

# Quarterly Report

## Q4 2022



Digitizing the ocean space



# Contents

Letter from CEO.....	3
Q4 Highlights .....	4
Argeo at a Glance.....	5
About Argeo .....	6
Financial Review .....	11
Notes .....	18



## CEO Letter

The Argeo Searcher conversion was started in November and transit to Las Palmas commenced in late December. After arrival late January, our SeaRaptor AUV systems installations started, and the final integrated work was completed mid-February. This activity, along with the completion of the first commercial project for Argeo Argus, our new Uncrewed Surface Vessel (USV) was the primary achievement in the quarter.

### **Autonomous underwater vehicles (AUV)**

Both SeaRaptors have been shipped to Las Palmas for integration with Argeo Searcher in preparation for the first deep water missions in Q1-2023.

The Hugin 6000 system has continued on contract since September 1<sup>st</sup> working on a 6 + 6-month project in international waters.

### **Uncrewed surface vessel (USV)**

The first project for "Argus" was to provide a highly detailed seabed map and subsurface structure in Norway for a Renewable Energy company. The entire project was completed using the remote capability of the USV and provided our client with data for their project, which is delivered through Argeo SCOPE, our digital data platform. The "Argus" is getting more attention in the market and our customers are seeing the potential for the platform, in particular for the offshore wind segment (OWS). The potential of this technology is promising, and we are in dialog with prominent customers to expand its capability to cover all data sources our clients may require for new concessions.

### **Engineering projects**

The first installation of the new WHISPER EM sensors will take

place in Q1 2023. The WHISPER system will first take part in a field-test program in Q1 and Q2, if the outcome of these first validation tests are as we expect, the product will be commercially offered as part of Argeo's wider tools and sensor portfolio.

### **Markets**

We have succeeded in establishing and qualifying Argeo in our most important geomarkets. Primary commercial focus are activities in North- and South America (NSA) and Europe, Africa, and Middle East (EAME). However, we starting to see an increase in request from Asia and Pacific (APAC) with potentially large projects in the region towards the end of 2023. Our focus remains the same and is to solidify our contract backlog in 2023.

### **Projects and contracts**

In Q3 we mentioned that we expected a contract in South America could be awarded in Q1-23, this will most likely be delayed and could potentially be pushed towards the end of Q2. Despite this we remain positive, and we are in contention for several other projects in the same period. We report improvements in Q1-2023 contributed by full utilization from the Hugin 6000 project and approximately 40% utilization for Argeo Searcher (not including rigging/docking/installations).

### **Finances**

We reiterate our EBITDA target of NOK 50 million for 2023. However, delays in contract awards and subsequently project startup could put this target at risk.

Trond Figenschou Crantz, CEO of Argeo

*Trond Figenschou Crantz*

# Highlights

## Q4 Highlights

- NOK 50 million private placement
- NOK 20 million loan granted from Innovation Norway
- 5-year bareboat contract for vessel Argeo Searcher with option to buy
- First contract for Argeo "Argus" is a success with good results
- Argeo Searcher contract work in the North Atlantic for Deep Sea Minerals

## Other events

- NOK 5.2 million subsequent offering
- Ultra-deep water AUV survey and validation work in the North Atlantic has started
- Awarded a contract for Polish Geological Institute in the Mid Atlantic
- Argeo Searcher conversion and rigging completed
- Argeo teams up with global multi-client player on MC prospecting survey for deep-sea minerals
- Mid-Atlantic 2023 ultra deep-water campaign firms up to 30 million NOK

# About Argeo

Argeo is an Offshore Service company with technology to transforming the ocean space survey and inspection industry 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 reductions in CO2 emissions from operations for the global industry in which Argeo operates.

With the recent subsea vessel expansion adding Argeo Searcher to the fleet, Argeo is now offering an independent and complete long endurance solution to our customers. The vessel is well equipped to support IMR operations with Argeo's unique SeaRaptor AUV's and available hangar for several work-class ROV (WROV) systems. Argeo's markets are in Oil & Gas, Renewables, Marine Minerals and Offshore Installations.

**Argeo**

## Argeo in brief

Argeo is an Offshore Service company with a mission to transform the ocean surveying and inspection industry by utilizing autonomous surface and underwater robotics solutions.

