

AXXIS GEO
SOLUTIONS
ASA
Q1 2020
EARNINGS RELEASE



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AXXIS GEO SOLUTIONS ASA

HIGHLIGHTS Q1 2020

- In production on the OBN survey in the Middle East
- Completed the Brazil source operation campaign with Neptune Naiad
- Delivery of milestone Northern Utsira OBN project data in the North Sea
- Received LOI from Equinor for a North Sea contract in February, signed final agreement in May 2020

SUBSEQUENT EVENTS

- Completed OBN survey in the Middle East
- Appointments of new CFO and CCO
- Received LOI for extension in the North Sea for Equinor

KEY FINANCIALS IFRS REPORTING

USD thousands

Profit and loss	Q1 2020	Q1 2019	Full Year 2019
Revenue	45 147	24 790	70 744
Cost of sales	(30 910)	(25 301)	(58 634)
EBITDA (loss)	12 740	(1 711)	5 310
EBIT (loss)	11 188	(2 845)	(35 862)
Net profit (loss)	6 948	(3 855)	(46 477)
Basic earnings (loss) per weighted average shares (in USD)	0.12	(0.19)	(0.79)
Financial position			
Total assets	99 742	80 858	93 783
Total liabilities	97 516	67 680	98 506
Total equity	2 226	13 178	(4 723)
Equity ratio	2.3%	19.5%	0.0%
Cash flow			
Net cash flow from operating activities	8 545	(13 251)	24 562

KEY FINANCIALS SEGMENT REPORTING

USD thousands	Q1 2020	Q1 2019	Full Year 2019
Revenue	45 946	25 918	83 542
EBITDA (loss)	13 482	(1 019)	17 504
Amortization and impairment MCL	(503)	(709)	(43 131)
EBIT (loss)	11 483	(2 879)	(33 066)
Net booked value MCL	29 249	20 128	29 752
Total equity	11 756	16 849	4 525
Equity ratio	14.1%	24.6%	5.7%



CEO STATEMENT

“As we entered 2020, we were faced with a global pandemic and low oil price in part driven by OPEC but amplified due to the reduced need for oil and gas caused by the pandemic. Our people and their safety is our top priority. It is a credit to our dedicated team of professionals that our operations during Q1 were uninterrupted while dealing with daily changes due to the pandemic.

We have seen projects being delayed rather than cancelled, and we believe we are well positioned for growth as the market returns. Our focus is on operational excellence and to address areas which already have known hydrocarbon potential rather than pure exploration areas which are hit hardest during times of capital conservation.

Due to strong operational performance by our dedicated crews despite a difficult environment, we report our highest revenue quarter with strong margins. We look forward to navigate through the remainder of 2020 and to position ourselves to take advantage of the market in 2021” says Lee Parker, CEO of Axxis Geo Solutions.

OUTLOOK

During the first quarter AGS successfully completed both the primary and an extended part to the OBN program in the Gulf of Suez. The crew reported more than 350,000-man hours since the start of 2020, all while operating on high alert regarding the COVID-19 threat, and strict adherence to our mitigation plans. In Q2, AGS will embark on the next acquisition project for a new client (Equinor) in the North Sea and expect a steady cashflow from this contract.

AGS has previously entered into a joint venture with TGS in the North Sea to develop new multi-client projects and work to materialize further acquisitions in 2020 and the years to come. The mature and producing areas of the North Sea are considered attractive multi-client areas for OBN due to the increased focus on near-field exploration during times of low oil price.

GOING CONCERN

The interim accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable with low equity and liquidity under pressure and hence there is material uncertainty related to the going concern assumption. Currently, the Group has insufficient cash to pay its account payables. The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. If successful, this will strengthen the working capital and improve the liquidity for the Group. The outcome of these discussions are uncertain and the going concern assumption is subject to material uncertainty as outlined below.

The Group's cash flow forecast is based on the following: the Group's existing firm commitments and operational plan, the Group's expectation of future opportunities, and the Group's corporate activities to improve the financial situation, specifically;

- * successful in restructuring its trade payables with its suppliers; and
- * successful in obtaining work towards the end of 2020
- * ability to keep expenses at a minimum level

It is the Board's view that the Company's efforts in the restructuring plan will be successful.

