

AXXIS GEO
SOLUTIONS
ASA
Q2 2020
EARNINGS RELEASE



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AXXIS GEO SOLUTIONS ASA

HIGHLIGHTS Q2 2020

- AGS completed OBN survey in the Middle East and commenced related streamer operation
- We started North Sea contract for Equinor and received survey extension
- New CFO was appointed

SUBSEQUENT EVENTS

- Appointment of new CEO
- Closed the restructuring with converting USD 34.2 million from accounts payable to interest bearing debt
- Successfully finalized surveys in the Middle East as well as the North Sea
- Initiated smart-stack cost-reduction plans in accordance with communicated business strategy

KEY FINANCIALS IFRS REPORTING

USD thousands	Q2 2020	Q2 2019	YTD Jun 2020	YTD Jun 2019	Full Year 2019
Profit and loss					
Revenue	12 586	41 047	57 733	65 836	70 744
Cost of sales	(8 627)	(22 038)	(39 537)	(47 339)	(58 634)
EBITDA (loss)	2 315	16 757	15 055	15 047	5 310
EBIT (loss)	782	15 509	11 970	12 664	(35 862)
Net profit (loss)	(4 988)	11 265	1 960	7 409	(46 477)
Basic earnings (loss) per weighted average shares (in USD)	(0.08)	0.19	0.03	0.13	(0.79)
Financial position					
Total assets			95 248	105 841	93 783
Total liabilities			98 004	81 370	98 506
Total equity			(2 756)	24 471	(4 723)
Equity ratio			0.0%	23.1%	0.0%
Cash flow					
Net cash flow from operating activities	(4 027)	12 897	4 514	(470)	24 562

KEY FINANCIALS SEGMENT REPORTING

USD thousands	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	Full Year 2019
Revenue	12 586	41 047	58 531	66 965	83 542
EBITDA (loss)	2 259	16 702	15 741	15 683	17 504
Amortization and impairment MCL	-	-	(503)	(709)	(43 131)
EBIT (loss)	782	15 465	12 265	12 586	(33 066)
Net booked value MCL			40 134	29 777	29 752
Total equity			6 790	28 196	4 525
Equity ratio			8.6%	30.2%	5.7%



CEO STATEMENT

Ronny Bøhn was appointed as the new CEO of Axxis Geo Solutions with effect 10 August 2020. He has more than 20 years of experience from the seismic industry and has held several management positions, most recently Vice President of Marine Operations at CGG and as COO at inApril AS. He holds a Master of Science degree in Geomatics from the University of Oslo.

“Q2 has displayed challenges and limitations following the ongoing COVID-19 pandemic, nevertheless AGS delivered efficient and safe operational performance such as the projects in Egypt and Norway. These operations have demonstrated agility and professionalism, and I am inspired to lead this organization going forward.

We are currently bidding on OBN projects scheduled for start in the second half of 2020. In parallel with pursuing these opportunities, we will implement our “smart- stack” strategy in line with the Company’s asset-light and cost-flexible business model, and we will remain focused and disciplined heading into the autumn and winter months.”, says Ronny Bøhn, CEO of Axxis Geo Solutions.

OUTLOOK

In the second quarter, the Company completed the acquisition of the OBN program and commenced the 3D streamer survey as part of the Gulf of Suez contract. The Company started the previously announced North Sea OBN acquisition over the Breidablikk field for Equinor. During the quarter, the crew reported 286,000-man hours and all survey work was executed in adherence to our COVID-19 mitigation plans and without any COVID-19 or other HSE related incidents.

Upon completion of the Frigg extension survey, the Company will now take advantage of its flexible business model and go into a smart-stack low-cost mode. Under the smart-stack model, the Company is able to reduce charter hire and rental equipment cost to minimize running expenses while retaining its ability to swiftly mobilize for future projects.

The processing of the Utsira OBN multi-client project is expected to be completed and ready for delivery to clients during Q3. The data will then be accessible for further licensing arrangements and will be actively marketed together with our partner TGS. The Company is further evaluating new multi-client projects.

The Company has seen increased tender activity for Q4 2020/Q1 2021 and is expecting additional survey opportunities for the coming North Sea season.