HOUSTON  
RIO DE JANEIRO  
OSLO (HQ)  
TROMSØ  
STOCKHOLM  
SINGAPORE

► **Close to our customers**

Services		Markets	
 SURVEY	 INSPECTION	 OIL & GAS	 RENEWABLES
 MAINTENANCE & REPAIR	 MULTI CLIENT / DAAS	 OFFSHORE INSTALLATIONS	 MARINE MINERALS

# Robotics and digital solutions for the ocean space

## - four attractive key target markets



### Oil & Gas

Rising number of deep-water activities and a clear directive from majors to replace traditional vessel based IMR solutions with robotics and uncrewed solutions.

- Pipeline and cable survey / inspection
- Site Survey
- Route / trench survey and modelling
- Electrical & communication cable installations
- Route inspection after installation



### Renewables

Increase investments in renewable sources of energy and favourable government policies.

- Initial survey
- Early planning & design survey
- Construction and installation survey
- Operations & maintenance



### Marine Minerals

Global demand for batteries and metals for the renewable sector is the main growth driver for this market.

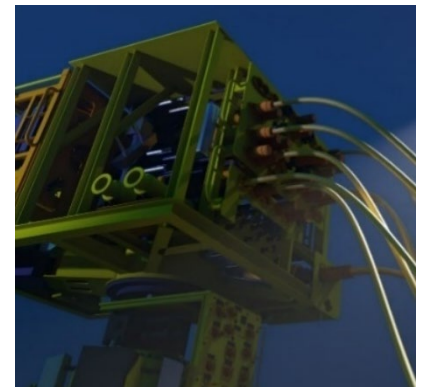
- High-resolution seabed mapping
- UHD seabed and megafauna imaging
- Multiphysics characterization
- Subsurface imaging
- Deposit detection and delineation
- Environmental survevina/monitoring

