

AXXIS GEO
SOLUTIONS
ASA
Q4 2019
EARNINGS RELEASE

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AXXIS GEO SOLUTIONS ASA

HIGHLIGHTS Q4 2019

- Impacted negatively by unplanned delays in start of the Middle East contract which later was awarded at the end of the quarter
- Started production in Brazil for source operations of Neptune Naiad to the Company's Brazil campaign
- Initiated plan to strengthen the financial position due to delayed contract award for the Middle East project

SUBSEQUENT EVENTS

- The OBN crew mobilized and commenced the Middle East OBN survey in mid-January
- In process of implementing the plan to restructure accounts payable to improve working capital
- Received LOI for a North Sea contract with a major international oil company

KEY FINANCIALS IFRS REPORTING

NOK thousand				
Profit and loss	Q4 2019	Q4 2018	Full Year 2019	Full Year 2018
Revenue	35 407	35 794	611 767	53 378
Cost of sales	(88 308)	(45 398)	(512 117)	(47 395)
EBITDA	(67 437)	(33 428)	39 987	(40 177)
EBIT	(411 534)	(43 971)	(336 336)	(63 703)
Net profit (loss)	(431 861)	(50 456)	(402 732)	(64 992)
Basic earnings (loss) per weighted average shares (in USD)	(7.36)	(0.10)	(6.87)	(0.13)
Financial position				
Total assets			806 061	586 402
Total liabilities			860 722	556 800
Total equity			(54 661)	29 602
Equity ratio			-6.8%	5.0%
Cash flow				
Net cash flow from operating activities			209 508	365 092

KEY FINANCIALS SEGMENT REPORTING

NOK thousand				
	Q4 2019	Q4 2018	Full Year 2019	Full Year 2018
Revenue	48 122	28 570	725 483	178 872
EBITDA	(51 791)	(41 557)	151 912	85 693
Amortization MCL	(316 598)	3 808	(380 229)	(79 061)
EBIT	(399 017)	(49 885)	(291 174)	(18 486)
Net booked value MCL			248 808	137 926



CEO STATEMENT

“In the fourth quarter we lost valuable production time while being in stand-by modus for the Middle East contract we currently are on, and this has negatively impacted our financial performance and position. Mitigation measures were initiated during the quarter.

During this quarter we completed the Utsira 3D OBN and entered a new OBN market in Brazil. At the end of the quarter we received final contract award for above mentioned OBN survey in the Middle East in relation to previously announced LOI.

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.

OUTLOOK

AGS completed mobilization and started the previously announced contract with a new client in the Middle East in early Q1. AGS expects a steady cashflow from this contract during the first quarter. Furthermore, AGS has agreed, with certain conditions still to be lifted, payment plans of approximately USD 25 million with all larger suppliers of which USD 15 million is expected to be converted to long-term debt. The continuing strong operational performance, expected efficient cash flow generation from the same and the support from our vendors are key factors in our ambition to strengthen our working capital position.

AGS has currently two contracts to return to in the North Sea for Q2, one on the UK Sector which was announced in press release on 13 June, 2019 and one on the Norwegian sector related to LOI as announced 24 February, 2020.

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 estimated OBN market is in excess of USD 1 billion for 2020, 60-70% of which is addressable by AGS technology. We expect that AGS will secure its fair share of this OBN segment, which also benefit from relatively few competitors.

At year end 2019 the Company had USD 38.0 million recorded as backlog.

OPERATIONAL HIGHLIGHTS

Q4 operations were hampered by delayed contract signatures on projects for the OBN fleet, seeing them either mobilizing or in standby, while the Neptune Naiad continued source operations on the Company’s project. A total of five seismic vessels, two nodal and three source vessels, were retained through the period. 468 vessel days were recorded, down from 497 the previous quarter. Due to the contract signature delay, the Company only had a 32% operational utilization across these vessels. Of the remaining, 14% was spent transiting between projects, 36% standing by and 18% spent on maintenance, upgrading and testing of our handling systems. The operating fleet includes core assets AGS maintains through a mix of owned and mid to long-term charter commitments, as well as short-term charters to supplement demand.



