 927)	14 395	8 737	(35 862)
Net profit (loss)	3 395	(3 634)	5 356	3 776	(46 477)
Basic earnings (loss) per weighted average shares (in USD)	0,06	(0,06)	0,09	0,06	(0,79)
Financial position					
Total assets			64 448	101 288	93 783
Total liabilities			63 813	78 889	98 506
Total equity			635	22 399	(4 723)
Equity ratio			1,0 %	22,1 %	0,0 %
Cash flow					
Net cash flow from operating activities	(16 922)	33 277	(12 408)	33 491	24 446

KEY FINANCIALS SEGMENT REPORTING

USD thousands

	Q3 2020	Q3 2019	YTD Sep 2020	YTD Sep 2019	Full Year 2019
Revenue	7 639	11 297	66 170	78 262	83 542
EBITDA (loss)	(4 208)	7 777	11 532	23 460	17 504
Amortization and impairment MCL	(1 828)	(6 522)	(2 331)	(7 328)	(44 692)
EBIT (loss)	(7 262)	(123)	5 003	12 463	(33 066)
Net booked value MCL			39 221	53 991	29 752
Total equity			643	28 629	4 525
Equity ratio			1,0 %	32,2 %	5,7 %



CEO STATEMENT

“The challenges resulting from the COVID-19 pandemic continued in Q3 2020. Nevertheless, our crews successfully completed the projects in Egypt and Norway without incident and to our clients’ full satisfaction. Furthermore, AGS has recently entered into a contract with an international energy company for OBN work in the North Sea scheduled to start in Q2-21, with an estimated duration of one month. We also took final delivery of the Utsira multi-client data and secured two licensing agreements in cooperation with our partner TGS.

However, due to the difficult market conditions, we have to date been unsuccessful in securing work for our crews in Q4-20 and Q1-21 as start dates for projects have been moved out in time. Smart-stack solutions have been implemented in order to reduce costs to a minimum.

Due to the lack of revenue, we are unable to address our current debt obligations. Consequently, we are in active dialogue with stakeholders to address the Company’s debt situation and improve its balance sheet,” says Ronny Bøhn, CEO of Axxis Geo Solutions.

OUTLOOK

The Company is currently marketing the Utsira OBN multi-client data and is in active discussions with a number of clients on late-sales licensing agreements. In addition, AGS remains actively engaged in bidding for new OBN projects globally and developing new multi-client surveys in the North Sea.

GOING CONCERN

In the Q2 earnings release from AGS dated 18 August 2020, it was made clear that AGS was dependent on securing additional OBN projects this year, and if unsuccessful, AGS would have to explore other financial solutions to secure liquidity. Since the release of the Q2 earnings release, there has been continued delays in seismic survey activity start-ups and multi-client late sales have been pushed into future periods. AGS is therefore unable to address its current debt obligations. AGS is in advanced discussions with several of its larger creditors and other stakeholders with the objective of improving the company’s financial position.

The Company has implemented a smart-stack strategy and consequently the cash burn-rate is low. Current available working capital is sufficient to maintain running operating expenses for an extended period. It is also anticipated that late sales will supplement cash flow.

There are several leads for contract work in 2021, and AGS has entered into a contract with an international energy company for OBN work in the North Sea. The project is planned to start in Q2-21, with an estimated duration of one month.

On that basis, AGS finds that is in the interest of all its stakeholders to continue as a going concern. AGS is in the process of addressing the Company’s debt situation and improve its balance sheet through a debt restructuring. Upon successfully completing a debt restructuring, the Company should be well positioned to attract additional equity capital as required and/or participate in a further consolidation of the market.

A debt restructuring could either be done on a voluntary basis or via a financial restructuring under the Norwegian Reconstruction Act (“Reconstruction Act”). AGS is in advanced discussions with several of its larger creditors and other stakeholders with the objective of either finding a voluntary solution or agree on a pre-arranged restructuring plan and use the Restructuring Act to implement such plan with effect for all its creditors.



AGS has received confirmation from bondholders holding in excess of 2/3 of the Axxis Geo Solutions ASA 8.00% senior secured USD 35,000,000 bonds 2020/2022 (ISIN NO 001 0887383) (the "Bonds") that they will support a waiver and an amendment allowing for the interest that should have been paid 30 November 2020 to be settled with PIK bonds.

There is still uncertainty with respect to the going concern assumption, and the Company is dependent of a positive outcome of the discussions with its stakeholders and additional liquidity.

OPERATIONAL HIGHLIGHTS

AGS has continued to benefit from the early and rigorous COVID-19 mitigations implemented throughout our operations. These efforts have allowed the Company to maintain a zero COVID-19 infection rate year to date across our field crews.

