

AXXIS GEO  
SOLUTIONS  
ASA  
Q4 2020  
EARNINGS RELEASE



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# AXXIS GEO SOLUTIONS ASA

## CEO STATEMENT

“As the pandemic continued to severely impact our business during Q4, the Company focused its efforts primarily on multi-client sales and on the previously announced financial restructuring. Positive and constructive dialogues with creditors and potential investors were initiated and were still ongoing at the end of the quarter.

In January 2021, the Company received commitment from a group of financial investors to contribute additional equity financing, conditioned on the Company entering into a voluntary restructuring solution with its creditors. Only one creditor rejected the proposed restructuring offer. As a result, the Company filed for court protected reconstruction on 16 February 2021. The group of financial investors has subsequently expressed continued support to invest in the Company also as part of a reconstruction process.

In order to preserve liquidity, and in addition to the continuation of the Company’s previously announced smart-stack strategy, further cost reduction measures were implemented during the quarter.

The Company currently sees increased tendering activity and a more positive market outlook for 2021/2022,” says Ronny Bøhn, CEO of Axxis Geo Solutions.

## SUBSEQUENT EVENTS

- The Company filed for court protected reconstruction 16 February 2021.

## KEY FINANCIALS IFRS REPORTING

USD thousands

<b>Profit and loss</b>	Q4 2020	Q4 2019	Full Year 2020	Full Year 2019
Revenue	14	3 937	92 790	70 744
Cost of sales	(3 790)	(9 499)	(52 313)	(58 634)
EBITDA (loss)	(5 154)	(7 241)	33 399	5 310
EBIT (loss)	(8 550)	(44 599)	5 845	(35 862)
Net profit (loss)	(8 488)	(50 253)	(3 133)	(46 477)
Basic earnings (loss) per weighted average shares (in USD)	(0,14)	(0,85)	(0,05)	(0,79)
<b>Financial position</b>				
Total assets			54 452	93 783
Total liabilities			62 305	98 506
Total equity			(7 852)	(4 723)
Equity ratio			-14,4 %	-5,0 %
<b>Cash flow</b>				
Net cash flow from operating activities	(234)	(9 045)	(12 642)	24 446

## KEY FINANCIALS SEGMENT REPORTING

USD thousands	Q4 2020	Q4 2019	Full Year 2020	Full Year 2019
Revenue	14	5 280	66 184	83 542
EBITDA (loss)	(5 213)	(5 809)	6 319	17 504
Amortization and impairment MCL	(1 828)	(37 510)	(4 159)	(44 692)
EBIT (loss)	(8 553)	(45 529)	(3 550)	(33 066)
Net booked value MCL			36 168	29 752
Total equity			(7 845)	4 525
Equity ratio			-14,4 %	5,7%

## OUTLOOK

The market is showing signs of improvement and we expect to see increased activity in our core basins during Q2/Q3 2021. The Company has been awarded one contract in the North Sea, starting in Q2 2021, and there are several active tenders outstanding for 2021 execution. Following the completion of the processing of the Utsira OBN multi-client data, our sales team embarked on a (digital) road show to showcase the dataset to a substantial number of potential buyers. Based on the preliminary feedback, we see several late sale opportunities for 2021.

## GOING CONCERN

The financial statement for Q4 2020 is based on the assumption of going concern.

The Company has filed for court protected reconstruction on 16 February 2021. This filing provides protection from bankruptcy and allows for continued operation under court protection.

As part of the reconstruction effort, the Company is working with an investor group for the investment of USD 15 million into the Company based on certain criteria achieved through the reconstruction. A restructuring as outlined by the investor group will provide the Company sufficient working capital for continued operation. However, the Company will still be dependent on securing new seismic survey contracts as well as multi-client late sales.

The Company has implemented a smart-stack strategy and thereby significantly reduced its cash burn-rate.

The Company currently reports a negative common equity and total current liabilities exceed total current assets per December 2020.