Operations

Neptune Naiad worked through the quarter in Brazil and the OBN fleet completed the Utsira 3D OBN program early in the quarter. The nodal vessels underwent upgrades to the nodal handling systems, followed by field testing for both depth and deployment speed.

Utsira 3D OBN program

The acquisition on our Utsira program was completed in the first week of the Quarter, continuing the excellent performance in both productivity and safety that was recorded in Q3. The project returned solid technical performance, with technical down time across the fleet of less than 1.2%. Minor downtime was recorded throughout the program due to SIMOPS (Simultaneous Operations) and fishing, a direct result of the well managed and planned coordination with stakeholders, consequently several productivity records were set.

Brazil Campaign

The Neptune Naiad, worked through the quarter, however saw a higher than usual technical down time, through a combination of technical issues with a newly installed source controller, and a mechanical failure that resulted in an umbilical tangle. Recovery from this event including the resulting port call saw ten days of production lost.

Technology

Upgrades to our handling systems were implemented following the completion of Utsira program. The systems were field tested following the upgrades and increases in deployment and retrieval speeds that were anticipated were immediately seen. We look forward to seeing the productivity improvements from these initiatives through 2020 and beyond.

HSE Performance

The crews continued to perform to high HSE standards. In Q4, we recorded 350,795 man hours, down from 413,000 manhours in Q3 as a result of the lower operations levels. This included 89,000 subcontractor hours, down from 263,000 the previous quarter without a Lost Time Incident (LTI). A strong focus on proactive measures continued in Q4, with more than 823 proactive events recorded despite the reduced operational activity.

AGS recorded 2.17 million man-hours in the full year of 2019.

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 deviation from IFRS.

REVENUE

Revenue for the fourth quarter of 2019 was NOK 35.4 million compared to NOK 35.8 million for the fourth quarter of 2018. The revenue in Q4 2019 of NOK 35.4 million is related to contract work in Brazil, compared to revenue related to contract work in India in Q4 2018.



Revenue for the full year of 2019 was NOK 611.8 million compared to NOK 53.4 million in 2018. Of the total 2019 revenue NOK 609.2 million is related to contract work in India, Dubai and Brazil, compared to contract work in Indonesia and India for 2018.

In accordance with IFRS 15 no revenues from the prefunding achieved for the multi-client project Utsira have been recorded in this quarter or during the full year of 2019 and 2018. As end of December 2019 the Company has recognized a contract liability in the balance sheet of NOK 199.9 million which reflects the revenue for the work performed on the project to date.

OPERATIONAL COST

Cost of sales (COS) in the fourth quarter of 2019 was NOK 88.3 million, net of capitalized multi-client costs, compared to NOK 45.4 million in the fourth quarter of 2018. The largest portion of COS relates to the Middle East project period of idle added up to NOK 64.9 million. The remaining COS is related to the Brazil campaign starting in Q3 2019. The fourth quarter of 2018 had multi-client project where the COS was capitalized and started acquisition for the India project in mid November with capitalized mobilization of NOK 37.7 million.

For the full year of 2019, COS amounted to NOK 512.1 million, net of capitalized multi-client costs, compared to NOK 47.4 million during the same period in 2018, where NOK 410.5 million is related to contract work in India, period idle of NOK 64.9 million and the rest for Dubai and Brazil for 2019, while the main COS in 2018 was related to multi-client and therefore capitalized. In the last quarter of 2018 India contract work started and NOK 37.7 million was capitalized.

Personnel expenses and other operating expenses in the fourth quarter of 2019 amounted to NOK 14.5 million, compared to NOK 23.8 million in the fourth quarter of 2018. The decrease in cost is due to external consultants being permanently hired in 2019. NOK 6.0 million of the 2019 costs were related to lawyers and consultants.

For the full year of 2019, personnel expenses and other operating expenses amounted to NOK 59.7 million compared to NOK 46.2 million during the same period of last year. Legal and consultants fee of NOK 19.7 million for the full year 2019 is mainly related to the merger and listing costs, and also including consultants and increased number of staff required to pursue the Company's growth plans.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation was NOK 19.6 million during the fourth quarter of 2019 compared to depreciation of NOK 10.5 million in the fourth quarter of 2018. The increase is due to more node handling systems in operation.