OPERATIONS

The strong operational performance from Q2 continued into the first part of this quarter. Four seismic dedicated vessels, two nodal and one source vessel, as well as a high-resolution streamer vessel, were operated through the period. 327 vessel days were recorded, of which 36% were operational, down from 79% operational levels the previous quarter. Of the remaining, 10% was spent transiting, 54% in smart-stack.

The OBN fleet successfully completed two programs in the North Sea prior to entering the smart-stack mode.

The Pacific Finder completed the high-resolution streamer program in Egypt in September and then transited to Singapore where she was returned to the owners.

At the end of the period all three remaining vessels were in smart-stack and ready for rapid redeployment to the next opportunity.

HSE PERFORMANCE

Exemplary HSE standards were maintained, accumulating 139,000 man hours in the period without any recordable incidents, continuing our excellent performance of zero recordable rate for the year.

Our continuous improvement process remains active, having completion an internal iOMS audit. Travel restrictions imposed by COVID-19 dictated that this was conducted virtually. This was yet another first and proved to be a success.

The operations continue to attract praise from our customers in relation to the overall performance achieved and the quality and field level implementation of our iOMS.

FINANCIAL REVIEW

The financial review is prepared according to the IFRS accounting principles. Following the application of the IFRS 15 accounting standard for revenues, multi-client pre-funding revenues are not recognized under percentage of completion ("PoC") method. Instead, all such revenues are recognized at delivery of the final processed data, which is considerably later than the acquisition of the seismic data. The segment reporting (used for management purposes) in note 1 Revenue, note 2 Segment Reporting, note 3 Multi-client library and note 6 EBITDA, shows the deviation from IFRS.



REVENUE

Revenue for the third quarter of 2020 was USD 35.0 million compared to USD 1.0 million for the third quarter of 2019. USD 27.4 million of the revenue is related to pre-funding of multi-client Utsira as the processing of the survey has been completed and delivered to the clients. According to IFRS 15, the revenues from the prefunding achieved for the multi-client project Utsira shall then be recognized as revenue and the contract liabilities has been recorded as zero by end of September 2020.

In the third quarter, the Utsira multi-client survey had two late sales with AGS' share of USD 1.1 million. USD 6.6 million of revenue comes from contract work for Equinor in the North Sea during the quarter.

OPERATIONAL COST

Cost of sales (COS) in the third quarter of 2020 was USD 9.0 million, net after capitalized multi-client costs and amortized mobilization costs for the North Sea project, compared to USD 1.8 million in the third quarter of 2019 where almost all of the quarter was related to Utsira and therefore the COS capitalized as multi-client library.

The largest portion of COS relates to the Middle East streamer work and the North Sea projects. For the third quarter of 2020, USD 0.9 million of COS was capitalized related to Middle East multi-client project. For the same period in 2019, USD 30.7 million was capitalized related to multi-client projects.

Net mobilization cost related to the North Sea project in Q3 2020 was USD 1.4 million compared to USD -0.1 million for the same period in 2019.

Personnel expenses and other operating expenses in the third quarter of 2020 amounted to USD 2.6 million, compared to USD 1.7 million in the third quarter of 2019. The increase is mainly attributed to severance costs and use of external advisors and consultants onshore.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation was USD 1.3 million during the third quarter of 2020 compared to depreciation of USD 1.4 million in the third quarter of 2019. There has been no investment in 2020.

AMORTIZATION OF INTANGIBLE ASSETS

According to IFRS, multi-client surveys are not amortized until the data is ready for sale. The multi-client 3D OBN Utsira was finally processed in Q3 2020. AGS started linear amortization over 4 years from Q3 2020. The amortization of Utsira straight line was USD 1.8 million for a full quarter.

IMPAIRMENT

No impairment charges have been made in the third quarter of 2020 for the vessel Neptune Naiad or the node handling systems and seismic equipment. An impairment of USD 18.0 million has been performed on the Utsira multi-client library in IFRS books, due to fair value evaluation per September 2020 based on assumptions for late sales. This impairment brings both the value in segment reporting and IFRS reporting to be the same. The multi-client library in Egypt of USD 11.8 million has been tested for impairment even if the data was not processed and ready for sale. The result indicated no need for an impairment as of 30 September 2020.

EBITDA AND EBIT

The EBITDA was USD 23.5 million in the third quarter of 2020 compared to EBITDA of USD -2.5



million in the third quarter of 2019. This increase in EBITDA is mainly due to multi-client pre-funding and late sales revenue being registered for the first time this quarter compared to the same period in 2019 where the quarter was mainly Utsira acquisition of multi-client library.

