

CEGAL GROUP AS

Annual Report 2017

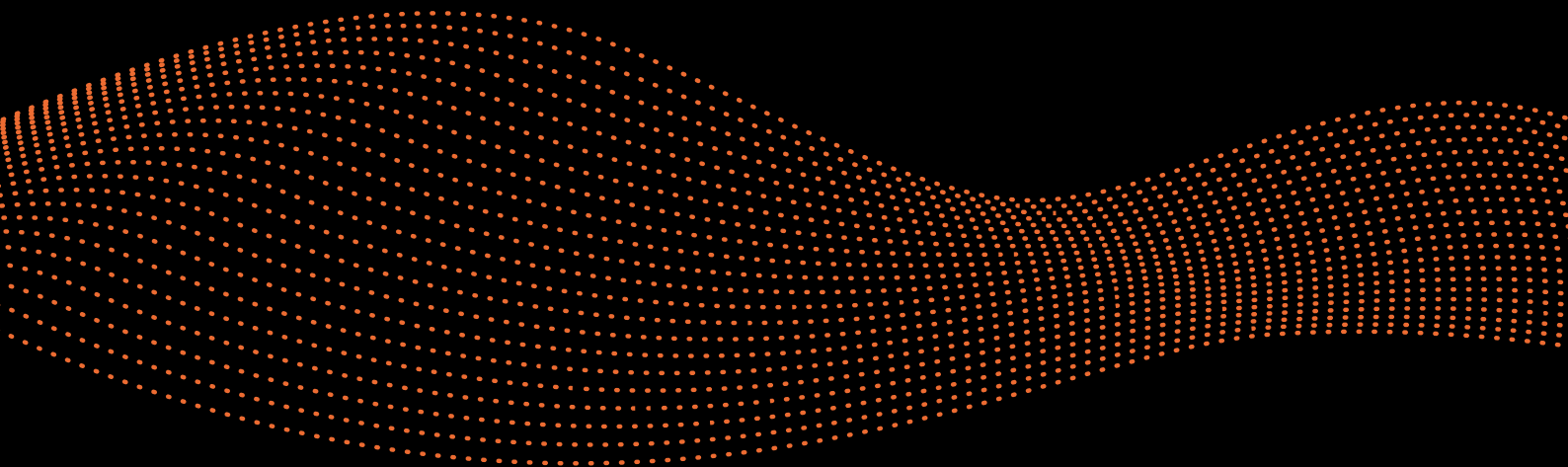
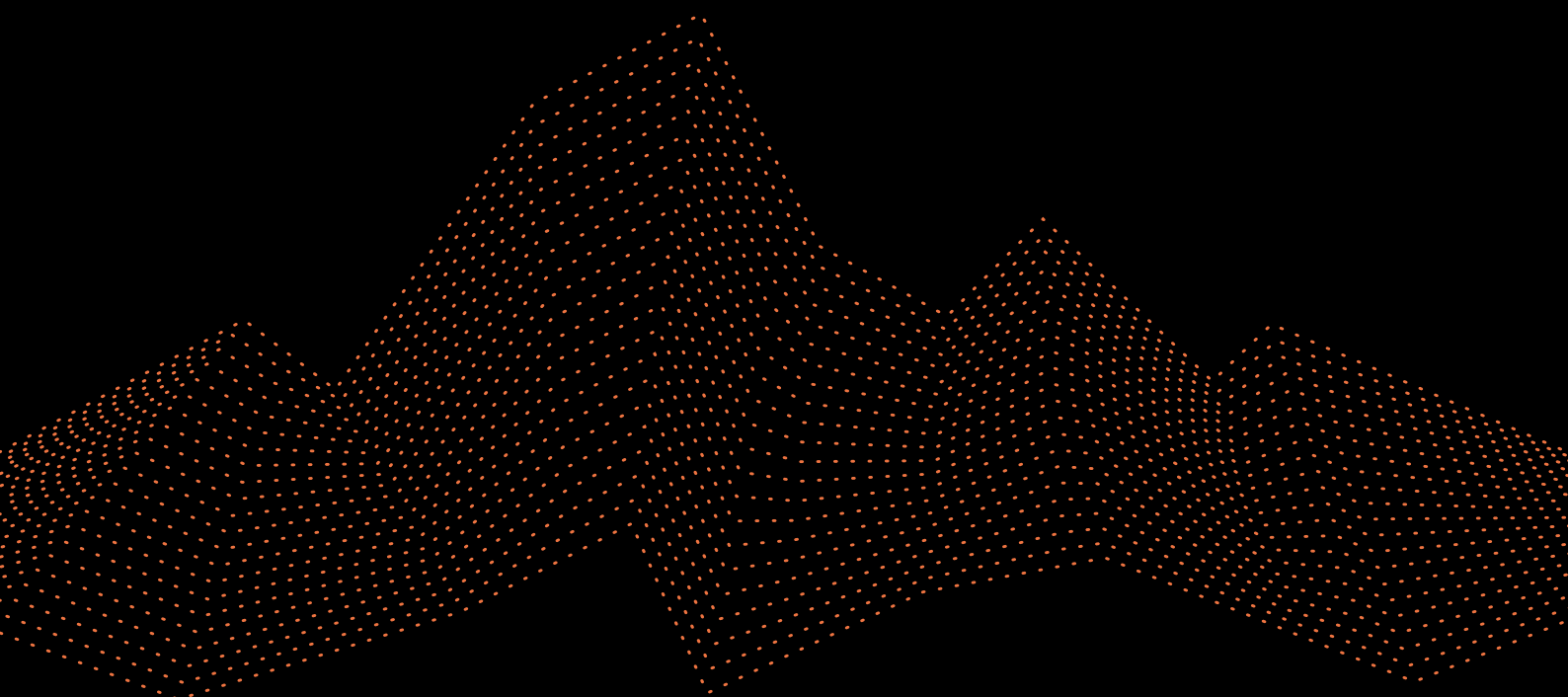