GOING CONCERN

The Company’s financials are prepared under the going concern assumption. This assumption is subject to significant uncertainty in light of the current volatility in the oil field services markets. Oil price uncertainty and the effects of COVID-19 have impacted project start-ups and adds significant risk to the timing of future survey awards. The Company is dependent on securing additional OBN projects this year. If the Company is unsuccessful in securing additional contracts, AGS will be required to explore other financial solutions to secure liquidity.

OPERATIONAL HIGHLIGHTS

Ensuring the health and wellbeing of our employees and continuing uninterrupted operations through the COVID-19 challenges has remained a priority this quarter.

The mitigation measures implemented early in the COVID19 pandemic cycle have proven successful with zero cases recorded on any vessels throughout our operations. The logistics



involved in moving crew and equipment were well managed throughout, despite the challenges faced because of the pandemic. Credit is given to the hard work of our team and coordination with the many third parties involved in making this possible.

OPERATIONS

A total of five seismic vessels, two nodal and three source vessels were operated through the period. 415 vessel days were recorded, of which 79% were operational, up from 69% the previous quarter. Of the remaining, 13% was spent transiting, 3% standing by and 5% spent rigging.

The OBN fleet successfully completed the Egyptian OBN program. Three of the four vessels involved returned to the North Sea where the Sanco Sword was off hired. The Pacific Finder remained in Egypt and reconfigured for streamer work. The vessel remained in operation at the end of the quarter, acquiring marine streamer, gravity, and magnetics data.

The Egyptian seismic program was in part executed as a contract survey and in part as a multi-client survey. The contract survey was completed during the quarter, while the multi-client survey was completed in July. The multi-client survey is a partner share, capped at USD 13.7 million in late sales.

Neptune Naiad joined Havila Fortune and Havila Aurora on their arrival in the North Sea and commenced a contract OBN shoot for Equinor immediately upon their arrival. The fleet continued in operation through the end of the period.

HSE PERFORMANCE

High HSE standards were maintained accumulating 351,000 man hours during operations without any recordable incidents, maintaining a zero recordable rate for the year. Our online training systems have been enhanced through the quarter with the release of two additional computer-based training modules. This organically grown program provides easily accessible, topical Health, Safety, Environmental and Compliance training throughout our organization.

Necessitated by the pandemic, increased usage of video conferencing has been seen in the period including a project kick-off meeting and an iOMS system audit conducted entirely online. The success of these initiatives has laid the foundations for future cost and time efficiencies, allowing more managerial participation in these events with reduced time and cost impact.

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 second quarter of 2020 was USD 12.6 million compared to USD 41.0 million for the second quarter of 2019. The revenue in Q2 2020 of USD 12.6 million is related to contract work in Middle East and the North Sea, compared to revenue related to contract work in India in Q2 2019.

In accordance with IFRS 15 no revenues from the prefunding achieved for the multi-client



project Utsira have been recognized since the data is not ready for sale. As of Q2 2020, the Company has recognized a contract liability in the balance sheet of USD 25.2 million which reflects the revenue for the work performed on the project to date.

OPERATIONAL COST

Cost of sales (COS) in the second quarter of 2020 was USD 8.6 million, net after capitalized and amortized mobilization costs for the Middle East project and the North Sea project, compared to USD 22.0 million in the second quarter of 2019.

The largest portion of COS relates to the Middle East and North Sea projects. For the second quarter of 2020, USD 10.9 million of COS was capitalized related to Middle East multi-client project. For the same period in 2019, USD 9.6 million was capitalized related to multi-client projects.

Net mobilization cost related to the North Sea and Middle East project in Q2 2020 was USD 3.7 million compared to USD 3.4 million for the same period last year.

Personnel expenses and other operating expenses in the second quarter of 2020 amounted to USD 1.6 million, compared to USD 2.3 million in the second quarter of 2019. Decrease in personnel cost is due to bonus accrual in 2019.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation was USD 1.5 million during the second quarter of 2020 compared to depreciation of USD 1.2 million in the second quarter of 2019. The increase is due to more node handling systems in operation than last year.

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 project was finished acquired in October 2019 and will be finally processed in Q3 2020 for the acquired data for the Utsira project and will start being amortized from then.