In light of the current reconstruction efforts, there is significant uncertainty with respect to the going concern assumption. Should a reconstruction plan not be approved, and new equity not be available, the going concern assumption will most likely not be applicable and balance sheet items would be significantly impaired. Under such circumstances, valuation of balance sheet items will be based on liquidation values which are substantially lower than the current carrying values.

## OPERATIONAL HIGHLIGHTS

As a result of the global economic challenges the industry is facing, the Company performed no seismic survey operations in the quarter. The Company's efforts were largely focused on multi-client marketing efforts as well as future business development.

### OPERATIONS

There were no active operations and the vessel Neptune Naiad remained in warm-stack during the quarter. The Company redelivered the Havila vessels to its owner.

### HSE PERFORMANCE

Low activity through the quarter was reflected in the man hours recorded. No incidents were recorded, maintaining our excellent zero incident record for the year.

Another successful iOMS audit was conducted through the period by a Major IOC.

## 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 fourth quarter of 2020 was USD 14 thousand compared to USD 3.9 million for the fourth quarter of 2019. The revenue in Q4 2020 is related to reimbursement of cost where the revenue in Q4 2019 was related to contract work in Brazil.

Revenue for the full year of 2020 of USD 92.8 million is mainly related to contract work in Egypt and the North Sea. In addition, the IFRS pre-funding revenue being booked as contract liability in the balance sheet of USD 27.4 million was allowed booked as pre-funding revenue and Utsira multi-client survey had two late sales with AGS' share of USD 1.1 million. The revenue in 2019 of USD 70.7 million was related to contract work in India, Dubai and Brazil.

### OPERATIONAL COST

Cost of sales (COS) in the fourth quarter of 2020 was USD 3.8 million compared to USD 9.5 million in the fourth quarter of 2019.

COS for Q4 2020 was significantly impacted by a number of non-recurring and non-cash charges for the quarter. An effect of USD 1.2 million non-cash charge reflected the reversal of previously capitalized costs related to the Egypt multi-client survey. Further, non-recurring costs of USD 0.9 million charge to complete the Utsira multi-client processing and USD 0.5 million related to seismic survey operations completed in earlier quarters were incurred. In addition, USD 0.6 million related to the redelivery of chartered vessels and leased nodes were incurred.

USD 7.2 million of the COS for Q4 2019 was related to idle time in Malta, before the Middle East project started.

The largest portion of COS for the full year of 2020 of USD 52.3 million is related to the projects in the Middle East and the North Sea. In addition, the multi-client project in Egypt has been capitalized with USD 10.6 million. COS was USD 58.6 million for the same period in 2019, where USD 55.1 million was capitalized related to the multi-client Utsira project.

Personnel expenses and other operating expenses in the fourth quarter of 2020 amounted to USD 1.4 million, compared to USD 1.7 million in the fourth quarter of 2019. The decrease is mainly attributed to lower use of external advisors, consultants onshore and lay-off of employees.

#### DEPRECIATION OF TANGIBLE ASSETS

Depreciation was USD 1.6 million during the fourth quarter of 2020 compared to depreciation of USD 2.3 million in the fourth quarter of 2019. There have been no investments made in 2020.

#### AMORTIZATION OF INTANGIBLE ASSETS

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

#### IMPAIRMENT

No impairment charges have been made in the fourth quarter of 2020 for the vessel Neptune Naiad or the node handling systems and seismic equipment. There has not been any impairment of the Utsira multi-client library or the multi-client library in Egypt in the quarter.

#### EBITDA AND EBIT

The EBITDA was USD -5.2 million in the fourth quarter of 2020 compared to EBITDA of USD -7.2 million in the fourth quarter of 2019. This increase in EBITDA is mainly due to lower cost of sales due to cost reduction measures implemented.

EBIT (operating profit) was USD -8.6 million in the fourth quarter of 2020 compared to EBIT of USD -44.6 million during the same period in 2019. The increase in EBIT relates mainly to a write-down of the Utsira multi-client library with USD 35.1 million in 2019, in addition to the same factor as the decrease in EBITDA described above.