EBIT (operating profit) was USD 2.4 million in the third quarter of 2020 compared to EBIT of USD -3.9 million during the same period in 2019. The increase in EBIT relates to the same factor as the increase in EBITDA described above.

FINANCIAL ITEMS

Net financial income was USD 1.0 million during the third quarter of 2020 compared to net financial expense of USD 0.8 million in the third quarter of 2019. The increase is mainly related to that fair value evaluation of the converted debt has been calculated and booked as financial gain with USD 3.8 million in the quarter and the gain will be booked as amortized cost on the debt going forward. The amortized cost from the fair value evaluation in Q3 2020 was USD 0.6 million. Further financial expenses during the quarter is interest for the debt of USD 1.3 million.

INCOME TAX (EXPENSE)

The corporate income tax in Norway is 22% in 2020. Income tax expense for the third quarter of 2020 amounted to USD 15 thousand compared to income tax revenue of USD 1.1 million for the same period in 2019. The tax expense in Q3 2020 represents withholding tax related to the Middle East contract offset by refund of withholding tax from India in the quarter.

In addition, AGS has prepaid local corporate tax 2020 of USD 1.3 million registered in the balance sheet, by receiving net payment for the Middle East contract.

The Company has no deferred tax assets booked as of September 2020.

PROFIT FOR THE PERIOD

AGS has a profit of USD 3.4 million for the third quarter of 2020 compared to loss of USD 3.6 million for the third quarter of 2019.

FINANCIAL POSITION AND CASH FLOW

As of 30 September 2020, AGS had total assets of USD 64.4 million, compared to total assets of USD 101.3 million as of 30 September 2019.

Total non-current assets decreased from USD 93.7 million in Q3 2019 to USD 52.4 million in Q3 2020. This is attributed to the net decrease in multi-client library of USD 31.4 million and decrease of USD 5.4 million in fixed asset, decrease in goodwill and deferred tax assets with USD 4.5 million to zero value for both items as of September 2020.

Total current assets increased from USD 7.6 million in Q3 2019 to USD 12.1 million in Q3 2020. The increase is driven by trade receivables and cash with USD 7.5 million increase, offset by decrease in inventories of USD 1.5 million and decrease in other current assets of USD 1.5 million. Cash balance ending at USD 4.9 million as of 30 September 2020.

The Group's equity was USD 0.6 million at the end of Q3 2020 versus USD 22.4 million as of 30 September 2019. The equity ratio is 1.0% as of 30 September 2020 compared to 22.1% same period in 2019.



Total non-current liabilities increase from USD 0.1 million as of 30 September 2019 to USD 19.5 million as of 30 September 2020 due to the announced conversion of accounts payable to long-term unsecured debt and bond loan as part of the restructuring in Q3 2020. The bond loan includes a covenant of minimum of cash of USD 2.0 million. The covenant is fulfilled as of September 2020. Fair value of the converted debt, both unsecured loan and bond loan, have been calculated and booked as financial gain with USD 3.8 million in the quarter and the gain will be booked as amortized cost on the loans going forward. The amortized cost from the fair value evaluation in Q3 2020 was USD 0.6 million. The original secured debt towards Eksportkreditt Norge AS has been reclassified to short-term debt. However, the Company has received waiver from the two covenants for all the quarters in 2020. The financial covenants are liquid of no less than 120% of outstanding loan and equity rate of 35%.

The current portion of long-term debt amounted to USD 1.3 million in respect of the debt towards Eksportkreditt Norge AS, USD 0.1 million the office leases, USD 7.6 million unsecured debt and USD 3.7 million in respect of the bond loan as of September 2020.

Total current liabilities as of 30 September 2020 amounted to USD 44.3 million, compared to USD 78.8 million as of 30 September 2019. The decrease is mainly related to trade payables due to conversion to debt, which net decreased by USD 21.5 million during the quarter. Other current liabilities decreased by USD 5.3 million in 2020. The account includes project related accruals, taxes and VAT and the promissory loan note in favor of TGS which was reduced to USD 6.4 million per September 2020. The decreases are offset by an increase in the current portion of long-term debt by USD 10.1 million, ending with balance of USD 12.8 million as per 30 September 2020.

Cash outflow from operating activities in the third quarter of 2020 was negative with USD 16.9 million, compared to positive of USD 33.3 million at the end of the same period in 2019.

