



Axxis Geo Solutions

Q3 2019 Earnings release



Highlights Q3 2019

- Merger with Songa Bulk ASA was completed, with reverse share split, forming Axxis Geo Solutions ASA (ticker AGS, continued listing on Oslo Axess)
- Awarded first contract in the growing Brazilian OBN market
- Signed LOI for a large OBN survey in the Middle East, significantly improving the backlog visibility
- Several seismic production records on the Utsira OBN multi-client survey achieved

Subsequent Events

- Successfully completed a private placement, raising gross proceeds of MNOK 225
- Successfully executed one of the world's largest OBN multi-client survey offshore Norway

Key Financials IFRS reporting

NOK thousand

Profit and loss	Q3 2019	Q3 2018	YTD Sep 2019	YTD Sep 2018	Full year 2018
Revenue	8 814	160	576 359	17 583	53 378
Cost of sales	(16 019)	(7)	(423 809)	(1 997)	(47 395)
EBITDA	(22 168)	(3 569)	107 423	(6 749)	(40 177)
EBIT	(34 261)	(10 619)	75 198	(19 732)	(63 703)
Profit (loss) for the period	(42 717)	(8 663)	29 129	(14 536)	(64 992)
Basic earnings (loss) per weighted average shares (in USD)	(2,02)	(0,02)	1,36	(0,03)	(0,13)
Financial position					
Total assets			873 308	480 989	586 402
Total liabilities			706 455	403 500	556 800
Total equity			166 853	77 488	29 602
Equity ratio			19,1 %	16,1 %	5,0 %
Cash flow					
Net cash flow from operating activities			286 678	360 366	365 092

Key Financials Segment reporting

NOK thousand

	Q3 2019	Q3 2018	YTD Sep 2019	YTD Sep 2018	Full year 2018
Revenue	100 132	87 216	677 361	150 302	178 872
EBITDA	68 660	84 768	203 703	127 250	85 693
Amortization MCL	(57 530)	(54 946)	(63 631)	(82 869)	(79 061)
EBIT	(897)	22 772	107 843	31 398	(18 486)
Net booked value MCL			458 844	185 777	137 926



CEO STATEMENT

“AGS operations continue to grow and mature through the third quarter of this year. We achieved multiple production records during the Utsira multi-client survey offshore Norway, we entered a new OBN market in Brazil and signed an LOI for a large OBN survey in the Middle East. With our safe and efficient track record, our asset light model, core competence and proprietary technology, we believe AGS is well positioned to grow and pursue OBN market opportunities”, says Lee Parker CEO of Axxis Geo Solutions

The access to the listing on Oslo Axess on 3 July 2019 represent an important milestone in the short history of AGS. The listing also paved the way for the subsequent private placement after the close of this quarter, which will strengthen our balance sheet and fund further growth and capital expenditures needed to meet increased OBN activity.” Mr. Parker continues.

Outlook

After completing a successful season in the North Sea, AGS is getting ready to start the previously announced contract with a new client in the Middle East. AGS expects a steady cashflow from this contract. AGS forward looking estimate consists of 28 vessel months and several new projects are being developed.

AGS has previously entered into a joint venture with TGS in the North Sea to develop new multi-client projects and expect projects under this agreement to materialize in 2020 and the years to come.

The E&P companies’ spending on seismic data increase as cashflow improves, and with a stable or increasing oil price, AGS expects good market conditions going forward. OBN is taking a larger share of the seismic budgets and the Company also observe a trend where OBN is increasingly being used in exploration. This market change opens new and large opportunities for AGS, and E&P companies are now requesting price quotes for proprietary work, pre-funding new multi-client campaigns and licensing data from the multi-client library.

Operational highlights

A total of six seismic dedicated vessels, two nodal and four source vessels, plus support vessels were operated across two projects. A total of 497 vessel days were recorded during the period across the fleet, of which 75% was operationally utilized with the remaining 25% spent transiting between projects. The fleet operated includes those core assets AGS maintains through a mix of one owned vessel and mid to long term charter commitments. This is supplemented by short term charters to meet demand. Looking forward we expect two source vessels, two receiver vessels and support vessels to be deployed on the 28 vessel months commitment in the Middle East as earlier announced.