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DEAR EMPLOYEES, CUSTOMERS AND SHAREHOLDERS

In 2017 Cegal managed to deliver growth and we improved our EBITDA margins significantly. Taking into consideration the difficult market conditions for the oil and gas industry, this is something that I am very proud of. As for many other companies we have had to work with reducing cost, and we are now well positioned for further growth in a more optimistic market.

Digital transformation changes the way we do business in all industries. It is reshaping the interaction between businesses and people and it is becoming a key factor and the differentiator to retain a competitive edge.

The oil and gas industry is at the beginning of a new period of technological disruption enabled by innovations within advanced analytics, process digitization and robotics. Several E&P players have started the journey towards digitalization by initiating venture activities, setting up digital centers of excellence, ring-fencing innovation and initiating strategic partnerships.

The oil and gas market is recovering steadily from the downturn. On the positive side we see that the demand for oil and gas is growing and there have been efficiency gains per barrel of oil equivalent, however digital transformation is critical to long term sustainability and competitiveness of the industry. We believe that we are in the early beginnings of gaining the benefits that digital technology represents. There are opportunities unleashing across the value chain that will unlock comprehensive savings and efficiency gains.

Cegal is part of this industry's digital transformation journey. We are an industry specialist that focuses on delivering cloud solutions, software products and services. IT megatrends like Cloud, Internet of Things, Big Data, Analytics and Security are important areas for the oil and gas digital transformation in the years to come.

Our business model is scalable and allows customers to customize their costs according to their earnings. Domain knowledge is our key differentiator. We understand our client's business and we help them understand and use technology creating business values. Our mission is to fill the gap between IT and the E&P industry.

In 2017 our largest customer re-signed a long term international enterprise contract. In addition, we have signed a new large global contract and we also got our first GeoCloud customer in the UK. This year is a global breakthrough for GeoCloud and we have started a very exciting global journey that will continue in the years to come.

We have spent the time well, invested in product development and launched new products and key software updates. We have expanded our customer value proposition and we are well positioned for growth opportunities in existing and new geographies.

Going forward I am confident that we are in good position. We are a strong team with engaged colleagues that care for each other and take pride in their work. I am proud of the talented people that make up the Cegal team and look forward to supporting all of our stakeholders in the coming years.

Best regards,

Svein Torgersen
CEO



BOARD OF DIRECTORS' REPORT CEGAL GROUP AS

SCOPE OF BUSINESS

Cegal's mission is to be the most innovative provider of IT services and geoscience solutions to the global oil and gas industry. Cegal Group AS is the parent company of Cegal AS.

Cegal Group AS and the main office is located in Stavanger, Norway. The group is located in Stavanger, Oslo, London, Aberdeen, Houston, Calgary and Dubai.