However, there is a risk that the Group

- * will not be successful in completing the ongoing restructuring process



- * has challenges related to the transfer of cash from its operations in the Middle East to Norway
- * maintains a balance of significantly overdue payables if the Group's unable to obtain a payment plan with creditors not participating in the restructuring process
- * does not secure future contracts or late sales

Management have used its best judgements in the evaluation of the going concern assumption. Although there are significant uncertainties and risk listed above related to events or conditions that might impact the future cash flows, the Board and the management is of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption. If the Company is unsuccessful with the above activities, the financial statements do not reflect impairment charges or provisions that might be required if the Company or Group was liquidated or the assets sold in a distressed situation.

OPERATIONAL HIGHLIGHTS

Good fleet utilization was recorded through the quarter. A total of five seismic dedicated vessels, two nodal and three source vessels were operated through the period. Of the total vessel days employed in the quarter, 68% operational utilization was recorded, 9% was spent transiting, 19 % standby and 4% spent on maintenance. The AGS fleet consists of a mix of owned and mid-term charter commitments, supplemented with short-term charters for flexible capacity.

Mitigation measures were implemented throughout operations in response to the emerging COVID-19 threats, enabling uninterrupted operations to continue with zero infections recorded. One small program was cancelled late in the quarter by the client due to COVID-19 concerns within their own operations, however remaining larger North Sea programs remained scheduled for Q2 start.

OPERATIONS

The AGS OBN fleet was in Egypt for most of the period, mobilizing in and commencing a project very early in Q1 and rolling into a subsequently awarded adjacent program. The Neptune Naiad completed the project in Brazil and transited back to Europe where she underwent a docking for scheduled maintenance.

EGYPT OBN PROGRAMS

The Sanco Sword, Pacific Finder, Havila Aurora and Havila Fortune were deployed in Egypt throughout the quarter and were active for 73% of the period. 20% was standing by while the follow-on project was formalized and 7% taken mobilizing into Egypt. The vessels and crews performed exceptionally well, completing the first phase of the OBN projects, and the second phase was well under way at the end of the quarter. A solid technical performance saw an on-time delivery of the first program, with technical down time across the fleet of 3%. Despite the programs being conducted through major shipping lanes and oilfields, minimal downtime was recorded due to SIMOPS and fishing because of well managed and planned coordination with stakeholders.

BRAZIL CAMPAIGN

The Neptune Naiad continued into the quarter with 47% operational utilization on a program extension which was received in Brasil. Technical down time was well down from the prior quarter, with good operational performance seen. The Naiad departed Brazil early February and underwent a scheduled dry docking in Spain in preparation for the next North Sea Projects for Equinor scheduled for Q2 commencement.

TECHNOLOGY

Upgrades to our nodal handling systems were implemented following the completion of Utsira South 3D and delivered productivity uplifts on our nodal handling systems. Improvements in both deployment and recovery speeds on average of 17% from Utsira 2019 to the end of Q1 have been recorded.

HSE PERFORMANCE

The crews continued to perform to high HSE standards. In Q1, we recorded 309,000-man hours during operations without any recordable incidents. 62% of these hours were amassed by subcontractors. Our strong HSE culture continues, demonstrated through the 933 proactive events recorded through the quarter. All operations have managed to continue despite the evolving COVID-19 challenges and the logistics issues it presents. Rigorous mitigation measures have been implemented throughout our operations protect our worksites from exposure to infection.

AGS recorded more than 1.3 million man hours since the last lost time incident.

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 first quarter of 2020 was USD 45.1 million compared to USD 24.8 million for the first quarter of 2019. The revenue in Q1 2020 of USD 45.1 million is related to contract work in Brazil and Middle East, compared to revenue related to contract work in India in Q1 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 Q1 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 first quarter of 2020 was USD 30.9 million, net after capitalized and amortized mobilization costs for the Middle East project and the Brazil campaign, compared to USD 25.3 million in the first quarter of 2019. The largest portion of COS relates to the Middle East project and the Brazil campaign. For the first quarter of 2020 no COS was capitalized related to multi-client project.

The remaining mobilization from Malta to survey in Middle East was capitalized in Q1 2020 with USD 1.5 million. For the same period in 2019 USD 3.0 million was capitalized related to multi-client project.