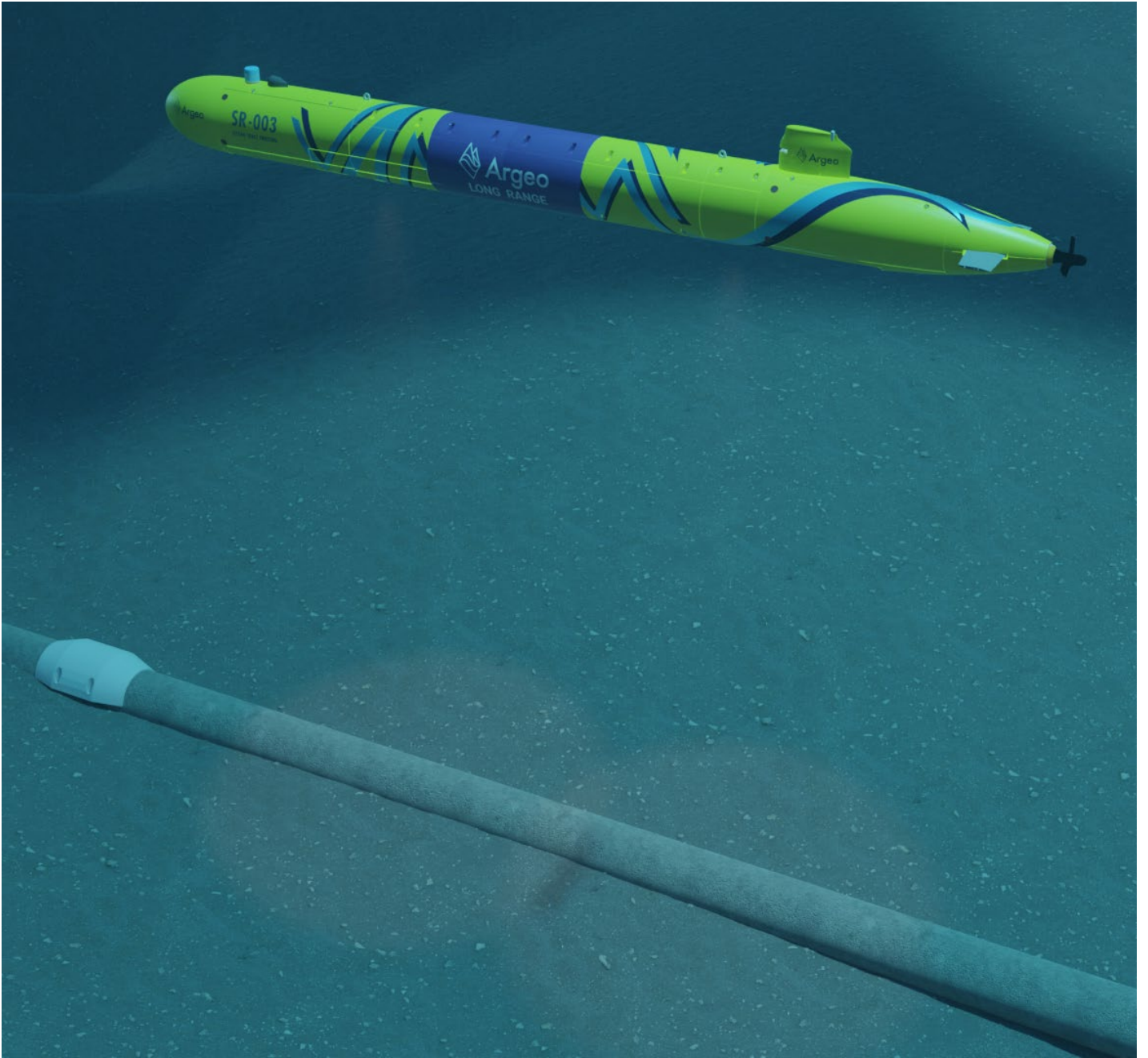


### Offshore Installations

The need for expertise and project de-risking for complex offshore installations is increasing with project

- Bridges & crossings
- Aquaculture
- Construction & Installation survey
- Early planning & design survey
- Inspection & maintenance survey





## Financial review

# Financial review

## Revenue:

Revenue for Q4 2022 was NOK 10.8 million, compared to NOK 0.4 million in Q4 2021. Revenue in Q4 2022 is from the survey with Argus USV for the renewables industry in Norway and from the Hugin 6000 which started commercial work in September.

Revenue for the full year 2022 amounted to NOK 33.6 million, compared to NOK 15.8 million in 2021.

## Operating expenses:

Operating cost in Q4 2022 was NOK 8.0 million, compared to NOK 5.9 million in Q4 2021. Operating cost for full year 2022 was NOK 31.3 million, compared to NOK 17.4 million in 2021.

Employee expenses for Q4 2022 was NOK 18.3 million, compared to NOK 11.7 million in Q4 2021. Employee expenses for full year 2022 amounted to NOK 62.4 million, compared to NOK 22.7 million in 2021.

Other operating expenses in Q4 2022 was NOK 5.0 million, up from NOK 2.0 million in Q4 2021. Other operating expenses for full year 2022 was NOK 18.0 million, compared to NOK 8.8 million in 2021.

The increase in operating expenses from 2021 is due to increased activity level, and a ramp up of the organisation to prepare for the activity in 2023.

Argeo capitalised NOK 8.5 million as development cost in Q4, compared to NOK 4.1 million in Q4 2021. Capitalisation for full year 2022 was NOK 26.3 million, compared to NOK 6.4 million in 2021. Capitalisation for the full year 2022 includes NOK 4 million for the Utsira Multi-client project acquired in Q2 2022.

Depreciation was NOK 5.4 million in Q4 2022, compared to NOK 0.4 million in Q4 2021. For the full year 2022, depreciation was NOK 12.5 million, compared to NOK 1.3 million in 2021. The increase from 2021 is reflecting depreciation on new assets delivered in 2022.

## Financial items

Net financial gain for Q4 2022 was NOK 7.4 million, of which NOK 10.8 million is unrealised currency exchange gain on debt nominated in USD. Net financial gain in Q4 2021 was NOK 0.5 million. Net financial loss for full year 2022 was NOK 5.8 million, compared to NOK 0 in 2021.

Financial gain in Q4 2022 includes a loss of NOK 2.8 million (50% share) in the JV with Multiconsult.

## Net Profit/ Loss

Net loss for Q4 2022 was NOK 5.3 million compared to a net loss of NOK 8.0 million in Q4 2021. Loss for full year 2022 was NOK 52.2 million, compared to a loss of NOK 18.1 million in 2021.