#### FINANCIAL ITEMS

Net financial expense was USD 2.8 million during the fourth quarter of 2020 compared to net financial expense of USD 3.1 million in the fourth quarter of 2019. The decrease is mainly related to a higher currency loss in 2020 compared to last year. Further financial expenses during the quarter is interest for the debt of USD 0.8 million.

#### INCOME TAX (EXPENSE)

The corporate income tax in Norway is 22% in 2020. Income tax revenue for the fourth quarter of 2020 amounted to USD 2.9 million compared to income tax expense of USD 2.6 million for the same period in 2019. The tax revenue in Q4 2020 represents reversal of withholding tax with a lower rate offset by corporate tax related to the Middle East contract in the quarter.

In addition, AGS has prepaid local corporate tax 2020 of USD 1.4 million registered in the balance sheet, by receiving net payment for the Middle East contract.

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

#### LOSS FOR THE PERIOD

AGS has a loss of USD 8.5 million for the fourth quarter of 2020 compared to loss of USD 50.3 million for the fourth quarter of 2019.

#### FINANCIAL POSITION AND CASH FLOW

As of 31 December 2020, AGS had total assets of USD 54.5 million, compared to total assets of USD 93.8 million as of 31 December 2019.

Total non-current assets decreased from USD 64.9 million in Q4 2019 to USD 48.0 million in Q4 2020. This is attributed to the net decrease in multi-client library of USD 11.0 million and decrease of USD 5.9 million in fixed assets.

Total current assets decreased from USD 28.9 million in Q4 2019 to USD 6.5 million in Q4 2020. The decrease is driven by trade receivables and other current asset with USD 26.2 million, offset by increase in cash of USD 4.4 million. Cash balance ending at USD 5.9 million as of 31 December 2020.

The Group's equity was negative of USD 7.9 million at the end of Q4 2020 versus negative of USD 4.7 million as of 31 December 2019. The negative equity ratio is -14.4% as of 31 December 2020 compared to -5.0% same period in 2019.

Total non-current liabilities increase from USD 0.1 million as of 31 December 2019 to USD 17.4 million as of 31 December 2020 related to the issuance of the Company's current bond loan. The bond loan includes a covenant of minimum of cash of USD 2.0 million. The covenant is fulfilled as of December 2020. The Company received waiver for the bond loan per 30 November where the PIK interest was added to the principal bond loan. Fair value of the converted debt, both unsecured loan and bond loan, have been calculated and booked as financial gain that will be booked as amortized cost on the loans going forward. The amortized cost from the fair value evaluation in Q4 2020 was USD 0.6 million. The original secured debt towards Eksportkreditt Norge AS has been reclassified to short-term debt. However, the Company has received waiver from the two covenants for all the quarters in 2020. The financial covenants are liquid of no less than 120% of outstanding loan and equity rate of 35%.

The current portion of long-term debt amounted to USD 16.6 million in respect of the debt towards Eksportkreditt Norge AS of USD 1.2 million, USD 0.1 million for the office leases, USD 9.3 million for the unsecured debt and USD 6.0 million in respect of the bond loan as of December 2020.

Total current liabilities as of 31 December 2020 amounted to USD 44.9 million, compared to USD 98.4 million as of 31 December 2019. The decrease of USD 29.4 million of the current liabilities is due to trade payables having been converted to debt. In addition, contract liability related to pre-funding revenue for Utsira was allowed booked as revenue in 2020, leading to a decrease of current liabilities with USD 22.7 million. Other current liabilities decreased by USD 15.5 million in 2020. The account includes project related accruals, taxes and VAT and the promissory loan note in favor of TGS of USD 6.6 million per December 2020. The decreases are offset by an increase in the current portion of long-term debt by USD 14.1 million, ending with balance of USD 16.6 million as per 31 December 2020.

Cash outflow from operating activities in the fourth quarter of 2020 was negative with USD 0.2 million, compared to negative of USD 9.0 million at the end of the same period in 2019.