Personnel expenses and other operating expenses in the first quarter of 2020 amounted to USD 1.5 million, compared to USD 1.2 million in the first quarter of 2019. Increase in personnel cost is due to external consultants being permanently hired. The increase in other operating expenses is mainly related to IT and Lawyer expenses, USD 0.6 million of the Q1 2020 costs were related to lawyers and consultants.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation was USD 1.6 million during the first quarter of 2020 compared to depreciation of USD 1.1 million in the first 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.

IMPAIRMENT

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

The Company has written down the Goodwill to zero in December 2019, as of Q1 2019 the value was USD 2.0 million.

EBITDA AND EBIT

The EBITDA was USD 12.7 million in the first quarter of 2020 compared to a negative EBITDA of USD 1.7 million in the first quarter of 2019. This increase in EBITDA is mainly due to good production on the Middle East project.

EBIT (operating profit) was USD 11.2 million in the first quarter of 2020 compared to a negative EBIT of USD 2.8 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 1.4 million during the first quarter of 2020 compared to net financial expense of USD 1.0 million in the first quarter of 2019. The increase is mainly a net result of currency exchange gain of USD 1.8 million compared to currency exchange loss of USD 0.3 million for the same period in 2019.

INCOME TAX (EXPENSE)

AGS has computed tax expense based on the corporate income tax in Norway (22% in 2020). Income tax expense for the first quarter of 2020 amounted to USD 5.6 million compared to income tax revenue of USD 0.06 million for the same period in 2019. The tax expense in Q1 2020 is related to the contract in the Middle East with withholding tax of USD 5.6 million, and a settlement of USD 47 thousands for tax related to 2019 in US and Indonesia.

In addition, AGS has prepaid local corporate tax 2020 of USD 0.7 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 March 2020.

PROFIT FOR THE PERIOD

AGS has a profit of USD 6.9 million for the first quarter of 2020 compared to loss of USD 3.9 million for the first quarter of 2019.



FINANCIAL POSITION AND CASH FLOW

As of 31 March 2020, AGS had total assets of USD 99.7 million, compared to total assets of USD 80.9 million as of 31 March 2019.

Total non-current assets increased from USD 53.2 million in Q1 2019 to USD 63.4 million in Q1 2020. This is attributed to the net increase in multi-client library of USD 17.0 million offset by a net decrease in goodwill of USD 2.0 million and decrease in deferred tax asset of USD 4.6 million to zero value for both items as of March 2020.

Total current assets increased from USD 27.7 million in Q1 2019 to USD 36.4 million in Q1 2020. The increase is driven by a USD 13.3 million increase in other current assets mainly due to accrued revenue, offset by decrease in inventories of USD 0.6 million and trade receivables of USD 12.3 million; and an increase in cash of USD 8.3 million. Cash balance ending at USD 9.2 million as of 31 March 2020. During Q1 2020 the CEO has been given a temporary loan of USD 90 000. The loan will be repaid or deducted in salary.

The Group's equity was positive with USD 2.2 million at the end of Q1 2020 and with value of USD 13.2 million as of 31 March 2019. The equity ratio is 2.2% as of 31 March 2020 compared to 16.3% same period in 2019.

Total non-current liabilities decrease from USD 0.2 million as of 31 March 2019 to USD 0.01 million as of 31 March 2020, consisting of long-term portion for lease of properties. The original secured debt towards Eksportkreditt Norge AS has been reclassified to short-term debt as the covenants were not fulfilled per March 2020. The Company is in dialogue with Eksportkreditt as the company is in need of waivers from Eksportkreditt due to the restructuring of accounts payables to long-term debt and financial covenants.

The current portion of long-term debt amounted to USD 1.7 million for the debt towards Eksportkreditt Norge AS and USD 0.2 million for the leases as of March 2020.

Total current liabilities as of 31 March 2020 amounted to USD 97.5 million, compared to USD 67.5 million as of 31 March 2019. The large increase is related to trade payables, which increased by USD 26.7 million. Contract liabilities (IFRS adjustment for multi-client pre-funding revenue) increased by USD 7.2 million to USD 25.2 million in 2020. Other current liabilities decreased by USD 2.3 million in 2020, the account includes project related accruals, taxes and VAT and the issuance of a promissory loan note in favour of TGS which was reduced to USD 6.6 million per March 2020. The current portion of long-term debt amounted to USD 1.9 million as per 31 March 2020.