For the full year of 2019 depreciation and write downs of lost equipment was NOK 51.8 million compared to NOK 23.5 million in 2018, where the increase is due to more node handling systems in operation as mentioned above.

AMORTIZATION OF INTANGIBLE ASSETS

According to IFRS, multi-client surveys are not amortized in the acquisition phase. The multi-client 3D OBN project was finished in October 2019 and will be processed in Q1 2020 for the 2018 Utsira acquired data.

IMPAIRMENT

Goodwill has been written down NOK 15.9 million to zero in the fourth quarter.



The Company has performed a write down of the multi-client library in the fourth quarter amounting with NOK 308.6 million to NOK 399 million based on future present value of the library and expectations of future sales.

No impairment charges have been made for the vessel Neptune Naiad nor the node handling systems.

EBITDA AND EBIT

The EBITDA was NOK -67.4 million in the fourth quarter of 2019 compared to NOK -33.4 million in the fourth quarter of 2018. This decrease in EBITDA is mainly due to cost of sales NOK 64.9 million from the period idle.

EBIT (operating profit) was NOK -411.5 million in the fourth quarter of 2019 compared to NOK -44.0 million during the same period in 2018. The decrease in EBIT relates to the same factor as the decrease in EBITDA described above in addition to a write down of the multi-client library with NOK 308.6 million and a write down of goodwill with NOK 15.9 million.

EBITDA for the full year of 2019 was NOK 40.0 million compared to NOK -40.2 million for 2018. EBIT for the full year of 2019 was NOK -336.3 million in 2019 compared to NOK -63.7 million during 2018. The contract work had a positive effect on the EBITDA for the full year of 2019 while EBIT was negative because of the write down of multi-client library and the goodwill. For the full year in 2018 personnel expenses and other operating expenses had a negative impact on EBITDA and EBIT.

FINANCIAL ITEMS

Net financial income was NOK 11.2 million during the fourth quarter of 2019 compared to net financial expense of NOK 14.2 million in the fourth quarter of 2018. The increase is mainly a net result of currency exchange gain of NOK 13.7 million and interest cost from suppliers amounted to NOK 2.4 million.

For the full year of 2019 net financial expense was NOK 26.4 million compared to net financial expense of NOK 13.1 million in 2018, where the increase in expense of NOK 10.2 million is related to fair value calculation of the merger with Songa Bulk ASA, a net result of currency exchange gain of NOK 1.1 million, guarantee cost of NOK 8.2 million for a performance bond and interest cost from suppliers of NOK 7.9 million.

INCOME TAX (EXPENSE)

AGS has computed tax expense based on the corporate income tax in Norway (22% in 2019). Income tax expense for the fourth quarter of 2019 amounted to NOK 31.6 million compared to income tax revenue of NOK 7.8 million for the same period in 2018. All deferred tax asset has been reversed to zero as of December 2019.

For the full year in 2019 income tax expense amounted to NOK 40.0 million compared to income tax revenue of NOK 11.9 million for the same period in 2018.

There are no taxes payable in AGS, all changes are due to adjustment in deferred tax asset.

PROFIT FOR THE PERIOD

AGS had a loss of NOK 431.9 million for the fourth quarter of 2019 compared to loss of NOK 50.5 million for the fourth quarter of 2018.

For the full year of 2019 AGS had a loss of NOK 402.7 million compared to a loss of NOK 65.0 million for the same period in 2018.

FINANCIAL POSITION AND CASH FLOW

As of 31 December 2019, AGS had total assets of NOK 806.1 million, compared to total assets of NOK 586.4 million as of 31 December 2018.

Total non-current assets increased from NOK 412.5 million in 2018 to NOK 551.9 million in 2019. This is attributed to the net increase in multi-client library of NOK 182 million after a write down of NOK 308.6 million as mentioned under Impairment; a write down of Goodwill with NOK 15.9 million; a reversal of deferred tax asset to zero with NOK 40.0 million; and a net of NOK 13.3 million increase in the node handling system.

Total current assets increased from NOK 173.9 million in 2018 to NOK 254.2 million in 2019. The increase is driven by a NOK 73.8 million increase in trade receivables mainly due to VAT self-assessment related to multi-client pre-funding; an increase in other current assets (accrued revenue, mobilization, and prepaid cost) of NOK 70.9 million; an offset by decrease in inventories of NOK 10.2 million; and a decrease in cash of NOK 54.2 million. Cash balance ending at NOK 12.6 million for 2019.