IMPAIRMENT

No impairment charges have been made in the second quarter of 2020 for the multi-client library, the vessel Neptune Naiad or the node handling systems and seismic equipment.

EBITDA AND EBIT

The EBITDA was USD 2.3 million in the second quarter of 2020 compared to EBITDA of USD 16.8 million in the second quarter of 2019. This decrease in EBITDA is mainly due to larger part of multi-client project in the quarter, in addition to standby and mobilization of vessels between projects and regions compared to the same period in 2019.

EBIT (operating profit) was USD 0.8 million in the second quarter of 2020 compared to EBIT of USD 15.5 million during the same period in 2019. The decrease in EBIT relates to the same factor as the decrease in EBITDA described above.

FINANCIAL ITEMS |

Net financial expenses were USD 1.5 million during the second quarter of 2020 compared



to net financial expense of USD 1.2 million in the second quarter of 2019. The increase is mainly a net result of currency exchange loss of USD 0.8 million compared to currency exchange loss of USD 0.3 million for the same period in 2019.

INCOME TAX (EXPENSE)

The corporate income tax in Norway is 22% in 2020. Income tax expense for the second quarter of 2020 amounted to USD 4.3 million compared to income tax revenue of USD 3.0 million for the same period in 2019. The tax expense in Q2 2020 represents withholding tax related to the Middle East contract.

In addition, AGS has prepaid local corporate tax 2020 of USD 1.1 million registered in the balance sheet, by receiving net payment for the Middle East contract.

The Company has no deferred tax asset booked as of June 2020.

PROFIT FOR THE PERIOD

AGS has a loss of USD 5.0 million for the second quarter of 2020 compared to profit of USD 11.3 million for the second quarter of 2019.

FINANCIAL POSITION AND CASH FLOW

As of 30 June 2020, AGS had total assets of USD 95.2 million, compared to total assets of USD 105.8 million as of 30 June 2019.

Total non-current assets increased from USD 61.4 million in Q2 2019 to USD 72.5 million in Q2 2020. This is attributed to the net increase in multi-client library of USD 18.2 million offset by a net decrease in goodwill and deferred tax asset of USD 3.8 million to zero value for both items as of June 2020.

Total current assets decreased from USD 44.5 million in Q2 2019 to USD 22.7 million in Q2 2020. The decrease is driven by a USD 2.5 million increase in other current assets mainly due to accrued revenue, offset by decrease in inventories of USD 2.5 million and trade receivables of USD 24.7 million and an increase in cash of USD 2.4 million. Cash balance ending at USD 3.0 million as of 30 June 2020.

The Group's equity was negative with USD 2.8 million at the end of Q2 2020 versus positive USD 24.5 million as of 30 June 2019. The equity ratio is negative as of 30 June 2020 compared to 23.1% same period in 2019.

Total non-current liabilities increase from USD 0.2 million as of 30 June 2019 to USD 3.3 million as of 30 June 2020 due to the announced conversion of accounts payable to long-term unsecured debt as part of the restructuring in Q2 2020. The original secured debt towards Eksportkreditt Norge AS has been reclassified to short-term debt as the covenants were not fulfilled per June 2020.

The current portion of long-term debt amounted to USD 1.5 million for the debt towards Eksportkreditt Norge AS, USD 0.2 million for the leases and USD 6.3 million for the accounts payable converted to unsecured debt as of June 2020.

Total current liabilities as of 30 June 2020 amounted to USD 94.7 million, compared to USD 81.1 million as of 30 June 2019. The increase is related to trade payables, which increased by USD 12.1 million. Contract liabilities (IFRS adjustment for multi-client pre-funding revenue) increased by USD 7.0 million to USD 25.2 million in 2020. Other current liabilities decreased by USD 10.5 million in 2020, the



account includes project related accruals, taxes and VAT and the issuance of a promissory loan note in favor of TGS which was reduced to USD 6.6 million per June 2020. The current portion of long-term debt amounted to USD 8.0 million as per 30 June 2020.

Cash outflow from operating activities in the second quarter of 2020 was negative with USD 4.0 million, compared to positive of USD 12.9 million at the end of the same period in 2019.