## Balance Sheet



Total non-current assets at the end of the period amounted to NOK 270.9 million. This includes NOK 24.3 million in intangible assets, NOK 28.4 million in deferred tax assets and NOK 211.8 million in Property, plant and equipment. Property, plant and equipment includes two SeaRaptor AUV's, one Hugin AUV, and the Argus USV.

Total current assets amounted to NOK 104.4 million at the end of 2022. Other current assets includes NOK 35.9 million unpaid share capital from the share issue made in December 2022.

Cash and cash equivalents balance was NOK 21.3 million at the end of the quarter, compared to NOK 65.9 million at year end 2021.

Long term debt was NOK 106.5 million at the end of the quarter, compared to NOK 5.9 million at year end 2021. Long term debt decreased from NOK 121.8 million in Q3 2022. NOK 4.5 million was repayment, and NOK 10.8 million was reduction due to change in exchange rate USD/NOK.

Total liabilities at the end of the quarter were NOK 162.0 million, of which NOK 4.6 million is interest bearing.

## Shares

A private placement of 30 300 000 new shares was made 20 December 2022, raising gross proceeds of NOK 50 million. The placement consisted of one tranche of 8 516 160 new shares ("Tranche 1"), and a second tranche of 21 783 840 new shares ("Tranche 2"). The Tranche 1 shares were issued 22 December 2022 pursuant to an earlier authorization granted to the board. After this issuance, Argeo had 51 096 960 shares outstanding at the end of 2022. The Tranche 2 shares were issued 3 January 2023, resulting in 72 880 800 shares outstanding.

As per 31 December 2022, a total of 1 365 434 options are outstanding in connection with the Company's share option program. 485 434 of these are formalised as warrants ("Tranche 1 Warrants"). Exercise price for these is in average NOK 1.80, and the warrants expires at various intervals from 10 February 2024 to 23 December 2025. 880 000 options were granted to Board of Directors and employees in 2021. These options will vest over 3 years and mature after 5 years. Strike price is NOK 8.20.

In connection with the private placement in April 2021, the Company's general meeting approved the issuance of 3,750,000 new warrants 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. The Subscription Price in the private placement in April 2021 was NOK 8.20 per share.

## Recent events

A subsequent offering NOK 5.2 million was completed in February 2023. 3 124 368 new shares were issued at NOK 1.65 per share.

In February 2023, the Company issued 139 337 new shares to CEO Trond F. Crantz, related to exercise of warrants under the "Tranche 1 Warrants" plan as described above. The exercise price for each of the warrants was NOK 0.282 per share.

After the subsequent offering and warrants exercise, Argeo has 76 144 505 shares outstanding.

**Argeo AS**  
**Interim consolidated profit and loss**

Amounts in NOK 1 000	Note	Q4-2022 (unaudited)	Q4-2021 (unaudited)	2022 (unaudited)	2021 (audited)
<b>Operating revenues:</b>					
Sales revenue		10 813	431	33 497	15 372
Governmental grants		26	0	86	470
<b>Total operating revenues</b>		<b>10 840</b>	<b>431</b>	<b>33 583</b>	<b>15 842</b>
<b>Operating expenses:</b>					
Operating cost		8 026	5 922	31 266	17 439
Employee expenses		18 259	11 650	62 425	22 662
Other operating expenses		5 006	2 023	17 954	8 755
Capitalisation of cost		-8 450	-4 083	-26 326	-6 367
Depreciation	1, 2	5 413	365	12 481	1 276
<b>Total operating expenses</b>		<b>28 254</b>	<b>15 876</b>	<b>97 800</b>	<b>43 766</b>
<b>Operating profit/(loss)</b>		<b>-17 414</b>	<b>-15 445</b>	<b>-64 217</b>	<b>-27 924</b>
<b>Financial income and expenses:</b>					
Income/ (loss) equity investments		-2 796	-276	-3 183	-471
Financial income		209	89	267	89
Financial expenses		-260	-168	-703	-433
Net foreign exchange gain (loss)		10 285	804	-2 149	776
<b>Net financial items</b>		<b>7 438</b>	<b>450</b>	<b>-5 768</b>	<b>-38</b>
<b>Profit/(loss) before tax</b>		<b>-9 976</b>	<b>-14 996</b>	<b>-69 985</b>	<b>-27 962</b>
Income tax (expense)		4 641	7 042	17 764	9 848
<b>Profit/ (loss) for the period</b>		<b>-5 334</b>	<b>-7 953</b>	<b>-52 220</b>	<b>-18 113</b>