Operations

AGS had activity on two projects through the quarter. One was commenced, and the other substantially completed during the period. Returning from a successful campaign in India in H1 2019, the fleet was resupplied in Stavanger and immediately deployed on the Utsira 3D program in the North Sea.



Utsira 3D OBN

The Utsira 3D OBN survey is the largest OBN survey completed to date in the Norwegian North Sea, and among one of the largest in the world in respect to the volumes of data acquired. The Utsira South area was substantially completed in the quarter, including an infill area resulting from Simultaneous Marine Operations (SIMOPS) related exclusions from the 2018 Utsira North program. The crew showed excellent performance in both productivity and safety. The project delivered a solid technical performance, with technical down time on the nodal operations of 1.2%, a reduction from 3% recorded prior to the commencement of the quarter. Minimal downtime was recorded through the program due to SIMOPS and fishing, a direct result of the well managed and planned coordination with stakeholders. Industry leading deployment and retrieval speeds are being maintained across the fleet with a high level of seafloor positioning accuracy being attained. Record productivity was achieved in both source and receiver operations. Peak levels of 62,123 shots per day were recorded, 158 km's of nodes moved in a calendar day, proving that moving up to 24 km² of high-density receiver spread per day can be achieved.

Brazil Campaign

In the quarter, AGS entered the growing Brazilian market. AGS's owned Neptune Naiad successfully mobilized ahead of schedule to Brazil and commenced a 90+ day campaign on a Deep Water OBN project. This project will run through Q4 2019 providing 100% utilization for the vessel in Q4.

Technology

AGS undertook to upgrade the source control electronics on the Neptune Naiad to a GunLink 2500 digital source controller. This upgrade provides the technical capability to deliver high end source solutions to our client base and making Neptune Naiad one of the more advanced shallow water capable seismic source vessels available today.

AGS has also placed an order for its first Marine Vibrator, due for delivery in Q4 2019. The unit will be deployed in certain areas in order to provide enhanced low frequency source offering capacity to clients.

The AGS "Four Knots" campaign continued through the period, with software and engineering upgrades readied for installation across the nodal fleet. These upgrades are expected to provide further significant efficiencies to the company's operations and afford safe deployment and recovery speeds of up to four knots along a single receiver line.

HSE Performance

Interest in the AGS operations continues to grow, underscored by several iOMS (Integrated Operations Management System) audits being performed by major IOC's through the quarter. These audits present a great opportunity for AGS to grow and mature the robust iOMS toward an industry leading system.

An online HSE training program is now complete and added to the company's growing digital HSE toolbox, with 15 Computer Based Training (CBT) modules now rolled out company wide. The crews continued to perform to high HSE standards. During the quarter 413,000 manhours were recorded, including 263,000 subcontractor hours without a Lost Time Incident. A strong focus on proactive measures was evident across the operations, with 1031 proactive events recorded in the quarter.



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 typically later than the acquisition of the seismic data. The segment reporting (used for management purposes) in note 1 Revenue, note 2 Segment, note 3 Multi-client library and note 6 EBITDA, shows the difference from IFRS.

Revenues

Revenues for the third quarter of 2019 were NOK 8.8 million compared to NOK 0.2 million for the third quarter of 2018. The revenue in 2019 of NOK 8.8 million is related to contract work in India and Brazil, compared to revenue related to reimbursement of cost in 2018.

Revenues for the first nine months of 2019 were NOK 576.4 million compared to NOK 17.6 million in 2018. Of the total of 2019 revenue NOK 555 million is related to contract work in India, compared to the BGP project in Indonesia for 2018.

In accordance with IFRS 15 no revenues from the prefunding achieved for the multi-client project Utsira has been recorded in this quarter or during the first nine months of 2019 or during 2018. As end of September the Company has recognized a contract liability of NOK 162.1 million which reflects the revenue of the work performed on the project to date.

Operational cost

Cost of sales (COS) in the third quarter of 2019 was NOK 16.0 million, net of capitalized multi-client costs, compared to NOK 7 thousand in the third quarter of 2018 (only multi-client projects). The largest portion of COS relates to the Indian work finished in Q2 yet some costs recognized in this quarter. The remaining COS is related to the Brazil campaign starting in Q3 2019. The third quarter of 2018 only had multi-client project where the COS was capitalized.