Cash outflow from investing activities in the third quarter of 2020 amounted to negative USD 0.9 million, compared to negative of USD 32.5 million in the same period in 2019. There was no investment in node handling equipment in the third quarter compared to investments of USD 2.2 million in the same period of 2019. Investment in the multi-client library decreased from USD 30.7 million in Q3 2019 to USD 0.9 million in the third quarter of 2020.

Cash inflow from financing activities in third quarter of 2020 was positive USD 19.7 million, compared to negative USD 0.9 million in the same period in 2019. In the third quarter of 2020, the Company had net proceeds from interest bearing debt of USD 22.0 million.

FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Axxis Geo Solutions Group

USD thousands	Note	Q3 2020	Q3 2019	YTD Sep 2020	YTD Sep 2019	Full Year 2019
Revenue	1/2	35 043	970	92 776	66 806	70 744
Cost of sales	2	(8 986)	(1 796)	(48 522)	(49 135)	(58 634)
Personnel expenses	2	(1 337)	(548)	(2 727)	(2 177)	(2 616)
Other operating expenses	2	(1 222)	(1 122)	(2 974)	(2 943)	(4 184)
Amortization & impairment multi-client & goodwill		(19 792)	-	(19 792)	-	(35 093)
Depreciation & impairment	3	(1 281)	(1 431)	(4 366)	(3 814)	(6 080)
Operating profit (loss) (EBIT)		2 425	(3 927)	14 395	8 737	(35 862)
Financial income		3 847	24	3 847	24	43
Financial expenses		(2 048)	(1 327)	(3 196)	(2 941)	(4 934)
Currency exchange gain (loss)		(814)	525	250	(53)	(1 148)
Profit (loss) before tax		3 410	(4 704)	15 296	5 767	(41 901)
Income tax (expense)		(15)	1 070	(9 941)	(1 991)	(4 576)
Profit (loss) for the period		3 395	(3 634)	5 356	3 776	(46 477)
Currency translation adjustments		-	-	-	-	-
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		3 395	(3 634)	5 356	3 776	(46 477)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Axxis Geo Solutions Group

USD thousands	Note	30.09.2020	30.09.2019	31.12.2019
Assets				
Non-current assets				
Goodwill		-	1 951	-
Multi-client library	3	39 221	70 596	47 213
Deferred tax asset		-	2 568	-
Property, plant and equipment		13 132	18 486	17 668
Other non-current assets		-	101	-
Total non-current assets		52 352	93 702	64 880
Current assets				
Inventories		166	1 648	762
Trade receivables *		4 992	1 875	12 291
Other current assets	4	2 081	3 599	14 415
Bank deposits, cash in hand		4 857	464	1 435
Total current assets		12 095	7 586	28 903
Total assets		64 448	101 288	93 783
Equity and Liabilities				
Equity				
Share capital and other paid in capital	5	39 294	27 041	50 171
Other reserves		(38 659)	(4 641)	(54 894)
Total equity		635	22 399	(4 723)
Non current liabilities				
Interest bearing debt		19 534	129	73
Total non current liabilities		19 534	129	73
Current liabilities				
Interest bearing debt current		12 782	2 674	2 480
Trade payables		11 443	32 933	41 646
Contract liabilities		-	17 836	22 729
Other current liabilities*	4	20 054	25 318	31 578
Total current liabilities		44 279	78 760	98 433
Total liabilities		63 813	78 889	98 506
Total equity and liabilities		64 448	101 288	93 783

* 31.12.2019 - USD 9.8 million relates to VAT that has been paid 10 Feb 2020

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Axxis Geo Solutions Group

USD thousands	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2020	11 718	38 453	(55 291)	397	(4 723)
Profit (loss) for the period			5 356		5 356
Other comprehensive income (loss)			-		-
Cost for new shares issued					-
Write down of par value	(10 878)		10 878		-
Share based payment				2	2
Balance as of 30.09.2020	840	38 453	(39 058)	399	635

USD thousands	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2019	8 396	5 944	(8 814)	423	5 948
Share based payment 01.01.2019				(423)	(423)
Profit (loss) for the period			3 776		3 776
Other comprehensive income (loss)					-
New shares issued - cash settled	2 735	8 628	-		11 363
Cost for new shares issued		(337)			(337)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders	(5 263)	(14 151)			(19 414)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders		19 414			19 414
Effect of Songa Bulk ASA merger 2/7-19 for shares in Songa as contribution in kind	117	1 558			1 676
Share based payment				398	398
Balance as of 30.09.2019	5 985	21 055	(5 039)	398	22 399