The Group's equity was negative with NOK 54.7 million at the end of the year 2019 compared to positive NOK 29.6 million as of 31 December 2018. During the full year of 2019, the Company has raised NOK 305.4 million net of transaction costs. The equity ratio was negative as of 31 December 2019.

Total non-current liabilities increased to NOK 0.6 million as of 31 December 2019, from zero as of 31 December 2018, consisting of long-term portion for financial lease for properties. The original secured debt towards Eksportkreditt Norge AS has been reclassified to short-term debt as the covenants was not fulfilled per December 2019. The Company has received a waiver from Eksportkreditt Norge AS on one of the two financial covenants for the fourth quarter 2019. The Company anticipates to be in need of waivers from Eksportkreditt Norge AS due to the restructuring of accounts payables to long-term debt and financial covenants.

The current portion of long-term debt amounted to NOK 19.8 million for the debt towards Eksportkreditt Norge AS and NOK 2.0 million for the financial lease as of December 2019.

Total current liabilities as of 31 December 2019 amounted to NOK 860.1 million, compared to NOK 556.8 million as of 31 December 2018. The large increase is related to trade payables, which increased by NOK 184.9 million. Contract liabilities (IFRS adjustment for multi-client pre-funding revenue) increased by NOK 44.5 million to NOK 199.9 million min 2019. Other current liabilities increased by NOK 81.5 million in 2019 due to project related accruals of NOK 79.9 million; mobilization revenue of NOK 54.2 million; and the issuance of a promissory loan note in favour of TGS which was reduced with NOK 67.1 million to NOK 53.4 million per December 2019. The current portion of long-term debt amounted to NOK 21.8 million as per 31 December 2019.

Cash outflow from operating activities in Q4 2019 was negative with NOK 77.3 million in 2019, compared to negative of NOK 4.0 million at the end of the same period in 2018. The operating cash flow was primarily a result of the period idle prior to award with negative NOK 64.9 million.

Cash outflow from investing activities in Q4 2019 amounted to negative NOK 120.0 million, compared to positive of NOK 26.1 million in the same period in 2018 due to the joint operation with TGS that effected Q4 2018 with full year effect. The main investments in 2019 were those in the multi-client library of NOK 106.6 million and in node handling equipment of NOK 13.5 million. Compared to 2018 which had a net positive effect with NOK 51.7 million in fourth quarter due to the joint operation with TGS as mentioned above and node handling equipment of NOK 25.6 million.

Cash inflow from financing activities in Q4 2019 was NOK 205.7 million, compared to NOK 23.2 million in the same period in 2018. Net proceeds from new equity was NOK 211.1 million offset by instalments relating to the loan and finance leases and interest totaled NOK 5.4 million.

FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Axxis Geo Solutions Group					
NOK thousand	Note	Q4 2019	Q4 2018	Full Year 2019	Full Year 2018
Revenue	1/2	35 407	35 794	611 767	53 378
Cost of sales	2	(88 308)	(45 398)	(512 117)	(47 395)
Personnel expenses	2	(3 635)	(5 552)	(22 543)	(14 955)
Other operating expenses	2	(10 901)	(18 272)	(37 120)	(31 204)
Amortization & impairment multi-client & goodwill		(324 505)	-	(324 505)	-
Depreciation & impairment	3	(19 592)	(10 543)	(51 817)	(23 526)
Operating profit (loss) (EBIT)		(411 534)	(43 971)	(336 336)	(63 703)
Financial income		13 219	3 911	26 426	6 747
Financial expenses		(1 984)	(18 153)	(52 786)	(19 892)
Profit (loss) before tax		(400 298)	(58 213)	(362 696)	(76 849)
Income tax (expense)		(31 563)	7 757	(40 037)	11 857
Profit (loss) for the period		(431 861)	(50 456)	(402 732)	(64 992)
Currency translation adjustments		(864)	378	(1 083)	331
Other comprehensive income (loss) for the period		(864)	378	(1 083)	331
Total comprehensive income (loss) for the period		(432 725)	(50 078)	(403 815)	(64 661)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Axxis Geo Solutions Group