Cash outflow from operating activities in the first quarter of 2020 was positive with USD 8.5 million, compared to negative of USD 12.0 million at the end of the same period in 2019.

Cash outflow from investing activities in the first quarter of 2020 amounted to negative USD 0.03 million, compared to negative of USD 3.8 million in the same period in 2019. In the first quarter of 2020 the Company only invested USD 0.03 million in node handling equipment compared to investments in the same period of 2019, which was investment in the multi-client library with USD 3.1 million and in node handling equipment with USD 0.7 million.

Cash inflow from financing activities in first quarter of 2020 was negative USD 0.8 million, compared to positive with USD 9.0 million in the same period in 2019. In the first quarter of 2019 the Company had net proceeds from new equity of USD 9.8 million.

FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Axxis Geo Solutions Group

USD thousands	Note	Q1 2020	Q1 2019	Full Year 2019
Revenue	1/2	45 147	24 790	70 744
Cost of sales	2	(30 910)	(25 301)	(58 634)
Personnel expenses	2	(570)	(510)	(2 616)
Other operating expenses	2	(928)	(689)	(4 184)
Amortization & impairment multi-client & goodwill		-	-	(35 093)
Depreciation & impairment	3	(1 552)	(1 135)	(6 080)
Operating profit (loss) (EBIT)		11 188	(2 845)	(35 862)
Financial income		-	-	43
Financial expenses		(454)	(652)	(4 934)
Currency exchange gain (loss)		1 836	(299)	(1 148)
Profit (loss) before tax		12 570	(3 796)	(41 901)
Income tax (expense)		(5 621)	(59)	(4 576)
Profit (loss) for the period		6 948	(3 855)	(46 477)
Currency translation adjustments		-	-	-
Other comprehensive income (loss) for the period		-	-	-
Total comprehensive income (loss) for the period		6 948	(3 855)	(46 477)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Axxis Geo Solutions Group

USD thousands	Note	31.03.2020	31.03.2019	31.12.2019
Assets				
Non-current assets				
Goodwill		-	1 951	-
Multi-client library	3	47 213	30 259	47 213
Deferred tax asset		-	4 634	-
Property, plant and equipment		16 142	16 329	17 668
Other non-current assets		-	-	-
Total non-current assets		63 355	53 173	64 880
Current assets				
Inventories		1 566	2 203	762
Trade receivables *		9 851	22 138	12 291
Other current assets	4	15 785	2 445	14 415
Bank deposits, cash in hand		9 186	898	1 435
Total current assets		36 388	27 685	28 903
Total assets		99 742	80 858	93 783
Equity and Liabilities				
Equity				
Share capital and other paid in capital	5	50 171	25 397	50 171
Other reserves		(47 945)	(12 219)	(54 894)
Total equity		2 226	13 178	(4 723)
Non current liabilities				
Interest bearing debt		15	232	73
Total non current liabilities		15	232	73
Current liabilities				
Interest bearing debt current		1 871	3 329	2 480
Trade payables		48 546	21 893	41 646
Contract liabilities		25 247	18 045	22 729
Other current liabilities	4	21 838	24 181	31 578
Total current liabilities		97 502	67 448	98 433
Total liabilities		97 516	67 680	98 506
Total equity and liabilities		99 742	80 858	93 783

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			6 948		6 948
Other comprehensive income (loss)			-		-
Share based payment				0	0
Balance as of 31.03.2020	11 718	38 453	(48 343)	398	2 226

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			(3 855)		(3 855)
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				451	451
Balance as of 31.03.2019	11 131	14 266	(12 670)	451	13 178

