



## Digitizing the Ocean Space



*Argeo aims to transform the ocean space survey and inspection industry through robotics, sensor and imaging technology. This is expected to provide an increase in data accuracy, detail and collection efficiency, as well as a reduced CO2 footprint by reducing the need for large surface vessels. Argeo's markets are in infrastructure, offshore wind, oil & gas inspection as well as deep-water mineral exploration.*

# INTERIM REPORT Q2 2021

## HIGHLIGHTS

- Argeo has successfully completed several key milestone projects involving all our robotics solutions and data analysis methods for clients
- Successfully demonstrated the services based on our surface robotics platform (ASV) for EPCI clients in Aquaculture (Fjordmax) and Oil & Gas (AkerBP/Krafla) proving its high-performance potential in data acquisition and data quality
- The Hugin AUV system was commissioned and mobilized for the Krafla electrification project and recorded productivity of more than 70-line kilometers over a period of 12-hour continuous acquisition, over 6x the traditional ROV acquisition speed which means our solutions are far superior to the traditional ROV methods and main competition
- All three robotics systems, the two Autonomous Surface Vehicle and the Hugin AUV are occupied from late August with potential for extension in September
- Building of the two SeaRaptor systems are in line with earlier communicated plan with the first delivery in Q4-2021 and the second delivery in Q1-2022
- High sales and marketing efforts during the quarter resulting in several request from clients and tender activity primarily in the Offshore Wind and Deep Sea Minerals segment

## Business Development

- Eelume Robot project progressing well, planned first system procurement in Q4-2021 and expected delivery Q2-2022. High client interest and several request for information as result from this exciting and disruptive IMR technology
- Argeo are introducing a new Multi-Client business model purposely targeting new verticals utilizing our state-of-the-art robotics and digital twin solutions

## CEO COMMENT

*Despite all the positive results during the quarter, it has not been without its challenges. High operational activity levels combined with commissioning several new robotics systems, small crew base resulted in slightly lower revenues compared to our Q1 guidance. Commissioning the used Hugin system we experienced some initial technical issues relating to a long period of system standstill causing some delays in our project delivery. I am however very pleased by the great effort put in by the operational and geoscience team, resolving the problems and bringing project to close, proving our productivity estimates and deliver valuable data to our clients.*

*On the commercial side our services and technology have been successfully presented to clients in the EMEA region. Timing of our ramp-up is good, meeting customer needs in our most important verticals and geomarkets. We experience that both prospective and existing customers are responding well to our value proposition of replacing outdated, costly polluting technologies and methods. Argeo technology hits the mark and will undoubtedly accelerate in the years to come, placing Argeo in pole position and one of the few players capable of delivering full robotics services in all of our verticals.*

### *HSEQ*

*Argeos Integrated Management System (IMS) is progressing as planned, with several improvements across departments, technologies, and processes. The Argeo IMS covering Health, Safety, Environment and Quality shall lead to future ISO certification and is implemented inline with the company's global expansion plan.*

*Trond F. Crantz  
CEO of Argeo*

## **OUTLOOK**

Argeo sees significant demand for its services within three areas, Offshore Wind installations, Oil & Gas Inspections, Maintenance and Repair (IMR) and Deep Sea Minerals. Technology improvements are reducing the installation costs in offshore wind projects making it competitive versus onshore wind installations. While the market is increasingly global the majority of the super-growth in installed capacity is seen in Europe and Asia. Argeos technology and solutions combined with state-of-the-art ASV's and the Eelume intervention system for offshore wind capacity are perfectly positioned to capture market share and to become a significant market operator.

Argeo sees strong demand building for its services and expects increased activity going forward. However, some planned projects are delayed hence the revenue expectations for the full year 2021 is reduced. Several projects are now in the final tendering stages, and an updated guidance for the remainder of the year cannot be provided now.

## **FINANCIAL REVIEW**

### **Revenue:**

Revenue for Q2 2021 was NOK 10.9 million, compared to NOK 3.7 million in Q2 2020. Revenue in Q2 2021 includes NOK 0.2 million in governmental grants, compared to NOK 0.3 million in Q2 2020.

Revenue for first half 2021 was NOK 12.0 million, compared to NOK 4.9 million in first half 2020. Governmental grants in first half 2021 amounted to NOK 0.5 million, same as in first half 2020.