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axxis Geo Solutions Group

USD thousands	Note	Q3 2020	Q3 2019	YTD Sep 2020	YTD Sep 2019	Full Year 2019
Cash flow from operating activities						
Profit (loss) before tax		3 410	(4 704)	15 296	5 767	(41 901)
Taxes paid		(189)	-	(2 005)	-	-
Depreciation and amortization	3	21 074	1 431	24 158	3 814	41 172
Agio - disagio without cash flow effects		1 106	102	(134)	(4)	1 873
Interest expense *		1 408	1 741	2 511	2 911	3 200
Share based payment cost		(4)	(81)	2	398	(25)
Change in trade receivables		(1 574)	25 760	7 299	2 066	(8 350)
Change in trade payables		(25 626)	7 981	(30 203)	12 164	20 877
Change in inventories		222	1 248	596	300	1 186
Change in other current assets		13 871	9 745	12 335	2 759	(8 058)
Change in contract liabilities		(25 247)	(379)	(22 729)	(23)	4 871
Change in other current liabilities		(5 374)	(9 565)	(19 534)	3 341	9 601
Net cash from operating activities		(16 922)	33 277	(12 408)	33 491	24 446
Cash flow from investing activities						
Investment in property, plant and equipment		-	(2 237)	219	(6 137)	(6 919)
Investment in multi-client library	3	(914)	(30 687)	(11 800)	(43 350)	(55 060)
Cash received/paid from merger		-	425	-	425	425
Net cash flow from investment activities		(914)	(32 499)	(11 581)	(49 062)	(61 554)
Cash flow from financing activities						
Net proceeds from interest bearing debt		22 036	-	31 449	-	-
Repayment of interest bearing debt		(866)	(282)	(1 383)	(845)	(1 127)
Payment of lease liabilities (recognized under IFRS 16)		(56)	(53)	(162)	(133)	(186)
Net proceeds from new equity		-	(32)	-	11 026	34 156
Interest paid lease liabilities		(2)	(5)	(8)	(14)	(18)
Interest paid		(1 397)	(522)	(2 484)	(1 696)	(1 979)
Net cash flow from financial activities		19 714	(894)	27 411	8 339	30 847
Net change in cash and cash equivalents		1 878	(116)	3 422	(7 232)	(6 261)
Cash and cash equivalents balance 01.06/01.01		2 979	580	1 435	7 696	7 696
Cash and cash equivalents balance 30.09/31.12		4 857	464	4 857	464	1 435

* Interest expense in 2019 includes financial cost as a result of the merger with Songa Bulk of USD 1.2 million

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 REVENUE

In USD thousands Q3 2020/2019	Segment reporting		IFRS reporting	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Operating Revenue				
Contract revenue	6 579	970	6 579	970
Multi-client pre-funding revenue	-	10 327	27 404	-
Multi-client late sales	1 060	-	1 060	-
Total revenue	7 640	11 297	35 043	970

In USD thousands YTD Q3 2020/2019	Segment reporting		IFRS reporting	
	YTD Sep 2020	YTD Sep 2019	YTD Sep 2020	YTD Sep 2019
Operating Revenue				
Contract revenue	64 312	66 806	64 312	66 806
Multi-client pre-funding revenue	798	11 456	27 404	-
Multi-client late sales	1 060	-	1 060	-
Total revenue	66 171	78 262	92 776	66 806

In USD thousands Full Year 2019	Segment reporting		IFRS reporting	
	Full year 2019		Full year 2019	
Operating Revenue				
Contract revenue	-	70 744	-	70 744
Multi-client pre-funding revenue	-	12 799	-	-
Multi-client late sales	-	-	-	-
Total revenue	-	83 542	-	70 744

AGS entered early in 2019 into an agreement with TGS to invest in certain multi-client projects. From this time, and with retroactive effect for 2018, AGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization, and costs.

NOTE 2 SEGMENT REPORTING

USD thousands Q3 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Q3 2020	Q3 2019	Q3 2020	Q3 2019
	Q3 2020	Q3 2019	Q3 2020	Q3 2019				
Income statement								
Total revenue	1 060	10 327	6 579	970	27 404	(10 327)	35 043	970
Total cost of sales	(812)	1 064	(8 419)	(2 860)	245	-	(8 986)	(1 796)
Personnel expenses	-	(365)	(1 337)	(183)	-	-	(1 337)	(548)
Other operating expenses	-	(326)	(1 280)	(997)	58	201	(1 222)	(1 122)
Total Operating Expenses	(812)	373	(11 036)	(4 040)	303	201	(11 545)	(3 466)
Operating profit (loss) before depreciation and amortization (EBITDA)	248	10 700	(4 457)	(3 070)	27 707	(10 126)	23 499	(2 496)
Depreciation & Amortization	(1 828)	(7 283)	(1 226)	(471)	(18 020)	6 323	(21 074)	(1 431)
Operating profit (loss) (EBIT) Segment	(1 580)	3 417	(5 682)	(3 541)	9 687	(3 804)	2 425	(3 927)