For the first nine months of 2019, COS amounted to NOK 423.8 million, net of capitalized multi-client costs, compared to NOK 2.0 million during the same period in 2018, where NOK 418.9 million is related to contract work in India for 2019, while the main COS in 2018 was related to multi-client and therefore capitalized.

Personnel expenses and other operating expenses in the third quarter of 2019 amounted to NOK 15.0 million, compared to NOK 3.7 million in the third quarter of 2018. NOK 6.6 million of the costs in the quarter were attributable to transaction costs and other costs in connection with the Songa Bulk ASA merger and listing.

For the first nine months of 2019, personnel expenses and other operating expenses amounted to NOK 45.1 million compared to NOK 22.3 million during the same period of last year. In addition merger and listing costs of NOK 13.7 million for 2019 is attributed to consultants and increased number of staff required to pursue the Company's growth plans.



Depreciation

Depreciation was NOK 12.1 million during the third quarter of 2019 compared to depreciation of NOK 7.1 million in the third quarter of 2018. The increase is due to more node handling systems in operation.

For the first nine months of 2019 depreciation was NOK 32.2 million compared to NOK 13.0 million in 2018, where the increase is due to more node handling systems in operation as mentioned above.

Amortization and impairment

According to IFRS, multi-client surveys are not amortized in the acquisition phase. The multi-client 3D OBN project will be finalized during Q4 and processed in Q1 2020.

No impairment charges have been made for goodwill, the vessel Naiad, the node handling system or the multi-client library.

EBITDA and EBIT

The EBITDA was NOK -22.2 million in the third quarter of 2019 compared to NOK -3.6 million in the third quarter of 2018. This decrease in EBITDA is due to cost of sales from the India contract work ending in June and higher personnel expenses and other operating expenses related to the growth and the merger with Songa Bulk ASA.

EBIT (operating profit) was NOK -34.3 million in the third quarter of 2019 compared to NOK -10.6 million during the same period in 2018. The decrease in EBIT relates to the same factors as the decrease in EBITDA described above.

EBITDA for the first nine months of 2019 was NOK 107.4 million compared to NOK -6.7 million for the same period of 2018. EBIT for the first nine months of 2019 was NOK 75.2 million in 2019 compared to NOK -19.7 million during 2018. The contract work had a positive effect on the EBITDA and EBIT for the first nine months of 2019. For the first nine months in 2018 personell expenses and other operating expenses had a negative impact on EBITDA and EBIT.

Financial items

Net financial expense were NOK 21.5 million during the third quarter of 2019 compared to net financial items of NOK 0.5 million in the third quarter of 2018. The increase in financial expenses of NOK 10.2 million is related to fair value calculation of the merger with Songa Bulk ASA and a net result of currency exchange loss of NOK 10.1 million.

For the first nine months of 2019 net financial expense was NOK 37.6 million compared to net financial income of NOK 1.1 million in 2018, where the increase in expense is due to merger with Songa Bulk ASA as mentioned above, a net result of currency exchange loss of NOK 12.7 million, guarantee cost of NOK 4.9 million for a performance bond and interest cost of NOK 6.7 million.

Income tax (expense)

AGS has computed tax expense based on the corporate income tax in Norway (22% in 2019). Income tax for the third quarter of 2019 amounted to NOK 13.0 million compared to NOK 2.4 million for the same period in 2018.



For the first nine months in 2019 income tax expense amounted to NOK 8.5 million compared to income tax of NOK 4.1 million for the same period in 2018.

There is no taxes payables in AGS, all changes is due to adjustment in deferred tax asset.

Profit (loss) for the period

AGS had a loss of NOK 42.7 million for the third quarter of 2019 compared to loss of NOK 8.7 million for the third quarter of 2018.

For the first nine months of 2019 had a profit of NOK 29.1 million compared to a loss of NOK 14.5 million for the same period in 2018.

Financial Position and Cash Flow

As of 30 September 2019, AGS had total assets of NOK 873.3 million, compared to total assets of NOK 481.0 as of 30 September 2018.

Total non-current assets increased from NOK 441.0 million to NOK 808.5 million , which can largely be attributed to the NOK 332.9 million increase in multi-client library and a NOK 34.8 million increase in the node handling system.