# Argeo AS

## Interim consolidated statement of Financial Position

Amounts in NOK 1 000	Note	December 31, 2022 (unaudited)	December 31, 2021 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1	24 304	7 647
Deferred tax asset		28 424	10 259
Property, plant and equipment	2	211 840	3 965
Shares in associated companies	3	2 295	5 479
Multi-client library		4 000	0
<b>Total non-current assets</b>		<b>270 864</b>	<b>27 350</b>
<b>Current assets</b>			
Trade receivables		22 949	6 164
Spare parts		15 630	0
Other current assets		44 468	67 964
Cash and cash equivalents		21 313	65 862
<b>Total current assets</b>		<b>104 360</b>	<b>139 990</b>
<b>Total assets</b>		<b>375 224</b>	<b>167 340</b>
<b>EQUITY</b>			
Share capital		5 110	2 744
Share premium		279 545	164 558
Other equity		-71 471	-19 251
<b>Total equity</b>		<b>213 184</b>	<b>148 051</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term debt	4	106 482	5 933
<b>Total non-current liabilities</b>		<b>106 482</b>	<b>5 933</b>
<b>Current liabilities</b>			
Trade payables		29 151	6 288
Taxes payable		0	100
Public duties		3 335	1 879
Other current liabilities		23 072	5 089
<b>Total current liabilities</b>		<b>55 558</b>	<b>13 356</b>
<b>Total liabilities</b>		<b>162 040</b>	<b>19 289</b>
<b>Total equity and liabilities</b>		<b>375 224</b>	<b>167 340</b>

## Argeo AS

### Interim consolidated statement of changes in equity

Amounts in NOK 1 000	Share capital	Additional paid-in capital	Accumulated earnings	Total equity
<b>Balance as of 1.1.2022</b>	<b>2 744</b>	<b>164 558</b>	<b>-19 251</b>	<b>148 051</b>
Profit/(loss) for the period	0	0	-52 220	-52 220
New equity not registered	0	35 943	0	35 943
Net proceeds from new equity	2 366	79 045	0	81 410
<b>Balance as of 31.12.2022</b>	<b>5 110</b>	<b>279 545</b>	<b>-71 471</b>	<b>213 184</b>
<b>Balance as of 1.1.2021</b>	<b>610</b>	<b>6 781</b>	<b>-1 188</b>	<b>6 203</b>
Profit/(loss) for the period	0	0	-18 113	-18 113
Effect of establish JV	0	0	50	50
Net proceeds from new equity	2 134	157 777	0	159 911
<b>Balance as of 31.12.2021</b>	<b>2 744</b>	<b>164 558</b>	<b>-19 251</b>	<b>148 051</b>

**Argeo AS**  
**Interim consolidated statement of cash flow**

<b>Amounts in NOK 1 000</b>	<b>Note</b>	<b>Q4-2022 (unaudited)</b>	<b>Q4-2021 (unaudited)</b>	<b>2022 (unaudited)</b>	<b>2021 (audited)</b>
<b>Cash flow from operating activities</b>					
Profit/(loss) before tax		-9 976	-14 996	-69 985	-27 962
Depreciation		5 413	365	12 481	1 276
Financial income		-209	-89	-267	-89
Financial expense		-10 025	168	2 852	433
Gain/Loss equity investments		2 796	276	3 183	471
Change in current assets		-77 750	-66 126	-8 919	-69 420
Change current liabilities		24 150	5 576	42 202	-1 810
<b>Net cash from operating activities</b>		<b>-65 601</b>	<b>-74 826</b>	<b>-18 452</b>	<b>-97 101</b>
<b>Cash flow from investing activities</b>					
Investment in PPE	2	5 544	64 771	-218 962	-3 687
Investment in intangibles		-2 578	-2 619	-18 052	-4 903
Investment in Multi-client library		0	0	-4 000	0
Net investment in associated companies		0	0	0	-5 871
Sale AUV to JV associated company		0	0	0	10 838
<b>Net cash from investing activities</b>		<b>2 966</b>	<b>62 152</b>	<b>-241 014</b>	<b>-3 624</b>
<b>Cash flow from financing activities</b>					
Net proceeds from new equity		46 995	0	117 353	159 911
Proceeds from new debt		0	0	122 743	0
Repayment of debt		-4 531	-340	-25 009	-760
Financial income		209	89	267	89
Financial expense		-260	-168	-703	-433
<b>Net cash flow from financial activities</b>		<b>42 414</b>	<b>-419</b>	<b>214 652</b>	<b>158 807</b>
Net change in cash and cash equivalents		-20 222	-13 093	-44 815	58 082
Cash and cash equivalents begin. of period		42 458	78 955	65 862	7 780
Net currency exchange differences		-924	0	266	0
<b>Cash and cash equivalents end of the period</b>		<b>21 313</b>	<b>65 862</b>	<b>21 313</b>	<b>65 862</b>