USD thousands YTD Q3 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		YTD Sep 2020	YTD Sep 2019	YTD Sep 2020	YTD Sep 2019
	YTD Sep 2020	YTD Sep 2019	YTD Sep 2020	YTD Sep 2019				
Income statement								
Total revenue	1 858	11 456	64 312	66 806	26 606	(11 456)	92 776	66 806
Total cost of sales	(3 410)	1 775	(45 357)	(50 910)	245	-	(48 522)	(49 135)
Personnel expenses	-	(824)	(2 727)	(1 759)	-	405	(2 727)	(2 177)
Other operating expenses	-	(865)	(3 144)	(2 367)	170	289	(2 974)	(2 943)
Total Operating Expenses	(3 410)	86	(51 228)	(55 035)	415	694	(54 223)	(54 256)
Operating profit (loss) before depreciation and amortization (EBITDA)	(1 552)	11 542	13 084	11 771	27 021	(10 762)	38 553	12 551
Depreciation & Amortization	(2 331)	(8 486)	(4 199)	(2 365)	(17 629)	7 037	(24 158)	(3 814)
Operating profit (loss) (EBIT) Segment	(3 883)	3 056	8 886	9 406	9 392	(3 725)	14 395	8 737

USD thousands Full Year 2019	Segment reporting		Adjustments		IFRS reporting	
	Multi-client	Contract	Full Year 2019	Full Year 2019	Full Year 2019	Full Year 2019
	Full Year 2019	Full Year 2019	Full Year 2019	Full Year 2019	Full Year 2019	Full Year 2019
Income statement						
Total revenue	12 799	70 744	(12 799)	-	70 744	
Total cost of sales	2 246	(60 880)	-	-	(58 634)	
Personnel expenses	(1 067)	(1 954)	405	-	(2 616)	
Other operating expenses	(1 085)	(3 299)	200	-	(4 184)	
Total Operating Expenses	-	94	-	605	(65 433)	
Operating profit (loss) before depreciation and amortization (EBITDA)	-	12 893	-	(12 194)	5 310	
Depreciation & Amortization	(43 606)	(6 965)	9 398	-	(41 172)	
Operating profit (loss) (EBIT) Segment	-	(30 713)	-	(2 796)	(35 862)	

AGS entered early in 2019 into an agreement with TGS to invest in certain multi-client projects. From this time, and with retroactive effect for 2018, AGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization, and costs.



NOTE 3 MULTI-CLIENT LIBRARY

USD thousands	Segment reporting			IFRS reporting		
	30.09.2020	30.09.2019	31.12.2019	30.09.2020	30.09.2019	31.12.2019
Cost as of 01.01	82 306	27 246	27 246	82 306	27 246	27 246
Capitalized costs	11 800	43 350	55 060	11 800	43 350	55 060
Cost as of 30.09/31.12	94 106	70 596	82 306	94 106	70 596	82 306
Accumulated amortization and impairment as of 01.01	(52 554)	(9 423)	(9 423)	(35 093)	-	-
Amortization for the period	(2 331)	(7 182)	(8 038)	(1 828)	-	-
Impairment for the period	-	-	(35 093)	(17 964)	-	(35 093)
Accumulated amortization and impairment as of 30.09/31.12	(54 885)	(16 605)	(52 554)	(54 885)	-	(35 093)
Carrying value at 01.01	29 752	17 823	17 823	47 213	27 246	27 246
Carrying value at 30.09/31.12	39 221	53 991	29 752	39 221	70 596	47 213
Net MC revenues	798	10 420	12 799	27 404	-	-
Change in net book value	32 %	203 %	67 %	-17 %	159 %	73 %

All investments in 2020 is related to the multi-client project in the Middle East. This project has a cap on late sales revenue in partner share to AGS at USD 13.7 million, with carrying amount as of September 2020 at USD 11.8 million.

AGS entered early in 2019 into an agreement with TGS to invest in certain multi-client projects. From this time, and with retroactive effect for 2018. The agreement from 2019 is classified as joint operation where the parties have rights to the assets and liabilities of the investment. AGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization, and costs. Carrying amount as of September 2020 at USD 27.4 million for Utsira.

NOTE 4 RELATED PARTIES

The ultimate Parent of the Group is Axxis Geo Solutions ASA.