NOK thousand	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
Goodwill		-	15 917
Multi-client library	3	399 511	216 987
Deferred tax asset		-	40 037
Property, plant and equipment		152 392	139 133
Other non-current assets		-	419
Total non-current assets		551 902	412 491
Current assets			
Inventories		6 699	16 923
Trade receivables *		108 079	34 239
Other current assets	4	126 763	55 883
Bank deposits, cash in hand		12 618	66 866
Total current assets		254 159	173 910
Total assets		806 061	586 402

NOK thousand	Note	31.12.2019	31.12.2018
Equity and Liabilities			
Equity			
Share capital and other paid in capital	5	422 564	99 538
Other reserves		(477 225)	(69 936)
Total equity		(54 661)	29 602
Non current liabilities			
Interest bearing debt		633	-
Total non current liabilities		633	-
Current liabilities			
Interest bearing debt current		21 792	29 856
Trade payables		365 756	180 808
Contract liabilities		199 868	155 353
Other current liabilities *	4	272 673	190 783
Total current liabilities		860 089	556 800
Total liabilities		860 722	556 800
Total equity and liabilities		806 061	586 402

* MNOK 86.0 relates to VAT that has been paid 10 Feb 2020

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			(402 732)		(402 732)
Other comprehensive income (loss)			(1 083)		(1 083)
New shares issued - cash settled	75 752	246 459			322 211
Cost for new shares issued		(16 826)			(16 826)
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				(105)	(105)
Balance as of 31.12.2019	82 014	337 181	(477 226)	3 368	(54 661)

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.

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)	-	90 790
Profit (loss) for the period			(64 992)		(64 992)
Other comprehensive income (loss)			331		331
Share based payment				3 473	3 473
Balance as of 31.12.2018	50 096	49 442	(73 410)	3 473	29 602

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Axxis Geo Solutions Group					
NOK thousand	Note	Q4 2019	Q4 2018	Full Year 2019	Full Year 2018
Cash flow from operating activities					
Profit (loss) before tax		(400 298)	(58 213)	(362 696)	(76 849)
Taxes paid		-	-	-	(423)
Depreciation and amortization	3	344 097	10 543	376 322	23 526
Agio - disagio without cash flow effects		(164)	86	(7)	628
Interest expense *		2 612	6 524	19 554	6 818
Share based payment cost		76	2 193	(105)	3 473
Change in trade receivables		(91 039)	(28 391)	(73 841)	(29 392)
Change in trade payables		66 627	49 594	184 948	161 307
Change in inventories		8 278	(4 336)	10 224	(16 851)
Change in other current assets		(98 136)	(55 883)	(71 298)	(50 893)
Change in contract liabilities		37 788	(87 121)	44 516	155 353
Change in other current liabilities		52 893	160 969	81 890	188 395
Net cash from operating activities		(77 266)	(4 035)	209 508	365 092
Cash flow from investing activities					
Investment in property, plant and equipment		(13 459)	(25 585)	(60 861)	(98 089)
Investment in multi-client library	3	(106 563)	(189 267)	(491 112)	(216 987)
Joint operation effect		-	240 926	-	-
Cash received/paid from non-current receivables		-	-	-	(368)
Cash received/paid from merger		-	-	3 620	-
Net cash flow from investment activities		(120 022)	26 074	(548 353)	(315 444)
Cash flow from financing activities					
Proceeds from interest bearing debt		-	29 750	-	29 750
Repayment of interest bearing debt		(2 479)	-	(9 917)	(8 500)
Payment of lease liabilities (recognized under IFRS 16)		(514)	-	(1 729)	-
Net proceeds from new equity		211 135	-	305 385	-
Interest paid		(2 447)	(6 524)	(9 142)	(6 712)
Net cash flow from financial activities		205 695	23 226	284 597	14 538
Net change in cash and cash equivalents		8 407	45 265	(54 247)	64 186
Cash and cash equivalents balance 01.10/01.01		4 211	21 600	66 866	2 679
Effects of exchange rate changes on cash and cash equivalents		-	-	-	-
Cash and cash equivalents balance 30.09/31.12		12 618	66 866	12 618	66 866