Cash outflow from investing activities in the fourth quarter of 2020 amounted to positive USD 1.2 million, compared to negative of USD 12.5 million in the same period in 2019. There was no investment in node handling equipment in the fourth quarter compared to investments of USD 0.8 million in the same period of 2019. There has been a reversal in the investment in the multi-client library of a non-cash charge reflecting the reversal of previously capitalized costs related to the Egypt multi-client survey USD 1.2 million in Q4 2020 compared to investment of USD 11.7 million in the fourth quarter of 2019.

Cash inflow from financing activities in fourth quarter of 2020 was positive USD 25 thousands, compared to positive USD 22.5 million in the same period in 2019.



# FINANCIAL STATEMENTS

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Axxis Geo Solutions Group

USD thousands	Note	Q4 2020	Q4 2019	Full year 2020	Full Year 2019
<b>Revenue</b>	1/2	<b>14</b>	<b>3 937</b>	<b>92 790</b>	<b>70 744</b>
Cost of sales	2	(3 790)	(9 499)	(52 313)	(58 634)
Personnel expenses	2	(661)	(438)	(3 388)	(2 616)
Other operating expenses	2	(716)	(1 241)	(3 691)	(4 184)
Amortization & impairment multi-client & goodwill	3	(1 828)	(35 093)	(21 620)	(35 093)
Depreciation & impairment		(1 568)	(2 266)	(5 934)	(6 080)
<b>Operating profit (loss) (EBIT)</b>		<b>(8 550)</b>	<b>(44 599)</b>	<b>5 845</b>	<b>(35 862)</b>
Financial income		0	19	3 848	43
Financial expenses		(2 119)	(1 993)	(5 315)	(4 934)
Currency exchange gain (loss)		(674)	(1 095)	(424)	(1 148)
<b>Profit (loss) before tax</b>		<b>(11 343)</b>	<b>(47 668)</b>	<b>3 953</b>	<b>(41 901)</b>
Income tax (expense)		2 854	(2 585)	(7 086)	(4 576)
<b>Profit (loss) for the period</b>		<b>(8 488)</b>	<b>(50 253)</b>	<b>(3 133)</b>	<b>(46 477)</b>
Currency translation adjustments		-	-	-	-
<b>Other comprehensive income (loss) for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(8 488)</b>	<b>(50 253)</b>	<b>(3 133)</b>	<b>(46 477)</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Axxis Geo Solutions Group

USD thousands	Note	31.12.2020	31.12.2019
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		-	-
Multi-client library	3	36 168	47 213
Deferred tax asset		-	-
Property, plant and equipment		11 794	17 668
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>47 963</b>	<b>64 880</b>
<b>Current assets</b>			
Inventories		85	762
Trade receivables *		-	12 291
Other current assets		531	14 415
Bank deposits, cash in hand		5 873	1 435
<b>Total current assets</b>		<b>6 490</b>	<b>28 903</b>
<b>Total assets</b>		<b>54 452</b>	<b>93 783</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital and other paid in capital	5	39 293	50 171
Other reserves		(47 145)	(54 894)
<b>Total equity</b>		<b>(7 852)</b>	<b>(4 723)</b>
<b>Non current liabilities</b>			
Interest bearing debt		17 417	73
<b>Total non current liabilities</b>		<b>17 417</b>	<b>73</b>
<b>Current liabilities</b>			
Interest bearing debt current		16 562	2 480
Trade payables		12 251	41 646
Contract liabilities		-	22 729
Other current liabilities		16 075	31 578
<b>Total current liabilities</b>		<b>44 887</b>	<b>98 433</b>
<b>Total liabilities</b>		<b>62 305</b>	<b>98 506</b>
<b>Total equity and liabilities</b>		<b>54 452</b>	<b>93 783</b>

\* 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
<b>Balance as of 01.01.2020</b>	<b>11 718</b>	<b>38 453</b>	<b>(55 291)</b>	<b>397</b>	<b>(4 723)</b>
Profit (loss) for the period	-	-	(3 133)	-	(3 133)
Other comprehensive income (loss)	-	-	-	-	-
Cost for new shares issued	-	-	-	-	-
Write down of par value	(10 878)	-	10 878	-	-
Share based payment	-	-	-	3	3
<b>Balance as of 31.12.2020</b>	<b>840</b>	<b>38 453</b>	<b>(47 546)</b>	<b>400</b>	<b>(7 852)</b>