The Group transactions and balances with other Group companies in 2019 and 2020 are mainly related to time charter for vessels and consultancy fees. See the figure below for balances with related parties:

USD thousands	YTD Sep 2020	YTD Sep 2019	Full Year 2019
Hired vessels:			
Lease payment Havila Fortune - controlled by Havila Holding AS	(3 286)	(3 946)	(4 756)
Lease payment Havila Aurora - controlled by Havila Holding AS	(3 377)	(1 708)	(2 997)
Lease payment Geo Caspian - controlled by Havila Holding AS	(31)	(3 267)	(3 267)
Ship management and other operating services:			
Remøy Shipping controlled by W2 Seismic AS	-	(197)	(259)
Evotec AS - controlled by Rome AS *	-	-	(985)
Consultancy and accounting services:			
Impact Geo Solutions controlled by Bjarte Bruheim *	-	(324)	(444)
Rome AS controlled by Jogeir Romestrand *	-	(109)	(205)
Hasund AS - controlled by Bjørnulf AS	-	(125)	180
Energy Consulting AS controlled by Christian Huseby **	(125)	-	-
Interest and guarantee payments:			
Interest ONGC guarantee to Havila Holding AS	-	(83)	(83)
Interest on shareholder loan from Havila Holding AS	-	(39)	(39)
Interest on shareholder loan from TRH AS	-	(11)	(11)
Interest on shareholder loan from Songa Investments AS	-	(36)	(39)
Balances with related parties			
USD thousands	30.09.2020	30.09.2019	31.12.2019
Account payables:			
Impact Geo Solutions controlled by Bjarte Bruheim *	-	35	123
Rome AS *	-	66	17
Evotec AS - controlled by Rome AS *	-	450	863
Havila Ships AS controlled by Havila Holding AS	749	3 257	6 019

* The previously shareholders of AGS ASA, Bjarte Bruheim and Rome AS with zero shares as of September 2020 have both delivered consultancy services previously to the Board in addition to being Chairman/Board members of AGS AS/AGS ASA respectively. All work performed by these related parties was regulated in separate consultancy agreements. Both agreements were cancelled 30.09.2019.

** As of 30th September 2020, Christian Huseby was elected as Chairman of the Board at the Annual General Meeting, in addition to delivering of consultancy services from April 2020.



NOTE 5 SHAREHOLDERS

The Company's share capital per 30.09 include the following:	Number of shares	Par Value per share	NOK
Ordinary shares (one share = one vote)	58 821 018	0,10	5 882 102

Largest shareholders per 30 June 2020

Name	Number of shares	Ownership share
1 HAVILA HOLDING AS	15 549 434,00	26,4%
2 RONJA CAPITAL AS	2 065 257,00	3,5%
3 GRØNLAND	1 516 454,00	2,6%
4 JOHS. HANSEN REDERI AS	1 413 345,00	2,4%
5 Danielsen	1 173 166,00	2,0%
6 Nordnet Bank AB	1 071 156,00	1,8%
7 GRØNSTAD	894 598,00	1,5%
8 J.P. Morgan Securities LLC	703 618,00	1,2%
9 DAGUSIKI HOLDING AS	680 000,00	1,2%
10 NÆRINGSLIVETS HOVEDORGANISASJON	671 343,00	1,1%
11 STOKKANKER AS	600 949,00	1,0%
12 SAHMAN	541 581,00	0,9%
13 MEROUR	541 531,00	0,9%
14 JAKOB HATTELAND HOLDING AS	500 000,00	0,9%
15 TECHMA MANAGEMENT AS	500 000,00	0,9%
16 ACTION AS	454 850,00	0,8%
17 ALCIDES SHIPPING AS	450 712,00	0,8%
18 LØVLAND	435 000,00	0,7%
19 SEAWALK AS	420 000,00	0,7%
20 Deutsche Bank Aktiengesellschaft	400 028,00	0,7%
Total	30 583 022	52,0%
Total other shareholders	28 237 996	48,0%
Total number of shares	58 821 018	100,0%

NOTE 6 GENERAL INFORMATION

Axxis Geo Solutions ASA (AGS or the Company) is a public company listed on Oslo Axess and traded under the ticker AGS. The address of its registered office is Strandveien 50, 1366 Lysaker, Norway. More information on www.axxisgeo.com

NOTE 7 BASIS FOR PREPARATION

The interim consolidated financial statements of AGS have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with AGS' annual report for 2019 which is available at www.axxisgeo.com. The same accounting policies and methods of computation are followed in the interim financial statements as in the annual financial statements for 2019, except for the adoption of new standards effective as of January 1, 2020.