Total current assets increased from NOK 40.0 million to NOK 64.9 million, driven by a NOK 11.2 million increase in trade receivables from contract work finished in Q2 2019, NOK 28.6 million increase in other current assets (mobilization, accrued revenue and prepaid cost) and a decrease in cash of NOK 17.4 million.

The Group's equity was NOK 166.9 million at the end of the quarter, compared to NOK 77.5 million as of 30 September 2018. During the first nine months of 2019, the Company has raised NOK 94.2 million net of transaction costs. The equity ratio was 19.1% of 30 September 2019.

Total non-current liabilities increased to NOK 13.6 million as of 30 September 2019, from zero as of 30 September 2018, consisting of the long-term portion of a NOK 22.3 million secured debt towards Eksportkreditt Norge AS and NOK 3.1 million financial lease for properties. A waiver from Eksportkreditt Norge AS has been received on the two financial covenants for the third quarter 2019. The current portion of long-term debt amounted to NOK 11.9 million as of September 2019.

Total current liabilities as of 30 September 2019 amounted to NOK 692.9 million, compared to NOK 403.5 million as of 30 September 2018. The large increase is related to trade payables, which increased by NOK 167.9 million. Contract liabilities (IFRS adjustment for multi-client pre-funding revenue) fell by NOK 80.4 to NOK 162.1 million. Other current liabilities increased by NOK 190.0 due to project related accruals of NOK 85 million, mobilization revenue of NOK 6.9 million and the issuance of a promissory loan note in favour of TGS of NOK 121.8 million. The current portion of long-term debt amounted to NOK 11.9 million.

Net cash inflows from operating activities in Q3 2019 were NOK 297.5 million in 2019, compared to NOK 92.8 million at the end of the same period in 2018. Cash inflows were primarily a result of positive change in trade receivables and trade payables.



Cash outflow from investing activities in Q3 2019 amounted to NOK 293.6 million, compared to NOK 225.6 in the same period in 2018. The main investments were those in the multi-client library of NOK 276.2 million (NOK 198.2 million in Q3 2018) and in node handling equipment of NOK 21.0 million (NOK 27.5 million in Q3 2018). The company assumed NOK 3.6 million cash from the Songa merger.

Cash outflow from financing activities in Q3 2019 was NOK 4.6 million, compared to NOK 0.3 million in the same period in 2018. Instalments and interest relating to the loan and finance leases totaled NOK 4.3 million (NOK 0.3 million in Q3 2018).

Financial Statements

Interim consolidated statement of comprehensive income

Axxis Geo Solutions Group

NOK thousand	Note	Q3 2019	Q3 2018	YTD Sep 2019	YTD Sep 2018	Full Year 2018
Revenue	1/2	8,814	160	576,359	17,583	53,378
Cost of sales	2	(16,019)	(7)	(423,809)	(1,997)	(47,395)
Personnel expenses	2	(4,755)	(3,167)	(18,908)	(9,403)	(14,955)
Other operating expenses	2	(10,209)	(555)	(26,219)	(12,932)	(31,204)
Amortization & impairment of multi-client		-	-	-	-	-
Depreciation, amortization & impairment	3	(12,093)	(7,050)	(32,225)	(12,983)	(23,526)
Operating profit (loss) (EBIT)		(34,261)	(10,619)	75,198	(19,732)	(63,703)
EBIT %		0.0%	0.0%	13.0%	0.0%	0.0%
Financial income		7,606	999	13,206	2,836	6,747
Financial expenses		(29,088)	(1,487)	(50,801)	(1,740)	(19,892)
Profit (loss) before tax		(55,743)	(11,107)	37,603	(18,635)	(76,849)
Income tax (expense)		13,026	2,444	(8,474)	4,100	11,857
Profit (loss) for the period		(42,717)	(8,663)	29,129	(14,536)	(64,992)
Currency translation adjustments		(379)	19	(218)	(47)	331
Other comprehensive income (loss) for the period		(379)	19	(218)	(47)	331
Total comprehensive income (loss) for the period		(43,095)	(8,644)	28,910	(14,583)	(64,661)
Earnings (loss) per share						
Basic earnings per share		(2.02)	(0.02)	1.36	(0.03)	(0.13)
Diluted earnings per share		(1.99)	(0.02)	1.33	(0.03)	(0.13)