Cash outflow from investing activities in the second quarter of 2020 amounted to negative USD 10.6 million, compared to negative of USD 12.2 million in the same period in 2019. There was no investment in node handling equipment in the second quarter compared to investments of USD 2.5 million in the same period of 2019. Investment in the multi-client library increased from USD 9.6 million to USD 10.9 million in the second quarter in 2020.

Cash inflow from financing activities in second quarter of 2020 was positive USD 8.5 million, compared to negative USD 1.0 million in the same period in 2019. In the second quarter of 2020, the Company had net proceeds from interest bearing debt of USD 9.4 million.

FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Axxis Geo Solutions Group						
USD thousands	Note	Q2 2020	Q2 2019	YTD Jun 2020	YTD Jun 2019	Full Year 2019
Revenue	1/2	12 586	41 047	57 733	65 836	70 744
Cost of sales	2	(8 627)	(22 038)	(39 537)	(47 339)	(58 634)
Personnel expenses	2	(820)	(1 119)	(1 390)	(1 629)	(2 616)
Other operating expenses	2	(824)	(1 132)	(1 752)	(1 821)	(4 184)
Amortization & impairment multi-client & goodwill		-	-	-	-	(35 093)
Depreciation & impairment	3	(1 533)	(1 248)	(3 085)	(2 383)	(6 080)
Operating profit (loss) (EBIT)		782	15 509	11 970	12 664	(35 862)
Financial income		0	-	0	-	43
Financial expenses		(694)	(963)	(1 148)	(1 615)	(4 934)
Currency exchange gain (loss)		(771)	(279)	1 065	(578)	(1 148)
Profit (loss) before tax		(684)	14 267	11 886	10 471	(41 901)
Income tax (expense)		(4 304)	(3 002)	(9 926)	(3 061)	(4 576)
Profit (loss) for the period		(4 988)	11 265	1 960	7 409	(46 477)
Currency translation adjustments		-	-	-	-	-
Other comprehensive income (loss) for the period		-	-	-	-	-
Total comprehensive income (loss) for the period		(4 988)	11 265	1 960	7 409	(46 477)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Axxis Geo Solutions Group

USD thousands	Note	30.06.2020	30.06.2019	31.12.2019
Assets				
Non-current assets				
Goodwill		-	1 951	-
Multi-client library	3	58 098	39 909	47 213
Deferred tax asset		-	1 848	-
Property, plant and equipment		14 413	17 679	17 668
Other non-current assets		-	-	-
Total non-current assets		72 512	61 387	64 880
Current assets				
Inventories		388	2 896	762
Trade receivables *		3 418	27 635	12 291
Other current assets	4	15 952	13 344	14 415
Bank deposits, cash in hand		2 979	580	1 435
Total current assets		22 736	44 454	28 903
Total assets		95 248	105 841	93 783
USD thousands	Note	30.06.2020	30.06.2019	31.12.2019
Equity and Liabilities				
Equity				
Share capital and other paid in capital	5	50 171	25 397	50 171
Other reserves		(52 928)	(926)	(54 894)
Total equity		(2 756)	24 471	(4 723)
Non current liabilities				
Interest bearing debt		3 257	245	73
Total non current liabilities		3 257	245	73
Current liabilities				
Interest bearing debt current		8 046	3 075	2 480
Trade payables		37 068	24 952	41 646
Contract liabilities		25 247	18 215	22 729
Other current liabilities*	4	24 387	34 883	31 578
Total current liabilities		94 748	81 125	98 433
Total liabilities		98 004	81 370	98 506
Total equity and liabilities		95 248	105 841	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			1 960		1 960
Other comprehensive income (loss)			-		-
Cost for new shares issued					-
Share based payment				6	6
Balance as of 30.06.2020	11 718	38 453	(53 331)	403	(2 756)

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			7 409		7 409
Other comprehensive income (loss)					-
New shares issued - cash settled	2 735	8 628	-		11 363
Cost for new shares issued		(305)			(305)
Share based payment				479	479
Balance as of 30.06.2019	11 131	14 266	(1 405)	479	24 471