USD thousands	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
<b>Balance as of 01.01.2019</b>	<b>8 396</b>	<b>5 944</b>	<b>(8 814)</b>	<b>423</b>	<b>5 948</b>
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	<b>8 468</b>	<b>27 564</b>	-	-	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
<b>Balance as of 31.12.2019</b>	<b>11 718</b>	<b>38 453</b>	<b>(55 291)</b>	<b>397</b>	<b>(4 723)</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axis Geo Solutions Group

USD thousands	Note	Q4 2020	Q4 2019	Full Year 2020	Full Year 2019
<b>Cash flow from operating activities</b>					
Profit (loss) before tax		(11 343)	(47 668)	3 953	(41 901)
Taxes paid		(111)	-	(2 116)	-
Depreciation and amortization	3	3 396	37 359	27 554	41 172
Agio - disagio without cash flow effects		(53)	1 877	(187)	1 873
Interest expense *		1 485	289	3 995	3 200
Share based payment cost		1	(423)	3	(25)
Change in trade receivables		4 992	(10 416)	12 291	(8 350)
Change in trade payables		808	8 713	(29 396)	20 877
Change in inventories		80	886	676	1 186
Change in other current assets		1 549	(10 816)	13 884	(8 058)
Change in contract liabilities		-	4 893	(22 729)	4 871
Change in other current liabilities		(1 038)	6 260	(20 572)	9 601
<b>Net cash from operating activities</b>		<b>(234)</b>	<b>(9 045)</b>	<b>(12 642)</b>	<b>24 446</b>
<b>Cash flow from investing activities</b>					
Investment in property, plant and equipment		-	(782)	219	(6 919)
Investment in multi-client library	3	1 224	(11 710)	(10 576)	(55 060)
Cash received/paid from merger		-	-	-	425
<b>Net cash flow from investment activities</b>		<b>1 224</b>	<b>(12 492)</b>	<b>(10 356)</b>	<b>(61 554)</b>
<b>Cash flow from financing activities</b>					
Net proceeds from interest bearing debt		(49)	-	31 399	-
Repayment of interest bearing debt		(57)	(282)	(1 440)	(1 127)
Payment of lease liabilities (recognized under IFRS 16)		(30)	(53)	(192)	(186)
Net proceeds from new equity		-	23 131	-	34 156
Interest paid lease liabilities		(1)	(4)	(10)	(18)
Interest paid		163	(284)	(2 321)	(1 979)
<b>Net cash flow from financial activities</b>		<b>26</b>	<b>22 508</b>	<b>27 437</b>	<b>30 847</b>
<b>Net change in cash and cash equivalents</b>		<b>1 016</b>	<b>971</b>	<b>4 438</b>	<b>(6 261)</b>
Cash and cash equivalents balance 01.10/01.01		4 857	464	1 435	7 696
<b>Cash and cash equivalents balance 31.12</b>		<b>5 873</b>	<b>1 435</b>	<b>5 873</b>	<b>1 435</b>

\* 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

USD thousands Q4 2020/2019	Segment reporting		IFRS reporting	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
<b>Operating Revenue</b>				
Contract revenue	14	3 937	14	3 937
Multi-client pre-funding revenue	-	1 343	-	-
Multi-client late sales	-	-	-	-
<b>Total revenue</b>	<b>14</b>	<b>5 280</b>	<b>14</b>	<b>3 937</b>

USD thousands Full Year 2020/2019	Segment reporting		IFRS reporting	
	Full year 2020	Full year 2019	Full year 2020	Full year 2019
<b>Operating Revenue</b>				
Contract revenue	64 326	70 744	64 326	70 744
Multi-client pre-funding revenue	798	12 799	27 404	-
Multi-client late sales	1 060	-	1 060	-
<b>Total revenue</b>	<b>66 184</b>	<b>83 542</b>	<b>92 790</b>	<b>70 744</b>