Interim consolidated statement of financial position

Axxis Geo Solutions Group

NOK thousand	Note	30.09.2019	30.09.2018	31.12.2018
Assets				
Non-current assets				
Goodwill		15,917	15,917	15,917
Multi-client library	3	601,536	268,646	216,987
Deferred tax asset		31,563	32,190	40,037
Property, plant and equipment		158,568	123,783	139,133
Other non-current assets		870	419	419
Total non-current assets		808,454	440,954	412,491
Current assets				
Inventories		14,977	12,587	16,923
Trade receivables		17,040	5,848	34,239
Other current assets	4	28,627	-	55,883
Bank deposits, cash in hand		4,211	21,600	66,866
Total current assets		64,855	40,035	173,910
Total assets		873,308	480,989	586,402
Equity and Liabilities				
Equity				
Share capital and other paid in capital	5	211,353	50,096	99,538
Other reserves		(44,500)	27,392	(69,936)
Total equity		166,853	77,488	29,602
Non current liabilities				
Interest bearing debt		13,566	-	-
Total non current liabilities		13,566	-	-
Current liabilities				
Interest bearing debt current		11,901	-	29,856
Trade payables		299,129	131,213	180,808
Contract liabilities		162,080	242,473	155,353
Other current liabilities	4	219,779	29,814	190,783
Total current liabilities		692,889	403,500	556,800
Total liabilities		706,455	403,500	556,800
Total equity and liabilities		873,308	480,989	586,402

Interim consolidated statement of changes in equity

Axxis Geo Solutions Group

NOK thousand	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2019	50 096	49 442	(73 410)	3 473	29 602
Profit (loss) for the period			29 129		29 129
Other comprehensive income (loss)			(218)		(218)
New shares issued - cash settled	23 450	73 695			97 144
Cost for new shares issued		(2 894)			(2 894)
Effect of Songa Bulk ASA merger 2/7-19 for AGS shareholders	(44 833)	(120 537)			(165 370)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders		165 370			165 370
Effect of Songa Bulk ASA merger 2/7-19 for shares in Songa as contribution in kind	1 000	13 272			14 272
Share based payment				(181)	(181)
Balance as of 30.09.2019	29 713	178 348	(44 499)	3 292	166 853

NOK thousand	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2018	50 096	49 442	(8 748)	-	90 791
Profit (loss) for the period			(14 536)		(14 536)
Other comprehensive income (loss)			(47)		(47)
Share based payment				1 281	1 281
Balance as of 30.09.2018	50 096	49 442	(23 331)	1 281	77 488

The merger was booked as a transaction in such a way that AGS AS' assets and liabilities are calculated at fair value on the day the merger 2 July 2019 was consummated in accordance with the acquisition method. In the accounts, the merger will be booked as a reversed take-over, i.e. in the consolidated financial statement of Songa Bulk ASA, AGS will be booked as the assignee company (continuity) and Songa Bulk ASA will be booked as the assigning company (fair value).

The merger plan was carried out with accounting effect from the day the merger is consummated, i.e. 2 July 2019.



Interim consolidated statement of cash flow

Axxis Geo Solutions Group

NOK thousand	Note	Q3 2019	Q3 2018	YTD Sep 2019	YTD Sep 2018	Full year 2018
Cash flow from operating activities						
Profit (loss) before tax		(55,743)	(11,107)	37,603	(18,635)	(76,849)
Taxes paid		-	-	-	-	(423)
Depreciation and amortization	3	12,093	7,050	32,225	12,983	23,526
Agio - disagio without cash flow effects		(457)	-	(358)	-	628
Interest expense *		11,687	294	16,942	294	6,818
Share based payment cost		(661)	1,281	(181)	1,281	3,473
Change in trade receivables		218,361	1,979	17,199	2,887	(29,392)
Change in trade payables		85,940	80,267	118,321	111,713	161,307
Change in inventories		9,690	(12,515)	1,946	(12,515)	(16,851)
Change in other current assets		51,490	-	27,256	(368)	(50,893)
Change in contract liabilities		6,919	(1,293)	6,727	242,473	155,353
Change in other current liabilities		(41,862)	26,804	28,996	20,253	188,395
Net cash from operating activities		297,458	92,761	286,678	360,366	365,092
Cash flow from investing activities						
Investment in property, plant and equipment		(20,990)	(27,491)	(47,402)	(72,505)	(98,089)
Investment in multi-client library	3	(276,215)	(198,153)	(384,549)	(268,646)	(216,987)
Cash received/paid from non-current receivables		-	-	-	-	(368)
Cash received/paid from merger		3,620	-	3,620	-	-
Net cash flow from investment activities		(293,586)	(225,643)	(428,331)	(341,150)	(315,444)
Cash flow from financing activities						
Proceeds from interest bearing debt		-	-	-	-	29,750
Repayment of interest bearing debt		(2,479)	-	(7,438)	-	(8,500)
Payment of lease liabilities (recognized under IFRS 16)		(485)	-	(1,215)	-	-
Net proceeds from new equity		(294)	-	94,250	-	-
Interest paid		(1,343)	(294)	(6,598)	(294)	(6,712)
Net cash flow from financial activities		(4,602)	(294)	78,999	(294)	14,538
Net change in cash and cash equivalents		(729)	(133,177)	(62,654)	18,921	64,186
Cash and cash equivalents balance 01.07/01.01		4,940	154,777	66,866	2,679	2,679
Cash and cash equivalents balance 30.09/31.12		4,211	21,600	4,211	21,600	66,866