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axis Geo Solutions Group						
USD thousands	Note	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	Full Year 2019
Cash flow from operating activities						
Profit (loss) before tax		(684)	14 267	11 886	10 471	(41 901)
Taxes paid		(456)	-	(1 816)	-	-
Depreciation and amortization	3	1 533	1 248	3 085	2 383	41 172
Agio - disagio without cash flow effects		686	(220)	(1 240)	(789)	1 873
Interest expense *		670	702	1 103	1 170	3 200
Share based payment cost		6	56	6	479	(25)
Change in trade receivables		6 433	(5 497)	8 873	(23 694)	(8 350)
Change in trade payables		(11 478)	3 059	(4 578)	4 182	20 877
Change in inventories		1 178	(692)	374	(948)	1 186
Change in other current assets		(167)	(10 898)	(1 536)	(6 986)	(8 058)
Change in contract liabilities		-	170	2 518	357	4 871
Change in other current liabilities		(1 748)	10 702	(14 161)	12 906	9 601
Net cash from operating activities		(4 027)	12 897	4 514	(470)	24 446
Cash flow from investing activities						
Investment in property, plant and equipment		246	(2 532)	219	(3 216)	(6 919)
Investment in multi-client library	3	(10 886)	(9 649)	(10 886)	(12 663)	(55 060)
Cash received/paid from merger		-	-	-	-	425
Net cash flow from investment activities		(10 639)	(12 181)	(10 666)	(15 879)	(61 554)
Cash flow from financing activities						
Proceeds from interest bearing debt		9 413	-	9 413	-	-
Repayment of interest bearing debt		(237)	(282)	(517)	(563)	(1 127)
Payment of lease liabilities (recognized under IFRS 16)		(53)	(50)	(106)	(80)	(186)
Net proceeds from new equity		-	-	-	11 058	34 156
Interest paid lease liabilities		(3)	(5)	(6)	(9)	(18)
Interest paid		(661)	(697)	(1 087)	(1 173)	(1 979)
Net cash flow from financial activities		8 459	(1 034)	7 697	9 233	30 847
Net change in cash and cash equivalents		(6 207)	(318)	1 544	(7 116)	(6 261)
Cash and cash equivalents balance 01.04/01.01		9 186	898	1 435	7 696	7 696
Effects of exchange rate changes on cash and cash equivalents						
Cash and cash equivalents balance 30.06/31.12		2 979	580	2 979	580	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 Q2 2020/Q2 2019/Full Year 2019	Segment reporting		IFRS reporting	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Operating Revenue				
Contract revenue	12 586	41 047	12 586	41 047
Multi-client pre-funding revenue	-	-	-	-
Multi-client late sales	-	-	-	-
Total revenue	12 587	41 047	12 586	41 047

In USD thousands Q2 2020/Q2 2019/Full Year 2019	Segment reporting		IFRS reporting	
	YTD Jun 2020	YTD Jun 2019	YTD Jun 2020	YTD Jun 2019
Operating Revenue				
Contract revenue	57 733	65 836	57 733	65 836
Multi-client pre-funding revenue	798	1 129	-	-
Multi-client late sales	-	-	-	-
Total revenue	58 532	66 965	57 733	65 836

In USD thousands Q2 2020/Q2 2019/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 Q2 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Q2 2020	Q2 2019	Q2 2020	Q2 2019
	Q2 2020	Q2 2019	Q2 2020	Q2 2019				
Income statement								
Total revenue	-	-	12 586	41 047	-	-	12 586	41 047
Total cost of sales	0	592	(8 626)	(22 630)	-	-	(8 626)	(22 038)
Personnel expenses	-	(388)	(820)	(731)	-	-	(820)	(1 119)
Other operating expenses	-	(459)	(880)	(728)	56	55	(824)	(1 132)
Total Operating Expenses	0	(255)	(10 326)	(24 090)	56	55	(10 270)	(24 290)
Operating profit (loss) before depreciation and amortization (EBITDA)	0	(255)	2 260	16 957	56	55	2 316	16 757
Depreciation & Amortization	-	(372)	(1 477)	(865)	(56)	(11)	(1 533)	(1 248)
Operating profit (loss) (EBIT) Segment	0	(627)	782	16 092	0	44	783	15 509