AGS entered early in 2019 into an agreement with TGS to invest in certain multi-client projects. From this time, and with retrospective 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 Q4 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Q4 2020	Q4 2019	Q4 2020	Q4 2019
	Q4 2020	Q4 2019	Q4 2020	Q4 2019				
<b>Income statement</b>								
<b>Total revenue</b>	-	1 343	14	3 937	-	(1 343)	14	3 937
Total cost of sales	(635)	472	(3 156)	(9 970)	-	-	(3 790)	(9 499)
Personnel expenses	-	(243)	(661)	(195)	-	-	(661)	(438)
Other operating expenses	-	(220)	(775)	(932)	58	(89)	(716)	(1 241)
<b>Total Operating Expenses</b>	<b>(635)</b>	<b>8</b>	<b>(4 592)</b>	<b>(11 097)</b>	<b>58</b>	<b>(89)</b>	<b>(5 168)</b>	<b>(11 178)</b>
<b>Operating profit (loss) before depreciation and amortization (EBITDA)</b>	<b>(635)</b>	<b>1 351</b>	<b>(4 578)</b>	<b>(7 160)</b>	<b>58</b>	<b>(1 432)</b>	<b>(5 154)</b>	<b>(7 241)</b>
Depreciation & Amortization	-	(35 120)	(3 340)	(4 600)	(56)	2 361	(3 396)	(37 359)
<b>Operating profit (loss) (EBIT) Segment</b>	<b>(635)</b>	<b>(33 769)</b>	<b>(7 918)</b>	<b>(11 760)</b>	<b>3</b>	<b>930</b>	<b>(8 550)</b>	<b>(44 599)</b>

USD thousands Full Year 2020/2019	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019
	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019				
<b>Income statement</b>								
<b>Total revenue</b>	<b>1 858</b>	<b>12 799</b>	<b>64 326</b>	<b>70 744</b>	<b>26 606</b>	<b>(12 799)</b>	<b>92 790</b>	<b>70 744</b>
Total cost of sales	(4 045)	2 246	(48 513)	(60 880)	245	-	(52 313)	(58 634)
Personnel expenses	-	(1 067)	(3 388)	(1 954)	-	405	(3 388)	(2 616)
Other operating expenses	-	(1 085)	(3 919)	(3 299)	229	200	(3 691)	(4 184)
<b>Total Operating Expenses</b>	<b>(4 045)</b>	<b>94</b>	<b>(55 820)</b>	<b>(66 132)</b>	<b>473</b>	<b>605</b>	<b>(59 392)</b>	<b>(65 433)</b>
<b>Operating profit (loss) before depreciation and amortization (EBITDA)</b>	<b>(2 187)</b>	<b>12 893</b>	<b>8 506</b>	<b>4 611</b>	<b>27 079</b>	<b>(12 194)</b>	<b>33 399</b>	<b>5 310</b>
Depreciation & Amortization	(2 331)	(43 606)	(7 539)	(6 965)	(17 685)	9 398	(27 554)	(41 172)
<b>Operating profit (loss) (EBIT) Segment</b>	<b>(4 518)</b>	<b>(30 713)</b>	<b>968</b>	<b>(2 354)</b>	<b>9 395</b>	<b>(2 796)</b>	<b>5 845</b>	<b>(35 862)</b>

In 2019, AGS entered into an agreement with TGS to invest in certain multi-client projects. From this time, and with retrospective 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Cost as of 01.01</b>	<b>82 306</b>	<b>27 246</b>	<b>82 306</b>	<b>27 246</b>
Capitalized costs	10 576	55 060	10 576	55 060
<b>Cost as of 31.12</b>	<b>92 881</b>	<b>82 306</b>	<b>92 881</b>	<b>82 306</b>
Accumulated amortization and impairment as of 01.01	(52 554)	(9 423)	(35 093)	-
Amortization for the period	(4 159)	(8 038)	(3 656)	-
Impairment for the period	-	(35 093)	(17 964)	(35 093)
<b>Accumulated amortization and impairment as of 31.12</b>	<b>(56 713)</b>	<b>(52 554)</b>	<b>(56 713)</b>	<b>(35 093)</b>
Carrying value at 01.01	29 752	17 823	47 213	27 246
<b>Carrying value at 31.12</b>	<b>36 168</b>	<b>29 752</b>	<b>36 168</b>	<b>47 213</b>
Net MC revenues	1 858	12 799	28 464	-
Change in net book value	22 %	67 %	-23 %	73 %