BUSINESS SEGMENTS

Cloud

Cegal's cloud based solutions provides high performance IT systems and customized software solutions to more than 11,000 end users. We support more than 1000 applications, and our support center offers a single point of contact for all IT related questions. We have 5 datacenters and more than 120 O&G customers. We have customized our offering to the oil and gas industry, in particular with respect to advanced geoscience applications and critical on/offshore operations. Cegal supports all main exploration and production applications based on best practices. In 2017, cloud including cloud services represented 67.8% of our revenues. Long term recurring cloud revenue represents approximately 75% of total cloud revenues.

Software

Cegal develops and sells software to extend, improve and speed up workflows within geology, geophysics, reservoir engineering and data management. In addition, we offer development of high quality customized software solutions. In 2017, software products and services represented 20.5% of revenues.

Geoscience consulting

Cegal offers highly experienced on-site consultants and expert geomodelers. In 2017, geoscience consulting represented 4.6% of our revenues.

Other

Mainly add-on sales of hardware and other software to IT cloud customers. In 2017, other revenue represented 7.1% of our revenues.

STATEMENT OF INCOME

Cegal Group financial statement for 2017 has been prepared in accordance with the Norwegian Accounting Act § 3-9 and specific regulations, often referred to as "the simplified application of international financial reporting standards (IFRSs)".

Operating Revenue

Actual turnover in the group was NOK 530.2 million in 2017 compared to NOK 506.9 million in 2016, representing an increase of 4.6%. The increase in revenue is mainly related to Cloud and Cloud Services

Operating Result (EBITDA)

The group's earnings before interest, tax, depreciation and amortization (EBITDA) was in 2017 NOK 88.2 million, representing an increase of 38.5% compared to 2016. This is due to the increase in revenue, but cost base reductions and automation focus has also contributed to the overall increase.

Depreciations

Depreciation of tangible assets was NOK 38.3 million compared to 39.1 million in 2016, whereas amortization of intangible assets was NOK 30.2 million compared to NOK 30.7 million in 2016.

Net financial items and profit before and after tax

Net financial items amounted to NOK -19.3 million compared to NOK -14.9 million in 2016. Profit before tax was NOK 0.3 million compared to NOK -21.6 million in 2016. Tax was NOK -0.9 million resulting in a net profit of 1.3 million.

Cash flow and financial positions

Total cash flow from operations for the group was NOK 37.8 million.

The cash flow from investment activities was NOK -30.8 million, which was related to purchase of tangible and intangible assets.

Cash flow from financing activities was NOK 32.4 million, which was related to payment of financial leases -22.0 million and purchase of own shares -0.2 million.

In addition the group used 10.2 million in repayment of debt to financial institutions.

As at 31 December 2017, the group had bank deposits totaling NOK 20.5 million plus available overdraft facilities of NOK 14.9 million. Cegal has complied with all loan covenants during 2017.

The Group's current assets amounted to 27.2% of total assets per 31 December 2017. Total assets at the end of the year NOK 525.5 million and the equity ratio was 30.1%.

GOING CONCERN

In accordance with the Accounting Act (Regnskapsloven) § 3-3a it is confirmed that the going concern assumption is present. This assumption is based on profit forecasts for 2018 and its long-term strategic prognosis. Cegal adjusted the cost base in 2016 and in Q1 2017. The cost cutting activities reduced cost of goods sold, operating costs and personnel costs reflecting the market situation.

Although the majority of Cegal's revenue is generated from the oil and gas sector, our business model has proven robust even in tough times. We see the cost focus in the oil sector as a growth opportunity as we offer products and services that will enable our customers to find more oil and operate more cost efficient.

RISK FACTORS**Market risk**

The group has exposure to currency and interest rate risk. Currency risks includes risk from contractual purchase or sale denominated in foreign currencies, in addition to foreign investments and future cash flow from these investments. This currency risk is reduced by having parts of the cost base in foreign currencies as well.

The group is also exposed to changes in interest rates.

Credit risk

The loss on receivables has historically been low, and the risk of losses on receivables is considered limited.

Liquidity risk

Cegal generated positive cash flow from operations in 2017, and held liquid assets of NOK 20.5 million at the close of the year, as well as having access to bank overdraft facilities of NOK 14.9 million. The group considers its liquidity as satisfying and its exposure to liquidity risk is considered to be limited.