USD thousands YTD Q2 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		YTD Jun 2020	YTD Jun 2019	YTD Jun 2020	YTD Jun 2019
	YTD Jun 2020	YTD Jun 2019	YTD Jun 2020	YTD Jun 2019				
Income statement								
Total revenue	798	1 129	57 733	65 836	(798)	(1 129)	57 733	65 836
Total cost of sales	(2 598)	710	(36 938)	(48 049)	-	-	(39 537)	(47 339)
Personnel expenses	-	(459)	(1 390)	(1 576)	-	405	(1 390)	(1 629)
Other operating expenses	-	(539)	(1 864)	(1 370)	112	88	(1 752)	(1 821)
Total Operating Expenses	(2 598)	(287)	(40 193)	(50 995)	112	493	(42 679)	(50 790)
Operating profit (loss) before depreciation and amortization (EBITDA)	(1 800)	842	17 541	14 841	(686)	(636)	15 055	15 047
Depreciation & Amortization	(503)	(1 203)	(2 973)	(1 894)	391	714	(3 085)	(2 383)
Operating profit (loss) (EBIT) Segment	(2 303)	(361)	14 568	12 947	(295)	78	11 970	12 664

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				
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	-	(66 132)	-	605	-	(65 433)
Operating profit (loss) before depreciation and amortization (EBITDA)	-	12 893	-	4 611	-	(12 194)	-	5 310
Depreciation & Amortization		(43 606)		(6 965)		9 398	-	(41 172)
Operating profit (loss) (EBIT) Segment	-	(30 713)	-	(2 354)	-	(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		
	YTD Jun 2020	YTD Jun 2019	2019	YTD Jun 2020	YTD Jun 2019	2019
Cost as of 01.01	82 306	27 246	27 246	82 306	27 246	27 246
Capitalized costs	10 886	12 663	55 060	10 886	12 663	55 060
Cost as of 30.06/31.12	93 191	39 909	82 306	93 191	39 909	82 306
Accumulated amortization and impairment as of 01.01	(52 554)	(9 423)	(9 423)	(35 093)	-	-
Amortization for the period	(503)	(709)	(8 038)	-	-	-
Impairment for the period	-	-	(35 093)	-	-	(35 093)
Accumulated amortization and impairment as of 30.06/31.12	(53 057)	(10 132)	(52 554)	(35 093)	-	(35 093)
Carrying value at 01.01	29 752	17 823	17 823	47 213	27 246	27 246
Carrying value at 30.06/31.12	40 134	29 777	29 752	58 098	39 909	47 213
Net MC revenues	798	1 129	12 799	-	-	-
Amort. in % of net MC revenues	63 %	63 %	63 %	63 %	63 %	63 %
Change in net book value	35 %	67 %	67 %	23 %	46 %	73 %

All investments in 2020 is related to Q2 2020 with investment in 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

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.

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	Q2 2020	Q2 2019	Full Year 2019
Hired vessels:			
Lease payment Havila Fortune - controlled by Havila Holding AS	(2 487)	(2 272)	(4 756)
Lease payment Havila Aurora - controlled by Havila Holding AS	(2 487)	(420)	(2 997)
Lease payment Geo Caspian - controlled by Havila Holding AS	(31)	(3 132)	(3 267)
Ship management and other operating services:			
Remøy Shipping controlled by W2 Seismic AS	-	(132)	(259)
Evotec AS - controlled by Rome AS *	-	-	(985)
Consultancy and accounting services:			
Impact Geo Solutions controlled by Bjarte Bruheim *	-	(216)	(444)
Rome AS controlled by Jogeir Romestrand *	-	(73)	(205)
Hasund AS - controlled by Bjørnulf AS	-	(96)	180
Energy Consulting AS controlled by Christian Huseby **	(60)	-	-
Interest and guarantee payments:			
Interest ONGC guarantee to Havila Holding AS	-	(83)	(83)
Interest on shareholder loan from Havila Holding AS	-	(36)	(39)
Interest on shareholder loan from TRH AS	-	(10)	(11)
Interest on shareholder loan from Songa Investments AS	-	(36)	(39)
Account payables:			
Impact Geo Solutions controlled by Bjarte Bruheim *	-	85	123
Rome AS *	-	32	17
Evotec AS - controlled by Rome AS *	-	241	863
Havila Ships AS controlled by Havila Holding AS	6 703	1 500	6 019

* The shareholders of AGS ASA, Bjarte Bruheim with 0.7% of the shares and previously shareholder Rome AS with zero shares as of June 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 June 2020, Christian Huseby was selected as Chairman of the Board at the Annual General Meeting, in addition to delivering consultancy services in Q2 2020.