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 REVENUE

NOK thousand	Segment reporting		IFRS reporting	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Q4 2019/2018				
Operating Revenue				
Contract revenue	35 407	35 794	35 407	35 794
Multi-client pre-funding revenue	12 714	(7 224)	-	-
Multi-client late sales	-	-	-	-
Total revenue	48 122	28 570	35 407	35 794

NOK thousand	Segment reporting		IFRS reporting	
	Full year 2019	Full Year 2018	Full Year 2019	Full Year 2018
Full Year 2019/2018				
Operating Revenue				
Contract revenue	611 767	53 378	611 767	53 378
Multi-client pre-funding revenue	113 716	125 494	-	-
Multi-client late sales	-	-	-	-
Total revenue	725 483	178 872	611 767	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 Q4 2019/2018	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Q4 2019	Q4 2018	Q4 2019	Q4 2018
	Q4 2019	Q4 2018*	Q4 2019	Q4 2018				
Income statement								
TGS share adjustment prefunding Q3 YTD		(66 359)				66 359	-	-
Additional prefunding AGS share Q4		59 135				(59 135)	-	-
Total revenue	12 714	(7 224)	35 407	35 794	(12 714)	7 224	35 407	35 794
Total cost of sales	905	38 256	(89 213)	(86 753)	-	3 098	(88 308)	(45 398)
Personnel expenses	(1 713)	(90)	1 552	(3 269)	(3 473)	(2 193)	(3 635)	(5 552)
Other operating expenses	(2 065)	(10 922)	(9 377)	(7 350)	541	-	(10 901)	(18 272)
Total Operating Expenses	(2 874)	27 244	(97 039)	(97 372)	(2 932)	905	(102 844)	(69 223)
Operating profit (loss) before depreciation and amortization (EBITDA)	9 840	20 020	(61 631)	(61 577)	(15 646)	8 129	(67 437)	(33 428)
Depreciation & Amortization	(320 089)	(3 778)	(27 137)	(4 549)	3 130	(2 216)	(344 097)	(10 543)
Operating profit (loss) (EBIT) Segment	(310 249)	16 242	(88 768)	(66 126)	(12 516)	5 913	(411 534)	(43 971)

NOK thousand Full Year 2019/2018	Segment reporting				Adjustments		IFRS reporting	
	Multi-client		Contract		Full Year 2019	Full Year 2018	Full Year 2019	Full Year 2018
	Full Year 2019	Full Year 2018*	Full Year 2019	Full Year 2018*				
Income statement								
Total revenue	113 716	125 494	611 767	53 378	(113 716)	(125 494)	611 767	(53 378)
Total cost of sales	19 014	48 190	(531 131)	(98 683)	-	3 098	(512 117)	(47 395)
Personnel expenses	(9 060)	(8 213)	(13 483)	(3 269)	-	(3 473)	(22 543)	(14 955)
Other operating expenses	(9 246)	(22 319)	(29 665)	(8 885)	1 791	-	(37 120)	(31 204)
Total Operating Expenses	707	17 659	(574 278)	(110 838)	1 791	(376)	(571 780)	(93 555)
Operating profit (loss) before depreciation and amortization (EBITDA)	114 423	143 153	37 489	(57 460)	(111 925)	(125 870)	39 987	(40 177)
Depreciation & Amortization	(394 983)	(94 835)	(48 103)	(9 344)	66 764	80 653	(376 322)	(23 526)
Operating profit (loss) (EBIT) Segment	(280 560)	48 318	(10 614)	(66 804)	(45 162)	(45 217)	(336 336)	(63 703)