WORK ENVIRONMENT

Sick leave in the Group was approximately 2.9% in 2017. During the course of the year, it has not occurred or been reported serious workplace accidents, which resulted in significant damage or injuries. The working environment is good, and improvements are being continuously evaluated and implemented.

EQUALITY

The Board of Cegal Group AS consists of seven male members. At the end of 2017, the group consisted of a total of 275 employees, including 42 women and 233 men. The goal is to be a workplace where there is full gender equality. The Board and management are aware of the societal expectations on measures to promote gender equality.

DISCRIMINATION

The Anti-Discrimination Act is to promote equality, ensure equal opportunities and rights and prevent discrimination based on ethnicity, national origin, ancestry, color, language, religion and belief. The Group works actively, purposefully and systematically to promote the purpose within our business. The activities include recruitment, pay and working conditions, promotion, development and protection against harassment.

The Group aims to be a workplace where there is no discrimination on grounds of disability. Furthermore, the group works actively and purposefully to design and facilitate the physical conditions so that the different functions can be used by as many people as possible. For employees or applicants with disabilities, individual arrangements are made to ensure equal opportunities for everyone.

ENVIRONMENT

The operations do not affect the external environment beyond the normal for the company business.

EVENTS AFTER THE YEAR-END CLOSING OF THE ACCOUNTS

No significant events after the balance sheet date.

FUTURE OUTLOOK

Cegal's main market is expected to be growing. Our core offering has proved resilient to changes in market climate and Cegal has a balanced portfolio of blue chip customers. Cegal will continue to focus on cost efficiency and automation to increase future competitiveness and growth opportunities.

Our investment in new products and services is expected to remain high in the years to come. Hence, providing additional growth opportunities and increased uniqueness.

Based on the current demand from our customers, a focused organization, new unique products and a strong order backlog, the company expects some growth, increased profitability and positive cash flow going forward.

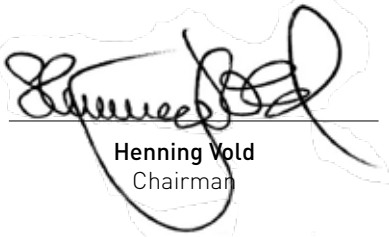
NET PROFIT AND ALLOCATIONS

The Board proposes the following allocation of profit for Cegal Group AS:

Transferred to other equity	NOK	1 263 237
Total allocation	NOK	1.263.237

No dividend is proposed in respect of the 2017 financial year.