### **Operating expenses:**

Employee expenses for Q2 2021 was NOK 4.2 million, compared to NOK 0.2 million in Q2 2020. Other operating expenses was NOK 8.9 million, up from NOK 1.8 million in Q2 2020. The increase in employee expenses and other operating expenses from same quarter last year is due to ramp-up of organisation and higher activity.

Employee expenses for first half 2021 amounted to NOK 5.8 million, compared to NOK 0.9 million in first half 2020. Other operating expenses in first half 2021 was 10.5 million, compared to NOK 2.6 million in first half 2020.

Depreciation was NOK 0.3 million in Q2 2021, compared to NOK 0.2 million in Q2 2020. Depreciation for first half 2021 was 0.6 million, compared to 0.4 million in first half 2020.

### **Financial items**

Net financial income for Q2 2021 was NOK 83 thousand, compared to net financial income of NOK 6 thousand in Q2 2020.

Net financial income for first half 2021 was NOK 22 thousand, compared to net financial loss in first half 2021 amounting to 16 thousand.

Financial income in Q2 2021 includes NOK 40 thousand (50% share) of gain in the JV with Multiconsult, and NOK 125 thousand in net foreign exchange gain. Net foreign exchange gain in Q2 2020 was NOK 6 thousand.

### **Net Profit/ Loss**

Net loss for Q2 2021 was NOK 1.9 million compared to a net profit of NOK 1.1 million in Q2 2020.

Net loss for first half 2021 was NOK 3.8 million, compared to a net profit of NOK 0.8 million in first half 2020.

### **Balance Sheet**

Total non-current assets amounted to NOK 42.7 million at the end of the period. Investments amounted to NOK 31.1 million in Q2 2021, mainly related to advance payments on the two Teledyne SeaRaptors ordered earlier this year.

Free cash and cash equivalents balance was NOK 124.7 million at the end of the quarter, compared to NOK 7.8 million at year end 2020 and NOK 1.2 million at the end of Q2 2020.

Total liabilities at the end of the quarter were NOK 17.7 million, of which NOK 6.6 million is interest bearing.

### **Shares**

A private placement of NOK 175 million was completed 20 April 2021. 21 341 463 new shares were issued at NOK 8.20 per share. Net proceeds from the share issue was NOK 159.9 million.

Total outstanding shares at 30 June 2021 were 27 441 461.

As per 30 June 2021, a total of 624 772 options, formalised as warrants, are outstanding in connection with a share option programs (“Tranche 1 Warrants”). Exercise price is in average NOK 1.46, and the warrant expires at various intervals from 10 February 2024 to 23 December 2025.

In connection with the private placement in April 2021, the Company’s general meeting approved the issuance of 3,750,000 new warrants (Nw.: frittstående tegningsretter) to the existing shareholders of the Company before the private placement (“Tranche 2 Warrants”. A total of 1,875,000 Tranche 2 Warrants can be exercised at NOK 0.10 given a demonstrated share market price appreciation of two times the Subscription Price within the next two years and the remaining 1,875,000 Tranche 2 Warrants can be exercised at NOK 0.10 given a demonstrated share market price appreciation of three times the Subscription Price within a period of 4 years.

### Responsibility statement

We confirm that, to the best of our knowledge, the unaudited set of interim financial statements for the second quarter of 2021 which has been prepared in accordance with NGAAP gives a true and fair view of Group’s consolidated assets, liabilities, financial position and results of operations.

We also confirm that, to the best of our knowledge, the interim report for the first half gives a true and fair view of important events in the accounting period and their influence on the interim report for the first half, as well as the principal risks and uncertainties facing the business in the next accounting period.