NOTE 5 SHAREHOLDERS

Note 5 Shareholders

The Company's share capital per 30.06 include the following:	Number of shares	Par Value per share	NOK
Ordinary shares (one share = one vote)	58 821 018	1,39431124614644	82 014 806

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 JOHS. HANSEN REDERI AS	1 413 345,00	2.4%
4 HAUGO	1 410 000,00	2.4%
5 Danielsen	1 173 166,00	2.0%
6 Nordnet Bank AB	865 885,00	1.5%
7 GRØNSTAD	862 792,00	1.5%
8 LØVLAND	850 000,00	1.4%
9 J.P. Morgan Securities LLC	703 618,00	1.2%
10 NÆRINGSLIVETS HOVEDORGANISASJON	671 343,00	1.1%
11 STOKKANKER AS	600 949,00	1.0%
12 NORDNET LIVSFORSIKRING AS	600 231,00	1.0%
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 AKHTAR	463 169,00	0.8%
17 ACTION AS	454 850,00	0.8%
18 ALCIDES SHIPPING AS	450 712,00	0.8%
19 BRUHEIM	430 000,00	0.7%
20 SEAWALK AS	420 000,00	0.7%
Total	30 526 282	51.9%
Total other shareholders	28 294 736	48.1%
Total number of shares	58 821 018	100.0%

NOTE 6 EVENTS AFTER BALANCE DATE

16 July 2020, the Company announced the completion of its restructuring and the related conversion of trade payables into a bond loan of USD 24.7 million. To illustrate how the balance sheet as at June 30 would have been following the subsequent restructuring completed subsequent to quarter close. The unsecured loan of USD 9.6 million is included in the 30.06.2020 reported figures.

USD thousands

<u>Equity and Liabilities</u>	<u>Equity and Liabilities as reported 30.06.2020</u>	<i>Adjustment bond loan</i>	<u>Proforma 30.06.2020 Equity and Liabilities after debt conversion</u>
Total equity	(2 756)		(2 756)
Interest bearing debt	3 257	24 739	27 996
Total non current liabilities	3 257		27 996
Interest bearing debt current	8 046		8 046
Trade payables	37 068	(24 739)	12 329
Other current liabilities	49 633		49 633
Total current liabilities	94 748		70 008
Total liabilities	98 004		98 004
Total equity and liabilities	95 248		95 248

NOTE 7 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 8 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 assets and liabilities has been converted and translated into USD at the rate of exchange prevailing at the reporting date each quarter and the statement of profit or loss are converted and translated into USD at the average exchange rate for the each quarter. Exchange rate differences arising from the translation to presentation currency are recognized in Other Comprehensive Income.

NOTE 9 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	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Profit (loss) for the period	(4 972)	11 319	(4 988)	11 265
Income tax (expense)	(4 304)	(3 002)	(4 304)	(3 002)
Net financial items	(1 449)	(1 144)	(1 466)	(1 242)
Depreciation & impairment PPE	(1 477)	(1 188)	(1 533)	(1 248)
Amortization & impairment of multi-client and goodwill	-	(49)	-	-
Operating profit (loss) before depreciation and amortization (EBITDA)	2 259	16 702	2 315	16 757

USD thousands	Segment reporting		IFRS reporting	
	YTD Jun 2020	YTD Jun 2019	YTD Jun 2020	YTD Jun 2019
Profit (loss) for the period	2 259	7 558	1 960	7 409
Income tax (expense)	(9 926)	(3 061)	(9 926)	(3 061)
Net financial items	(80)	(1 966)	(84)	(2 193)
Depreciation & impairment PPE	(2 973)	(2 291)	(3 085)	(2 383)
Amortization & impairment of multi-client and goodwill	(503)	(807)	-	-
Operating profit (loss) before depreciation and amortization (EBITDA)	15 741	15 683	15 055	15 047

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.

Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of interim financial statements for period of 1 January to 30 June 2020, which has been prepared in accordance with IAS 34 Interim Financial reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations, and that the period of 1 January to 30 June 2020 interim report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Lysaker, 18 August 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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