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axxis Geo Solutions Group

USD thousands	Note	Q1 2020	Q1 2019	Full Year 2019
Cash flow from operating activities				
Profit (loss) before tax		12 570	(3 796)	(41 901)
Taxes paid		(1 360)	-	-
Depreciation and amortization	3	1 552	1 135	41 172
Agio - disagio without cash flow effects		(142)	(453)	1 989
Interest expense *		433	467	3 200
Share based payment cost		0	423	(25)
Change in trade receivables		2 440	(18 197)	(8 350)
Change in trade payables		6 900	1 124	20 877
Change in inventories		(804)	(256)	1 186
Change in other current assets		(1 370)	3 913	(8 058)
Change in contract liabilities		2 518	187	4 871
Change in other current liabilities		(14 191)	2 204	9 601
Net cash from operating activities		8 545	(13 251)	24 562
Cash flow from investing activities				
Investment in property, plant and equipment		(27)	(684)	(6 919)
Investment in multi-client library	3	-	(3 129)	(55 175)
Cash received/paid from merger		-	-	425
Net cash flow from investment activities		(27)	(3 813)	(61 670)
Cash flow from financing activities				
Proceeds from interest bearing debt		-	-	-
Repayment of interest bearing debt		(279)	(282)	(1 127)
Payment of lease liabilities (recognized under IFRS 16)		(53)	(30)	(186)
Net proceeds from new equity		-	11 058	34 156
Interest paid lease liabilities		(3)	(4)	(18)
Interest paid		(432)	(476)	(1 979)
Net cash flow from financial activities		(767)	10 267	30 847
Net change in cash and cash equivalents		7 751	(6 798)	(6 261)
Cash and cash equivalents balance 01.01		1 435	7 696	7 696
Effects of exchange rate changes on cash and cash equivalents				
Cash and cash equivalents balance 31.03/31.12		9 186	898	1 435

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 REVENUE

USD thousands	Segment reporting			IFRS reporting			
	Q1 2020/Q1 2019/Full Year 2019	Q1 2020	Q1 2019	Full year 2019	Q1 2020	Q1 2019	Full year 2019
Operating Revenue							
Contract revenue	45 147	24 790	70 744	45 147	24 790	70 744	
Multi-client pre-funding revenue	798	1 129	12 799	-	-	-	
Multi-client late sales	-	-	-	-	-	-	
Total revenue	45 947	25 918	83 542	45 147	24 790	70 744	

AGS entered in Q1 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 Q1 2020/Q1 2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Q1 2020	Q1 2019	Q1 2020	Q1 2019
	Q1 2020	Q1 2019	Q1 2020	Q1 2019				
Income statement								
Total revenue	798	1 129	45 147	24 790	(798)	(1 129)	45 147	24 790
Total cost of sales	(2 599)	118	(28 311)	(25 419)	-	-	(30 910)	(25 301)
Personnel expenses	-	(71)	(570)	(844)	-	405	(570)	(510)
Other operating expenses	-	(79)	(984)	(642)	56	33	(928)	(689)
Total Operating Expenses	(2 599)	(32)	(29 865)	(26 906)	56	438	(32 408)	(26 500)
Operating profit (loss) before depreciation and amortization (EBITDA)	(1 800)	1 097	15 282	(2 116)	(742)	(691)	12 740	(1 711)
Depreciation & Amortization	(503)	(591)	(1 496)	(1 269)	447	726	(1 552)	(1 135)
Operating profit (loss) (EBIT)	(2 303)	505	13 786	(3 385)	(295)	34	11 188	(2 845)

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		
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)	(30 713)	(2 354)	(2 796)	(35 862)		

* AGS entered in Q1 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		
	Q1 2020	Q1 2019	2019	Q1 2020	Q1 2019	2019
Cost as of 01.01	82 306	27 246	27 246	82 306	27 246	27 246
Capitalized costs	-	3 014	55 060	-	3 014	55 060
Cost as of 31.03/31.12	82 306	30 259	82 306	82 306	30 259	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 31.03/31.12	(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 31.03/31.12	29 249	20 128	29 752	47 213	30 259	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	-2%	13%	67%	0%	11%	73%

AGS entered in Q1 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 2020 and 2021 are mainly related to time charter for vessels and consultancy fees. See the figure below for balances with related parties:

Transactions with related parties	Q1 2020	Q1 2019
USD thousands		
Hired vessels:		
Lease payment Havila Fortune - controlled by Havila Holding AS	(1 258)	(1 125)
Lease payment Havila Aurora - controlled by Havila Holding AS	(1 274)	-
Lease payment Geo Caspian - controlled by Havila Holding AS	(31)	(1 318)
Ship management and other operating services:		
Remøy Shipping controlled by W2 Seismic AS	(63)	(66)
Consultancy and accounting services:		
Impact Geo Solutions controlled by Bjarte Bruheim *	-	(108)
Rome AS controlled by Jogeir Romestrand *	-	(37)
Hasund AS - controlled by Bjørnulf AS	(12)	(72)
Account payables:		
Rome AS *	-	25
Evotec AS - controlled by Rome AS *	-	32
Havila Ships AS controlled by Havila Holding AS	8 890	755

* The shareholders of AGS ASA, Bjarte Bruheim with 0.9% of the shares and previously shareholder Rome AS with zero shares as of March 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.