The Board of Directors and CEO of Argeo AS  
Asker, 25<sup>th</sup> August 2021

Jan P. Grimnes  
Chairman

Geir Kaasen  
Board Member

Ann-Christin Andersen  
Board Member

Jim Dåtland  
Board Member

Arne Kjørsvik  
Board Member

Trond F. Crantz  
CEO

**Argeo AS**  
Interim consolidated profit and loss

Amounts in NOK	Note	Q2-2021	Q2-2020	First half 2021	First half 2020	Full year 2020
<b>Operating revenues:</b>						
Sales revenue		10 688 902	3 449 166	11 534 800	4 383 717	11 904 387
Governmental grants		175 000	270 000	470 000	480 000	930 000
<b>Total operating revenues</b>		<b>10 863 902</b>	<b>3 719 166</b>	<b>12 004 820</b>	<b>4 863 717</b>	<b>12 834 387</b>
<b>Operating expenses:</b>						
Employee expenses		4 189 645	227 424	5 782 466	853 129	2 902 341
Other operating expenses		8 857 135	1 845 206	10 456 775	2 592 033	6 350 502
Depreciation	1, 2	299 753	244 693	606 965	434 679	972 321
<b>Total operating expenses</b>		<b>13 346 532</b>	<b>2 317 323</b>	<b>16 846 206</b>	<b>3 879 841</b>	<b>10 225 164</b>
<b>Operating profit/(loss)</b>		<b>-2 482 630</b>	<b>1 401 843</b>	<b>-4 841 406</b>	<b>983 876</b>	<b>2 609 224</b>
<b>Financial income and expenses:</b>						
Income/ (loss) equity investments		40 098	0	-46 617	0	0
Financial income		0	0	0	0	1 395
Financial expenses		-82 167	-266	-138 291	-22 283	-106 509
Net foreign exchange gain (loss)		125 411	6 711	206 561	6 711	7 896
<b>Net financial items</b>		<b>83 342</b>	<b>6 445</b>	<b>21 654</b>	<b>-15 572</b>	<b>-97 218</b>
<b>Profit/(loss) before tax</b>		<b>-2 399 289</b>	<b>1 408 287</b>	<b>-4 819 752</b>	<b>968 304</b>	<b>2 512 006</b>
Income tax (expense)		536 665	-309 823	1 050 090	-213 027	-506 495
<b>Profit/ (loss) for the period</b>		<b>-1 862 624</b>	<b>1 098 464</b>	<b>-3 769 662</b>	<b>755 277</b>	<b>2 005 511</b>

**Argeo AS**  
Interim consolidated statement of Financial Position

Amounts in NOK	Note	June 30, 2021	June 30, 2020	December 31, 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	1	4 394 394	2 388 449	3 570 598
Deferred tax asset		1 360 811	632 482	339 014
Property, plant and equipment	2	31 038 852	816 204	11 564 582
Investment in JV	3	5 903 075	0	0
<b>Total non-current assets</b>		<b>42 697 132</b>	<b>3 837 135</b>	<b>15 474 193</b>
<b>Current assets</b>				
Trade receivables		12 262 205	103 125	4 419 219
Other current assets		411 882	1 602 816	288 786
Cash and cash equivalents		124 699 191	1 192 256	7 779 692
<b>Total current assets</b>		<b>137 373 278</b>	<b>2 898 197</b>	<b>12 487 697</b>
<b>Total assets</b>		<b>180 070 410</b>	<b>6 735 332</b>	<b>27 961 890</b>
<b>EQUITY</b>				
Share capital		2 744 146	610 000	610 000
Share premium		179 381 483	6 780 680	6 780 680
Other equity		-19 731 213	-2 437 808	-1 187 574
<b>Total equity</b>		<b>162 394 416</b>	<b>4 952 872</b>	<b>6 203 106</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long term debt	4	6 613 333	800 000	6 693 333
<b>Total non-current liabilities</b>		<b>6 613 333</b>	<b>800 000</b>	<b>6 693 333</b>
<b>Current liabilities</b>				
Trade payables		9 149 599	536 454	12 345 080
Other current liabilities		1 913 062	446 006	2 720 371
<b>Total current liabilities</b>		<b>11 062 661</b>	<b>982 460</b>	<b>15 065 451</b>
<b>Total liabilities</b>		<b>17 675 994</b>	<b>1 782 460</b>	<b>21 758 784</b>
<b>Total equity and liabilities</b>		<b>180 070 410</b>	<b>6 735 332</b>	<b>27 961 890</b>