* Interest expense in 2019 includes financial cost as a result of the merger with Songa Bulk of NOK 10.2 million.



Notes to the interim consolidated Financial Statements

Note 1 Revenue

NOK thousand	Segment reporting		IFRS reporting	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Operating Revenue				
Contract revenue	8 814	160	8 814	160
Multi-client pre-funding revenue	91 318	87 056	-	-
Multi-client late sales	-	-	-	-
Total revenue	100 132	87 216	8 814	160

NOK thousand	Segment reporting		IFRS reporting	
	YTD Sep 2019	YTD Sep 2018	YTD Sep 2019	YTD Sep 2018
Operating Revenue				
Contract revenue	576 359	17 583	576 359	17 583
Multi-client pre-funding revenue	101 002	132 718	-	-
Multi-client late sales	-	-	-	-
Total revenue	677 361	150 302	576 359	17 583

NOK thousand	Segment reporting		IFRS reporting	
	Full year 2018		Full year 2018	
Operating Revenue				
Contract revenue		53 378		53 378
Multi-client pre-funding revenue		125 494		-
Multi-client late sales		-		-
Total revenue		178 872		53 378

AGS entered in Q4 2018 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

NOK thousand

Q3 2019	Multi-client		Contract		Adjustments		IFRS reporting	
	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Income statement								
Total revenue	91 318	87 056	8 814	160	(91 318)	(87 056)	8 814	160
Total cost of sales	550	-	(16 570)	(7)	-	-	(16 019)	(7)
Personnel expenses	(4 515)	(1 886)	(240)	-	-	(1 281)	(4 755)	(3 167)
Other operating expenses	(4 486)	(555)	(6 211)	-	489	-	(10 209)	(555)
Total Operating Expenses	(8 451)	(2 441)	(23 021)	(7)	489	(1 281)	(30 982)	(3 728)
Operating profit (loss) before depreciation and amortization (EBITDA)	82 867	84 616	(14 207)	153	(90 829)	(88 337)	(22 168)	(3 569)
Depreciation & Amortization	(65 547)	(61 996)	(4 010)	-	57 464	54 946	(12 093)	(7 050)
Operating profit (loss) (EBIT) Segment	17 320	22 619	(18 217)	153	(33 365)	(33 391)	(34 261)	(10 619)

NOK thousand

YTD Sep 2019	Multi-client		Contract		Adjustments		IFRS reporting	
	YTD Sep 2019	YTD Sep 2018	YTD Sep 2019	YTD Sep 2018	YTD Sep 2019	YTD Sep 2018	YTD Sep 2019	YTD Sep 2018
Income statement								
Total revenue	101 002	132 718	576 359	17 583	(101 002)	(132 718)	576 359	17 583
Total cost of sales	18 109	9 934	(441 918)	(11 931)	-	-	(423 809)	(1 997)
Personnel expenses	(7 347)	(8 123)	(15 035)	-	3 473	(1 281)	(18 908)	(9 403)
Other operating expenses	(7 181)	(11 397)	(20 287)	(1 535)	1 249	-	(26 219)	(12 932)
Total Operating Expenses	3 581	(9 585)	(477 240)	(13 466)	4 723	(1 281)	(468 936)	(24 332)
Operating profit (loss) before depreciation and amortization (EBITDA)	104 583	123 133	99 120	4 117	(96 279)	(133 999)	107 423	(6 749)
Depreciation & Amortization	(74 894)	(91 057)	(20 965)	(4 795)	63 634	82 869	(32 225)	(12 983)
Operating profit (loss) (EBIT) Segment	29 689	32 076	78 154	(678)	(32 645)	(51 130)	75 198	(19 732)