NOTE 5 SHAREHOLDERS

The Company's share capital per 31.03 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 31 March 2020

Name	Number of shares	Ownership share
1 HAVILA HOLDING AS	15 549 434	26,4%
2 RONJA CAPITAL AS	2 065 257	3,5%
3 HAUGO	1 506 000	2,6%
4 JOHS. HANSEN REDERI AS	1 413 345	2,4%
5 Nordnet Bank AB	942 689	1,6%
6 JOHNSEN	872 354	1,5%
7 GRØNSTAD	728 107	1,2%
8 J.P. Morgan Securities LLC	703 618	1,2%
9 MIDDELBOG INVEST AS	680 919	1,2%
10 NÆRINGSLIVETS HOVEDORGANISASJON	671 343	1,1%
11 LØVLAND	665 112	1,1%
12 STEINARBO AS	600 949	1,0%
13 STOKKANKER AS	600 949	1,0%
14 Danielsen	600 000	1,0%
15 DYBVIK	574 480	1,0%
16 KROHN DALE	564 342	1,0%
17 MEROUR	541 531	0,9%
18 OSLAND	514 000	0,9%
19 BRUHEIM	500 000	0,9%
20 JAKOB HATTELAND HOLDING AS	500 000	0,9%
Total	30 794 429	52,4%
Total other shareholders	28 026 589	47,6%
Total number of shares	58 821 018	100,0%

NOTE 6 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		
	Q1 2020	Q1 2019	Full Year 2019	Q1 2020	Q1 2020	Full Year 2019
Profit (loss) for the period	7 231	(3 761)	(40 806)	6 948	(3 855)	(46 477)
Income tax (expense)	(5 621)	(59)	(3 468)	(5 621)	(59)	(4 576)
Net financial items	1 369	(822)	(4 271)	1 382	(951)	(6 039)
Depreciation & impairment PPE	(1 496)	(1 151)	(7 439)	(1 552)	(1 135)	(6 080)
Amortization & impairment of multi-client and goodwill	(503)	(709)	(43 131)	-	-	(35 093)
Operating profit (loss) before depreciation and amortization (EBITDA)	13 482	(1 019)	17 504	12 740	(1 711)	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 recognised 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.

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 OCI.

See appendix for quarterly result 2019 converted and translated to USD.

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.

Lysaker, 27 May 2020

The Board of Directors and CEO of Axxis Geo Solutions ASA

Rolf Rønningen
Chairman

Njål Sævik
Director

Vibeke Fængsrud
Director

Nina Skage
Director

Eirin Inderberg
Director

Lee Parker
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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APPENDIX 2019 QUARTERS IN USD

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Axxis Geo Solutions Group

USD thousands	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Full Year 2019
Revenue	24 790	41 047	970	3 937	70 744
Cost of sales	(25 301)	(22 038)	(1 796)	(9 499)	(58 634)
Personnel expenses	(510)	(1 119)	(548)	(438)	(2 616)
Other operating expenses	(689)	(1 132)	(1 122)	(1 241)	(4 184)
Amortization & impairment multi-client & goodwill	-	-	-	(35 093)	(35 093)
Depreciation & impairment	(1 135)	(1 248)	(1 431)	(2 266)	(6 080)
Operating profit (loss) (EBIT)	(2 845)	15 509	(3 927)	(44 599)	(35 862)
Financial income	-	-	24	19	43
Financial expenses	(652)	(963)	(1 327)	(1 993)	(4 934)
Currency exchange gain (loss)	(299)	(279)	525	(1 095)	(1 148)
Profit (loss) before tax	(3 796)	14 267	(4 704)	(47 668)	(41 901)
Income tax (expense)	(59)	(3 002)	1 070	(2 585)	(4 576)
Profit (loss) for the period	(3 855)	11 265	(3 634)	(50 253)	(46 477)
Currency translation adjustments					
Other comprehensive income (loss) for the period					
Total comprehensive income (loss) for the period	(3 855)	11 265	(3 634)	(50 253)	(46 477)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Axxis Geo Solutions Group