## Argeo AS

## Interim consolidated statement of changes in equity

Amounts in NOK	Share capital	Additional paid-in capital	Accumulated earnings	Total equity
<b>Balance as of 1.1.2021</b>	<b>610 000</b>	<b>6 780 680</b>	<b>-1 187 574</b>	<b>6 203 106</b>
Profit/(loss) for the period	0	0	-3 769 662	-3 769 662
Effect of establish JV		50 000	0	50 000
Net proceeds from new equity	2 134 146	157 776 828	0	159 910 974
<b>Balance as of 30.6.2021</b>	<b>2 744 146</b>	<b>164 607 508</b>	<b>-4 957 236</b>	<b>162 394 418</b>
<b>Balance as of 1.1.2020</b>	<b>610 000</b>	<b>6 780 680</b>	<b>-3 193 084</b>	<b>4 197 596</b>
Profit/(loss) for the period	0	0	2 005 511	2 005 511
<b>Balance as of 31.12.2020</b>	<b>610 000</b>	<b>6 780 680</b>	<b>-1 187 574</b>	<b>6 203 106</b>

## Argeo AS

## Interim consolidated statement of cash flow

Amounts in NOK	Note	Q2-2021	Q2-2020	First half 2021	First half 2020	Full year 2020
<b>Cash flow from operating activities</b>						
Profit/(loss) before tax		-2 399 289	1 408 287	-4 819 752	968 304	2 512 006
Depreciation		299 753	244 693	606 965	434 679	972 321
Interest expense		82 167	266	138 291	22 283	106 509
Gain/Loss equity investments		-40 098	0	46 617	0	0
Change in current assets		-11 205 180	-657 855	-7 966 082	-1 309 945	-4 312 009
Change current liabilities		8 373 241	256 857	-4 002 790	262 874	14 345 865
<b>Net cash from operating activities</b>		<b>-4 889 406</b>	<b>1 252 249</b>	<b>-15 996 751</b>	<b>378 195</b>	<b>13 624 692</b>
<b>Cash flow from investing activities</b>						
Investment in property, plant and equipm.	5	-30 309 605	0	-30 903 191	-117 335	-11 071 483
Capitalisation of development cost		-839 340	-327 443	-839 340	-437 463	-1 951 483
Net investment in Joint Venture		0	0	-5 871 402	0	0
Sale AUV to JV		0	0	10 837 500	0	0
<b>Net cash from investing activities</b>		<b>-31 148 944</b>	<b>-327 443</b>	<b>-26 776 432</b>	<b>-554 798</b>	<b>-13 022 966</b>
<b>Cash flow from financing activities</b>						
Net proceeds from new equity		159 910 974	0	159 910 974	0	0
Proceeds from interest-bearing debt		0	0	0	0	6 000 000
Repayment of interest-bearing debt		-40 000	0	-80 000	0	-106 667
Interest paid		-82 167	-266	-138 291	-22 283	-106 509
<b>Net cash flow from financial activities</b>		<b>159 788 807</b>	<b>-266</b>	<b>159 692 683</b>	<b>-22 283</b>	<b>5 786 824</b>
Net change in cash and cash equivalents		123 750 457	924 539	116 919 499	-198 886	6 388 550
Cash and cash equivalents begin. of period		948 734	267 717	<b>7 779 692</b>	1 391 142	<b>1 391 142</b>
<b>Cash and cash equiv. end of the period</b>		<b>124 699 191</b>	<b>1 192 256</b>	<b>124 699 191</b>	<b>1 192 256</b>	<b>7 779 692</b>



## NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### General information and basis for the preparation

Argeo AS and its subsidiaries (the “Group”, or “Argeo”) is a publicly listed company on the Euronext Growth, with ticker symbol ARGEO. Argeo was admitted to trading on Euronext Growth 26 April 2021. Argeo is incorporated and domiciled in Norway.

These interim consolidated financial statements for the second quarter ended 30 June 2021 were prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles for smaller companies. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with consolidated financial statements of the Group as at and for the year ended 31 December 2020. These condensed consolidated interim financial statements are unaudited.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

### Note 1 Intangible assets

<u>Amounts in NOK</u>	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>31.12.2020</u>
<b>Cost as of 1.1</b>	<b>4 133 307</b>	<b>2 181 824</b>	<b>2 181 824</b>
Additions	1 237 125	437 463	1 951 483
<b>Cost as of 30.6/ 31.12</b>	<b>5 370 432</b>	<b>2 619 287</b>	<b>4 133 307</b>
<b>Accumulated depreciation 1.1</b>	<b>562 709</b>	<b>0</b>	<b>0</b>
Depreciation	413 328	230 839	562 709
<b>Accumulated depreciation 30.6/ 31.12</b>	<b>976 037</b>	<b>230 839</b>	<b>562 709</b>
<b>Net book value 30.6/ 31.12</b>	<b>4 394 395</b>	<b>2 388 448</b>	<b>3 570 598</b>

Intangible assets consist of capitalised cost related to development of a 3D Geological modelling system and Argeos “Digital Twin”. Depreciation of the 3D Geological modelling system started in 2020, and is taken over 5 years.