All investments in 2020 is related to the multi-client project in the Middle East. This project has a cap on late sales revenue in partner share to AGS at USD 13.7 million, with carrying amount as of December 2020 at USD 10.6 million.

In 2019, AGS entered into an agreement with TGS to invest in certain multi-client projects. From this time, and with retroactive effect for 2018. The agreement from 2019 is classified as joint operation where the parties have rights to the assets and liabilities of the investment. AGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization, and costs. Carrying amount as of December 2020 at USD 25.6 million for Utsira.

## NOTE 4 RELATED PARTIES

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

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

USD thousands	Full Year 2020	Full Year 2019
<b>Hired vessels:</b>		
Lease payment Havila Fortune - controlled by Havila Holding AS	(3 275)	(4 756)
Lease payment Havila Aurora - controlled by Havila Holding AS	(3 746)	(2 997)
Lease payment Geo Caspian - controlled by Havila Holding AS	(31)	(3 267)
<b>Ship management and other operating services:</b>		
Remøy Shipping controlled by W2 Seismic AS	-	(259)
Evotec AS - controlled by Rome AS *	-	(985)
<b>Consultancy and accounting services:</b>		
Impact Geo Solutions controlled by Bjarte Bruheim *	-	(444)
Rome AS controlled by Jogeir Romestrand *	-	(205)
Hasund AS - controlled by Bjørnulf AS	-	180
Energy Consulting AS controlled by Christian Huseby **	(159)	-
<b>Interest and guarantee payments:</b>		
Interest ONGC guarantee to Havila Holding AS	-	(83)
Interest on shareholder loan from Havila Holding AS	-	(39)
Interest on shareholder loan from TRH AS	-	(11)
Interest on shareholder loan from Songa Investments AS	-	(39)
<b>Balances with related parties</b>		
USD thousands	31.12.2020	31.12.2019
<b>Account payables:</b>		
Impact Geo Solutions controlled by Bjarte Bruheim *	-	123
Rome AS *	-	17
Evotec AS - controlled by Rome AS *	-	863
Havila Ships AS controlled by Havila Holding AS	1 116	6 019

\* The previously shareholders of AGS ASA, Bjarte Bruheim and Rome AS with zero shares as of December 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 30<sup>th</sup> June 2020, Christian Huseby was elected as Chairman of the Board at the Annual General Meeting, in addition to delivering of consultancy services from April 2020 to December 2020.





## NOTE 5 SHAREHOLDERS

The Company's share capital per 31.12 include the following:	Number of shares	Par Value per share	NOK
Ordinary shares (one share = one vote)	58 821 018	0,10	5 882 102

### Largest shareholders per 31 December 2020

Name	Number of shares	Ownership share
1 HAVILA HOLDING AS	15 549 434	26,4%
2 IGELSTRÖM	2 000 000	3,4%
3 JOHS. HANSEN REDERI AS	1 413 345	2,4%
4 Nordnet Bank AB	1 096 145	1,9%
5 Danielsen	1 073 166	1,8%
6 SUNDE	742 468	1,3%
7 J.P. Morgan Securities LLC	703 618	1,2%
8 NÆRINGSLIVETS HOVEDORGANISASJON	671 343	1,1%
9 DAGUSIKI HOLDING AS	660 572	1,1%
10 DEGHAN ZAKLAKI	629 647	1,1%
11 MEROUR	541 531	0,9%
12 DYBVIK	500 995	0,9%
13 OLSEN	500 000	0,9%
14 ACTION AS	454 850	0,8%
15 ALCIDES SHIPPING AS	450 712	0,8%
16 BRATTAAS	421 763	0,7%
17 Deutsche Bank Aktiengesellschaft	400 028	0,7%
18 MADRA INVEST AS	373 734	0,6%
19 NORDNET LIVSFORSIKRING AS	365 477	0,6%
20 GRØNSTAD	350 000	0,6%
<b>Total</b>	<b>28 898 828</b>	<b>49,1%</b>
Total other shareholders	29 922 190	50,9%
<b>Total number of shares</b>	<b>58 821 018</b>	<b>100,0%</b>