NOK thousand

Full year 2018	Multi-client		Contract		Adjustments		IFRS reporting	
	Full year 2018	Full year 2018	Full year 2018	Full year 2018	Full year 2018	Full year 2018	Full year 2018	Full year 2018
Income statement								
Total revenue		125 494		53 378		(125 494)		53 378
Total cost of sales		48 190		(98 683)		3 098		(47 395)
Personnel expenses		(8 213)		(3 269)		(3 473)		(14 955)
Other operating expenses		(22 319)		(8 885)		-		(31 204)
Total Operating Expenses		17 659		(110 838)		(376)		(93 555)
Operating profit (loss) before depreciation and amortization (EBITDA)		143 153		(57 460)		(125 870)		(40 177)
Depreciation & Amortization		(94 835)		(9 344)		80 653		(23 526)
Operating profit (loss) (EBIT)		48 318		(66 804)		(45 217)		(63 703)

Note 3 Multi-client library

NOK thousand	Q3 2019 segment	Q3 2019 IFRS	YTD Sep 2019 segment	YTD Sep 2019 IFRS	Full year 2018 segment	Full year 2018 IFRS
Cost as of 01.07/01.01	325 321	325 321	216 987	216 987	-	-
Capitalized costs	276 215	276 215	384 549	384 549	216 987	216 987
Cost as of 30.09/31.12	601 536	601 536	601 536	601 536	216 987	216 987
Accumulated amortization and impairment as of 01.07/01.01	(85 162)	-	(79 061)	-	-	-
Amortization for the period	(57 530)	-	(63 631)	-	(79 061)	-
Impairment for the period						
Accumulated amortization and impairment as of 30.09/31.12	(142 692)	-	(142 692)	-	(79 061)	-
Carrying value at 01.07/01.01	240 159	325 321	137 926	216 987	-	-
Carrying value at 30.09/31.12	458 844	601 536	458 844	601 536	137 926	216 987
Net MC revenues	91 318	-	101 002	-	125 494	-
Amort. in % of net MC revenues	63 %	63 %	63 %	63 %	63 %	63 %
Change in net book value	91 %	85 %	233 %	177 %	100 %	100 %

AGS entered in 2018 into an agreement with TGS to invest in certain multi-client projects. The agreement from 2018 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 2018 and 2019 mainly related to time charter for vessels and consultancy fees. See the figure below for balances with related parties:

Transactions with related parties

NOK thousand	YTD Sep 2019	YTD Sep 2018	Full year 2018
Hired vessels:			
Lease payment Havila Fortune - controlled by Havila Holding AS	(34 819)	(10 462)	(21 503)
Lease payment Havila Aurora - controlled by Havila Holding AS	(15 241)	-	-
Lease payment Geo Caspian - controlled by Havila Holding AS	(35 377)	(27 222)	(48 421)
Ship management and other operating services:			
Remøy Shipping controlled by W2 Seismic AS	(1 710)	(716)	(954)
Evotec AS - controlled by Rome AS	(1 764)	(26 250)	(30 017)
Consultancy and accounting services:			
Impact Geo Solutions controlled by Bjarte Bruheim *	(2 817)	(2 641)	(5 965)
Rome AS controlled by Jogeir Romestrand *	(945)	(2 823)	(3 447)
Hasund AS - controlled by Bjørnulf AS	(661)	(512)	(1 009)
Interest and guarantee payments:			
Interest ONGC guarantee to Havila Holding AS	(665)	-	(2 553)
Interest on shareholder loan from Havila Holding AS	(340)	(340)	(340)
Interest on shareholder loan from TRH AS	(97)	-	-
Interest on shareholder loan from Songa Investments AS	(338)	-	-
Account payables:			
Impact Geo Solutions controlled by Bjarte Bruheim	308	17	1 230
Rome AS	(2)	436	455
Evotec AS - controlled by Rome AS	1 764	7 005	4 771
Havila Ships AS controlled by Havila Holding AS	12 351	6 410	6 878

The Company did not have any significant outstanding balances with related parties as of September 30, 2019 and 2018. All transactions with related parties are priced on arm's length basis.