### Note 2 Property, plant and equipment

<u>Amounts in NOK</u>	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>31.12.2020</u>
<b>Cost as of 1.1</b>	<b>12 546 109</b>	<b>1 474 627</b>	<b>1 474 627</b>
Additions	30 505 406	117 335	11 071 482
Sale AUV to JV	-10 837 500	0	0
<b>Cost as of 31.3/ 31.12</b>	<b>32 214 015</b>	<b>1 591 962</b>	<b>12 546 109</b>
<b>Accumulated depreciation 1.1</b>	<b>981 528</b>	<b>571 916</b>	<b>571 916</b>
Depreciation	193 637	203 840	409 612
<b>Accumulated depreciation 31.3/ 31.12</b>	<b>1 175 165</b>	<b>775 756</b>	<b>981 528</b>
<b>Net book value 31.3/ 31.12</b>	<b>31 038 850</b>	<b>816 205</b>	<b>11 564 582</b>

Additions in 2021 is mainly related to advance payments on the two AUV's ordered from Teledyne. Additions in 2020 includes the purchase of one Hugin AUV, which was transferred to a joint owned company (50/50) with Multiconsult in January 2021.

Expected useful life is 3 years for office equipment and 3-7 years for field equipment.

### Note 3 Investment in JV

Argeo signed in January 2021 an agreement with Multiconsult for strategic cooperation to significantly improve quality for marine surveys and increase construction insight of the seabed conditions for large coastal development projects and offshore structure. As a part of the agreement, the parties have established H1000 JV AS, owned 50/50 by Argeo and Multiconsult. The Hugin AUV purchased by Argeo in 2020 was transferred to this JV in January 2021.

### Note 4 Long-term liabilities

Amounts in NOK	Nominal interest	31.03.2021	31.03.2020	31.12.2020
NOK 0.8 million loan	4.95%	613 333	800 000	693 333
NOK 6 million loan	3.95%	6 000 000	0	6 000 000
<b>Total long term debt</b>		<b>6 613 333</b>	<b>800 000</b>	<b>6 693 333</b>

#### NOK 0.8 million loan

The Group secured in 2019 a NOK 0.8 million loan from Innovasjon Norge, bearing an interest at 4.95%. The loan is secured with machinery and plant in Argeo Survey AS, and is repaid over 6 years.

#### NOK 6 million loan

The Group secured in 2020 a NOK 6 million loan from Innovasjon Norge, bearing an interest at 3.95%. The loan is secured with machinery and plant in Argeo Survey AS, in the shares owned by Argeo Survey in its 50% ownership in H1000 JV AS, and by a parent guarantee from Argeo AS. The loan is repaid over 5.5 years with a 6 month's grace period.

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## FINANCIAL CALENDER 2021

10<sup>th</sup> November      3Q 2021 Report

### CONTACTS:

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Argeo is a company with a mission to transform the ocean surveying and inspection industry by utilizing autonomous surface and underwater robotics solutions. Equipped with unique sensors and advanced digital imaging technology, the Autonomous Underwater Vehicles (“AUVs”) will significantly increase efficiency and imaging quality in addition to contribute to significant reduction in CO2 emissions from operations for the global industry in which the Company operates. The Company’s highly accurate digital models and digital twin solutions are based on geophysical, hydrographic and geological methods from shallow waters to the deepest oceans for the market segments Infrastructure, Offshore Wind, Oil & Gas and Deep Sea Minerals. Argeo was established in 2017 and has offices in Asker and Tromsø, Norway. Since its incorporation, Argeo has carried out complex projects for some of Norway’s largest companies in the field.

[www.argeo.no](http://www.argeo.no)