## NOTE 6 GENERAL INFORMATION

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

## NOTE 7 BASIS FOR PREPARATION

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

### **Presentation and functional currency**

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

### **Going concern**

The financial statement for Q4 2020 is based on the assumption of going concern.

The Company has filed for court protected reconstruction on 16 February 2021. This filing provides protection from bankruptcy and allows for continued operation under court protection.

As part of the reconstruction effort, the Company is working with an investor group for the investment of USD 15 million into the Company based on certain criteria achieved through the reconstruction. A restructuring as outlined by the investor group will provide the Company sufficient working capital for continued operation. However, the Company will still be dependent on securing new seismic survey contracts as well as multi-client late sales.

The Company has implemented a smart-stack strategy and thereby significantly reduced its cash burn-rate.

The Company currently reports a negative common equity and total current liabilities exceed total current assets per December 2020.

In light of the current reconstruction efforts, there is significant uncertainty with respect to the going concern assumption. Should a reconstruction plan not be approved, and new equity not be available, the going concern assumption will most likely not be applicable and balance sheet items would be significantly impaired. Under such circumstances, valuation of balance sheet items will be based on liquidation values which are substantially lower than the current carrying values.



## NOTE 8 CHANGES IN ACCOUNTING STANDARDS

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

### DEFINITION OF APM (ALTERNATIVE PERFORMANCE MEASURES)

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

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

### EBITDA

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

USD thousands	Segment reporting		IFRS reporting	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Profit (loss) for the period	(8 489)	(47 235)	(8 488)	(50 253)
Income tax (expense)	2 854	(1 477)	2 854	(2 585)
Net financial items	(2 791)	(229)	(2 793)	(3 068)
Depreciation & impairment PPE	(1 512)	(2 210)	(1 568)	(2 266)
Amortization & impairment of multi-client and goodwill	(1 828)	(37 510)	(1 828)	(35 093)
<b>Operating profit (loss) before depreciation and amortization (EBITDA)</b>	<b>(5 213)</b>	<b>(5 809)</b>	<b>(5 154)</b>	<b>(7 241)</b>

USD thousands	Segment reporting		IFRS reporting	
	Full Year 2020	Full Year 2019	Full Year 2020	Full Year 2019
Profit (loss) for the period	(12 373)	(40 806)	(3 133)	(46 477)
Income tax (expense)	(7 086)	(3 468)	(7 086)	(4 576)
Net financial items	(1 737)	(4 271)	(1 891)	(6 039)
Depreciation & impairment PPE	(5 711)	(5 879)	(5 934)	(6 080)
Amortization & impairment of multi-client and goodwill	(4 159)	(44 692)	(21 620)	(35 093)
<b>Operating profit (loss) before depreciation and amortization (EBITDA)</b>	<b>6 319</b>	<b>17 504</b>	<b>33 399</b>	<b>5 310</b>

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 together with the comments included in the interim report for the period of 1 January to 31 December 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 31 December 2020 interim report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

**Lysaker, 24 February 2021**

The Board of Directors and CEO of Axxis Geo Solutions ASA

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Christian Huseby  
Chairman

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Njål Sævik  
Director

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Vibeke Fængsrud  
Director

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Nina Skage  
Director

---

Eirin Inderberg  
Director

---

Ronny Bøhn  
CEO



### **About Axxis**

*Axxis Geo Solutions (Axxis) 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](http://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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