USD thousands	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Assets				
Non-current assets				
Goodwill	1 951	1 951	1 951	-
Multi-client library	30 259	39 909	70 596	47 213
Deferred tax asset	4 634	1 848	2 568	-
Property, plant and equipment	16 329	17 679	18 486	17 668
Other non-current assets	-	-	101	-
Total non-current assets	53 173	61 387	93 702	64 880
Current assets				
Inventories	2 203	2 896	1 648	762
Trade receivables	22 138	27 635	1 875	12 291
Other current assets	2 445	13 344	3 599	14 415
Bank deposits, cash in hand	898	580	464	1 435
Total current assets	27 685	44 454	7 586	28 903
Total assets	80 858	105 841	101 288	93 783
USD thousands	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Equity and Liabilities				
Equity				
Share capital and other paid in capital	25 397	25 397	27 041	50 171
Other reserves	(12 219)	(926)	(4 641)	(54 894)
Total equity	13 178	24 471	22 399	(4 723)
Non current liabilities				
Interest bearing debt	232	245	129	73
Total non current liabilities	232	245	129	73
Current liabilities				
Interest bearing debt current	3 329	3 075	2 674	2 480
Trade payables	21 893	24 952	32 933	41 646
Contract liabilities	18 045	18 215	17 836	22 729
Other current liabilities	24 181	34 883	25 318	31 578
Total current liabilities	67 448	81 125	78 760	98 433
Total liabilities	67 680	81 370	78 889	98 506
Total equity and liabilities	80 858	105 841	101 288	93 783

INTERIM CONSOLIDATED STATEMENTS 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 01.01.2019	8 396	5 944	(8 814)	423	5 948
Share based payment 01.01.2019				(423)	(423)
Profit (loss) for the period			(46 477)		(46 477)
Other comprehensive income (loss)			-		-
New shares issued - cash settled	8 468	27 564	-		36 033
Cost for new shares issued		(1 876)			(1 876)
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				397	397
Balance as of 31.12.2019	11 718	38 454	(55 292)	397	(4 723)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axxis Geo Solutions Group

USD thousands	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Full Year 2019
Cash flow from operating activities					
Profit (loss) before tax	(3 796)	14 267	(4 704)	(47 668)	(41 901)
Taxes paid	-	-	-	-	-
Depreciation and amortization	1 135	1 248	1 431	37 359	41 172
Agio - disagio without cash flow effects	(453)	(220)	102	2 561	1 989
Interest expense *	467	702	1 741	289	3 200
Share based payment cost	423	56	(81)	(423)	(25)
Change in trade receivables	(18 197)	(5 497)	25 760	(10 416)	(8 350)
Change in trade payables	1 124	3 059	7 981	8 713	20 877
Change in inventories	(256)	(692)	1 248	886	1 186
Change in other current assets	3 913	(10 898)	9 745	(10 816)	(8 058)
Change in contract liabilities	187	170	(379)	4 893	4 871
Change in other current liabilities	2 204	10 702	(9 565)	6 260	9 601
Net cash from operating activities	(13 251)	12 897	33 277	(8 360)	24 562
Cash flow from investing activities					
Investment in property, plant and equipment	(684)	(2 532)	(2 237)	(1 466)	(6 919)
Investment in multi-client library	(3 129)	(9 649)	(30 687)	(11 710)	(55 175)
Cash received/paid from merger	-	-	425	-	425
Net cash flow from investment activities	(3 813)	(12 181)	(32 499)	(13 176)	(61 670)
Cash flow from financing activities					
Proceeds from interest bearing debt	-	-	-	-	-
Repayment of interest bearing debt	(282)	(282)	(282)	(282)	(1 127)
Payment of lease liabilities (recognized under IFRS 16)	(30)	(50)	(53)	(53)	(186)
Net proceeds from new equity	11 058	-	(32)	23 131	34 156
Interest paid lease liabilities	(4)	(5)	(5)	(4)	(18)
Interest paid	(476)	(697)	(522)	(284)	(1 979)
Net cash flow from financial activities	10 267	(1 034)	(894)	22 507	30 847
Net change in cash and cash equivalents	(6 798)	(318)	(116)	971	(6 261)
Cash and cash equivalents balance beginning	7 696	898	580	464	7 696
Cash and cash equivalents balance ending	898	580	464	1 435	1 435