* 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 3 MULTI-CLIENT LIBRARY

NOK thousand	Segment reporting			IFRS Reporting		
	Q4 2019	Full Year 2019	Full Year 2018	Q4 2019	Full Year 2019	Full Year 2018
Cost as of 01.10/01.01 *	601 536	216 987	-	601 536	216 987	-
Capitalized costs	106 563	491 112	216 987	106 563	491 112	216 987
Cost as of 31.12	708 099	708 099	216 987	708 099	708 099	216 987
	-	-	-	-	-	-
Accumulated amortization and impairment as of 01.10/01.01	(142 692)	(79 061)	-	-	-	-
Amortization for the period	(8 010)	(71 641)	(79 061)	-	-	-
Impairment for the period	(308 588)	(308 588)	-	(308 588)	(308 588)	-
Accumulated amortization and impairment as of 31.12	(459 291)	(459 291)	(79 061)	(308 588)	(308 588)	-
	-	-	-	-	-	-
Carrying value at 01.10/01.01	458 844	137 926	-	601 536	216 987	-
Carrying value at 31.12	248 808	248 808	137 926	399 511	399 511	216 987
Net MC revenues	12 714	113 716	125 494	-	-	-
Amort. in % of net MC revenues	63 %	63 %	63 %	63 %	63 %	63 %
Change in net book value	-46 %	80 %	100 %	-34 %	84 %	100 %

* Due to sales of MCL to subsidiary at fair value, the cost price of MCL is reduced with MNOK 15.

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 are mainly related to time charter for vessels and consultancy fees. See the figure below for balances with related parties:

NOK thousand	Full Year 2019	Full Year 2018
Transactions with related parties		
Hired vessels:		
Lease payment Havila Fortune - controlled by Havila Holding AS	(44 405)	(21 503)
Lease payment Havila Aurora - controlled by Havila Holding AS	(28 098)	-
Lease payment Geo Caspian - controlled by Havila Holding AS	(28 996)	(48 421)
Ship management and other operating services:		
Remøy Shipping controlled by W2 Seismic AS	(2 280)	(954)
Evotec AS - controlled by Rome AS *	(8 803)	(30 017)
Consultancy and accounting services:		
Impact Geo Solutions controlled by Bjarte Bruheim *	(3 873)	(5 965)
Rome AS controlled by Jogeir Romestrand *	(1 792)	(3 447)
Hasund AS - controlled by Bjørnulf AS	(1 630)	(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)
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 *	1 078	1 230
Rome AS *	150	455
Evotec AS - controlled by Rome AS *	7 588	4 771
Havila Ships AS controlled by Havila Holding AS	52 928	6 878

* 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 31.12 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 December 2019

	Name	Number of shares	Share
1	Havila Holding AS	15 549 434	26.4%
2	Ronja Capital AS	2 065 257	3.5%
3	Bruheim	1 820 000	3.1%
4	W2 Seismic AS	1 765 561	3.0%
5	Urbaniumgruppen AS	1 500 000	2.6%
6	Johs. Hansen rederi AS	1 496 345	2.5%
7	Ajea invest AS	1 423 873	2.4%
8	Kjøllås stansenkriver AS	1 282 768	2.2%
9	Stette invest AS	1 282 768	2.2%
10	Remco AS	1 100 000	1.9%
11	Pedersen	1 000 000	1.7%
12	Nordnet Bank AB	942 949	1.6%
13	Middelborg invest as	833 333	1.4%
14	J.P Morgan securities LLC	703 618	1.2%
15	Næringslivets hovedorganisasjon	671 343	1.1%
16	Leoville AS	614 436	1.0%
17	Merour	541 531	0.9%
18	Haarstad	517 000	0.9%
19	ABN AMRO global custody services N	500 021	0.9%
20	Jakob Hatteland Holding AS	500 000	0.9%
	Total	36 110 237	61.4%
	Total other shareholders	22 710 781	38.6%
	Total number of shares	58 821 018	100%

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.

NOK thousand	Segment reporting		IFRS reporting	
	Q4 2019	Full Year 2019	Q4 2019	Full Year 2019
Profit (loss) for the period	(401 132)	(347 870)	(431 861)	(402 732)
Income tax (expense)	(13 806)	(30 503)	(31 563)	(40 037)
Net financial items	11 692	(26 193)	11 235	(26 360)
Depreciation & impairment PPE	(19 089)	(50 123)	(19 592)	(51 817)
Amortization and impairment of multi-client and goodwill	(328 138)	(392 963)	(324 505)	(324 505)
Operating profit (loss) before depreciation and amortization (EBITDA)	(51 791)	151 912	(67 437)	39 987

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, 26 February 2020

The Board of Directors of Axxis Geo Solutions ASA

Rolf Rønningen
Chairman

Njål Sævik
Director

Vibeke Fængsrud
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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