 Notes

# 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 fourth quarter ended 31 December 2022 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 2021. These condensed consolidated interim financial statements are unaudited for 2022.

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 2021.

## Note 1. Intangible assets

<b>Amounts in NOK 1 000</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Cost as of 1.1</b>	<b>9 037</b>	<b>4 133</b>
Additions	24 406	7 102
Governmental grants	-6 354	-2 199
<b>Cost as of 31.12</b>	<b>27 089</b>	<b>9 037</b>
<b>Accumulated depreciation 1.1</b>	<b>1 389</b>	<b>563</b>
Depreciation	1 395	827
<b>Accumulated depreciation 31.12</b>	<b>2 784</b>	<b>1 389</b>
<b>Net book value 31.12</b>	<b>24 304</b>	<b>7 647</b>

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



## Note 2. Property, plant and equipment

Amounts in NOK 1 000	December 31, 2022	December 31, 2021
<b>Cost as of 1.1</b>	<b>5 396</b>	<b>12 546</b>
Additions	218 962	3 687
Sale AUV to JV	0	-10 838
<b>Cost as of 31.12</b>	<b>224 357</b>	<b>5 396</b>
<b>Accumulated depreciation 1.1</b>	<b>1 431</b>	<b>982</b>
Depreciation	11 086	449
<b>Accumulated depreciation 31.12</b>	<b>12 517</b>	<b>1 431</b>
<b>Net book value 31.12</b>	<b>211 840</b>	<b>3 965</b>

Additions in 2022 is mainly related to delivery of the two SeaRaptor AUV, a Hugin 6000 AUV, and the Argus USV.

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	December 31, 2022	December 31, 2021
Seller credits	0	101 909	0
Loans	5.95%	4 573	5 933
<b>Total long-term debt</b>		<b>106 482</b>	<b>5 933</b>

### Seller credits

Argeo has NOK 101.9 million in seller credits related to purchases of AUV's. Some of the repayment is linked to the lease-back agreement with Teledyne where they rent a SeaRaptor AUV for a certain number of days during a 3-year period from delivery. Expected repayment of the seller credits is NOK 62 million in 2023, NOK 38 million in 2024 and NOK 6 million in 2025.

### Loans

Argeo has two loans from Innovation Norway, bearing an interest at 5.95%. Both loans are secured with machinery and plant in Argeo Survey AS. One of the loans are also secured with the shares owned by Argeo Survey AS in its 50% ownership in H1000 JV AS, and by a parent company guarantee from Argeo AS, and is repaid over 6 years. The loans are repaid over 5.5/6 years.

Argeo was granted a new loan from Innovation Norway in December 2022. Argeo has not drawn on this loan yet.

## Financial calendar

27<sup>th</sup> April 2023: Annual Report

11<sup>th</sup> May 2023: Q1 2023 Report

8<sup>th</sup> June 2023: Annual General Meeting

24<sup>th</sup> August 2023: Q2 2023 Report

16<sup>th</sup> November 2023: Q3 2023 Report

## Contacts:

Trond Figenschou Crantz, CEO

Email: [trond.crantz@argeo.no](mailto:trond.crantz@argeo.no)

Phone: +47 976 37 273

Argeo is an Offshore Service 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 Oil & Gas, Renewables, Marine Minerals and Offshore Installations. Argeo was established in 2017 and has offices in Asker (Oslo), Tromsø, Stockholm, Houston, and Singapore.

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