Presentation and functional currency

The Group presents its consolidated financial reports in USD from January 1, 2020, which also will be the functional currency of the Parent. For presentation in consolidated accounts, the monetary assets and liabilities has been converted and translated into USD at the rate of exchange prevailing at the reporting date each quarter and historical value has been used for all other balance sheet items. The statement of profit or loss are converted and translated into USD at the average exchange rate for each quarter, except for depreciation and amortization at historical values. Exchange rate differences arising from the translation to presentation currency are recognized in Other Comprehensive Income.

NOTE 8 CHANGES IN ACCOUNTING STANDARDS

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Company's interim condensed consolidated financial statements.

DEFINITION OF APM (ALTERNATIVE PERFORMANCE MEASURES)

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 APMs in the paragraphs below.

The alternative performance measures presented by AGS may be determined or calculated differently by other companies.

EBITDA

EBITDA means earnings before interest, taxes, amortization, depreciation, and impairments. AGS uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company’s performance to other companies.

USD thousands	Segment reporting		IFRS reporting	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Profit (loss) for the period	(6 143)	(1 128)	3 395	(3 634)
Income tax (expense)	(15)	1 070	(15)	1 070
Net financial items	1 134	(2 075)	985	(777)
Depreciation & impairment PPE	(1 226)	(1 378)	(1 281)	(1 431)
Amortization & impairment of multi-client and goodwill	(1 828)	(6 522)	(19 792)	-
Operating profit (loss) before depreciation and amortization (EBITDA)	(4 208)	7 777	23 499	(2 496)

USD thousands	Segment reporting		IFRS reporting	
	YTD Sep 2020	YTD Sep 2019	YTD Sep 2020	YTD Sep 2019
Profit (loss) for the period	(3 883)	6 429	5 356	3 776
Income tax (expense)	(9 941)	(1 991)	(9 941)	(1 991)
Net financial items	1 055	(4 042)	902	(2 970)
Depreciation & impairment PPE	(4 199)	(3 669)	(4 366)	(3 814)
Amortization & impairment of multi-client and goodwill	(2 331)	(7 328)	(19 792)	-
Operating profit (loss) before depreciation and amortization (EBITDA)	11 532	23 460	38 553	12 551

USD thousands	Segment reporting		IFRS reporting	
	Full Year 2019		Full Year 2019	
Profit (loss) for the period	(40 806)		(46 477)	
Income tax (expense)	(3 468)		(4 576)	
Net financial items	(4 271)		(6 039)	
Depreciation & impairment PPE	(5 879)		(6 080)	
Amortization & impairment of multi-client and goodwill	(44 692)		(35 093)	
Operating profit (loss) before depreciation and amortization (EBITDA)	-	17 504	5 310	

For full overview of Segment vs IFRS see note 2 Segment Reporting.

The segment reporting is based on the accounting principles used in the internal reporting and deviates from IFRS. In the segment reporting, multi-client pre-funding revenues are recognized based on the percentage of completion method, compared to delivery of processed data according to IFRS. In the segment reporting, there is amortization for the multi-client library equal to percentage of recognized revenue according to budget, while the financial statements are based on a principle where amortization begins when the library is completed.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for AGS 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.

Multi-client prefunding percentage

The multi-client prefunding percentage is calculated by dividing the multi-client prefunding revenues, as per segment reporting, by the operational investments in the multi-client library, excluding investments related to projects where payments to the vendors are contingent on sales (risk-sharing investments). The multi-client prefunding percentage is considered an important measure as it indicates how the Company's financial risk is reduced by multi-client investments.

Backlog

Backlog is defined as the total value of future segment revenue on signed customer contracts, letter of awards or where all major contracts terms are agreed. AGS 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.

Lysaker, 30 November 2020

The Board of Directors and CEO of Axxis Geo Solutions ASA

Christian Huseby
Chairman

Njål Sævik
Director

Vibeke Fængsrud
Director

Nina Skage
Director

Eirin Inderberg
Director

Ronny Bøhn
CEO

About AGS

Axxis Geo Solutions (AGS) is a pure-play ocean bottom node seismic company uniquely positioned to pursue both contract and multi-client seismic. AGS specializes on delivering tailored seismic solutions and flexible project management and execution to oil and gas companies world-wide. Its operations are based on a scalable asset-light setup through chartering of vessels and nodes to complete seismic surveys.

More information on www.axxisgeo.com

The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors, we refer to our Annual Report for 2019. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and AGS disclaims any and all liability in this respect.

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