* The two shareholders of AGS ASA, Bjarte Bruheim with 11.1% of the shares and Rome AS with 11.5% of the shares have both delivered consultancy services to the Board in addition to being Chairman/ Board members of AGS AS/AGS ASA respectively. All work performed by these related parties is regulated in separate consultancy agreements. Both agreements were cancelled by 30.09.2019.



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)	21 309 937	1,39431124614644	29 712 685

Largest shareholders per 30 September 2019

Name	Number of shares	Ownership share
1 SONGA INVESTMENTS AS	3 399 283	15,95 %
2 HAVILA HOLDING AS	3 156 041	14,81 %
3 ROME AS	2 449 257	11,49 %
4 BRUHEIM	2 371 657	11,13 %
5 W2 SEISMIC AS	1 765 561	8,29 %
6 TRH AS	866 839	4,07 %
7 J.P. Morgan Securities LLC	703 618	3,30 %
8 JOHS. HANSEN REDERI AS	663 012	3,11 %
9 RONJA CAPITAL AS	644 000	3,02 %
10 REMCO AS	540 854	2,54 %
11 ALCIDES SHIPPING AS	450 712	2,12 %
12 AJEA INVEST AS	444 000	2,08 %
13 STETTE INVEST AS	400 000	1,88 %
14 KJØLÅS STANSEKNIVER AS	400 000	1,88 %
15 ABG SUNDAL COLLIER ASA	288 455	1,35 %
16 BJØRNULF A/S	260 862	1,22 %
17 KREFTING AS	180 885	0,85 %
18 URBANIUM GRUPPEN AS	180 285	0,85 %
19 GRANT INVEST AS	120 190	0,56 %
20 CANOMARO SHIPPING AS	104 627	0,49 %
Total	19 390 138	90,99 %
Total other shareholders	1 919 799	9,01 %
Total number of shares	21 309 937	100,00 %

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 July 3, 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.

NOK thousand	Q3 2019 segment	Q3 2019 IFRS	YTD Sep segment	YTD Sep IFRS
Profit (loss) for the period	(17 151)	(42 717)	53 262	29 129
Income tax (expense)	5 593	13 026	(16 697)	(8 474)
Net financial items	(21 847)	(21 482)	(37 885)	(37 595)
Depreciation, amortization & impairment	(12 027)	(12 093)	(32 228)	(32 225)
Amortization and impairment of multi-client	(57 530)	-	(63 631)	-
Operating profit (loss) before depreciation and amortization (EBITDA)	68 660	(22 168)	203 703	107 423

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 2018 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 2018 except for the implementation of IFRS 16 Leases with effect from 1 January 2019. Please see below.

Note 9 Changes in accounting standards

IFRS 16 Leases

IFRS 16 Leases is effective from the financial year starting at 1 January 2019. The new standard is replacing IAS 17 Leases. AGS Group has chosen the modified retrospective approach for the implementation of IFRS 16 Leases where comparative figures are not restated. The reclassifications and adjustments on implementation are recognized in the opening balance of 2019. The Group will apply transition reliefs where the lease asset will be equal to the lease liability at the transition date. The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

As of 1 January 2019, AGS Group recognized lease liabilities for properties. The liabilities were measured at the present value of the remaining lease payments. The remaining lease payments were discounted using the incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied was 5 %. As of 1 January 2019, a lease liability of NOK 3.6 million was recognized. A corresponding right-of-use asset was recognized measured at a value of NOK 3.6 million. An additional lease liability and lease asset for properties of NOK 0.6 million was recognized as of 1 May 2019.

Lysaker, November 6, 2019

The Board of Directors of Axxis Geo Solutions ASA

Rolf Rønningen
Chairman

Andreas Pay
Director

Vibeke Fængsrud
Director

Njål Sævik
Director

Nina Skage
Director

Eirin Inderberg
Director

Lee Parker
Chief Executive Officer

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 2018. 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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