Stavanger, 22 March 2018



Henning Vold
Chairman



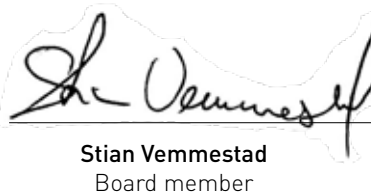
Arne Kristoffer Norborg
Board member



Per-Ola Baalerud
Board member



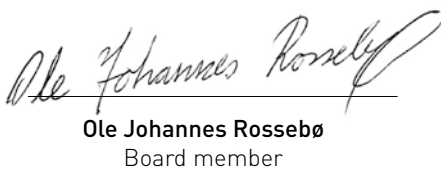
Frank Robert Garneng
Board member



Stian Vemmestad
Board member



Ketil Anders Waagbø
Board member



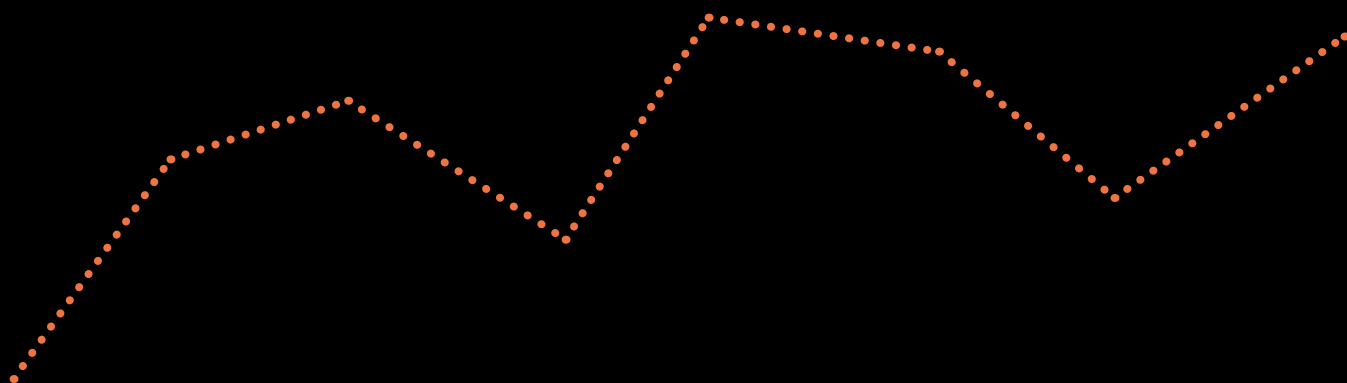
Ole Johannes Rossebø
Board member



Svein Torgersen
CEO

GROUP ANNUAL ACCOUNTS 2017

- Statement of comprehensive income
- Statement of financial position (balance)
- Statement of cash flow
- Statement of changes in equity
- Notes



CEGAL GROUP AS
Amount in NOK thousands

STATEMENT OF COMPREHENSIVE INCOME	NOTE	2017	2016
Revenue			
Sales revenue	15	530 173	506 878
Total revenue		530 173	506 878
Operating expenses			
Cost of sale		153 344	138 774
Payroll expenses	7	230 470	247 375
Other operating expenses	6, 7	58 165	57 070
Total operating expenses		441 979	443 219
EBITDA			
Depreciation and amortization	3, 4	68 525	69 709
Impairment		0	563
Operating profit/-loss		19 669	-6 614
Financial income and expenses			
Interest income		1 192	1 197
Other financial income	12	14 511	29 446
Interest expenses		13 617	19 105
Other financial expenses	12	21 420	26 528
Net financial items		-19 334	-14 991
Profit before tax			
Tax on ordinary result	8	-928	-6 715
Net profit or loss for the year		1 263	-14 889
Other comprehensive income			
Items which will not be reclassified over profit and loss		0	0
Currency translation differences		807	-8 376
Items which may be reclassified over profit and loss in subsequent periods		807	-8 376
Net other comprehensive income		807	-8 376
Total comprehensive income for the year		2 071	-23 265

CEGAL GROUP AS
Amount in NOK thousands

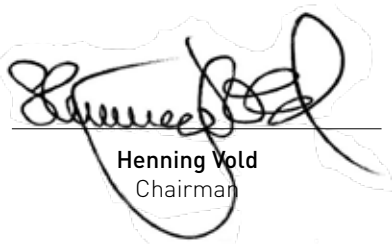
STATEMENT OF FINANCIAL POSITION	NOTE	2017	2016
Assets			
Intangible assets			
Goodwill	2, 16	251 289	249 856
Software	2, 3	64 251	76 755
Deferred tax assets	2, 8	10 143	7 719
Total intangible assets		325 683	334 331
Tangible assets			
Servers, office furniture, etc	2, 4	55 182	60 488
Total tangible assets		55 182	60 488
Financial assets			
Other receivables		1 634	1 850
Total financial assets		1 634	1 850
Non-current assets		382 498	396 668
Current assets			
Trade receivables		83 742	91 058
Other receivables		10 919	2 959
Prepayments		27 779	18 714
Total current assets		122 440	112 731
Cash and cash equivalents	5	20 544	45 895
Total current assets		142 984	158 626
Total assets		525 482	555 295

CEGAL GROUP AS
Amount in NOK thousands

STATEMENT OF FINANCIAL POSITION	NOTE	2017	2016
Equity and liabilities			
Paid-in capital			
Share capital	13	1 258	1 258
Share premium reserve		139 714	139 714
Own shares		-6	-6
Total paid-in capital		140 966	140 966
Retained earnings			
Other equity		17 008	15 097
Total retained earnings		17 008	15 097
Total equity		157 974	156 063
Provisions			
Deferred tax	8	1 825	0
Total provisions		1 825	0
Liabilities			
Liabilities to financial institutions	9	156 510	0
Other long-term liabilities	11	17 489	18 961
Total other long term liabilities		173 999	18 961
Current liabilities			
Liabilities to financial institutions	5, 9	59 057	0
Current portion of bonds	9	0	224 426
Trade creditors		31 205	27 235
Public duties payable		22 039	26 237
Tax payable	8	2 115	987
Other short-term liabilities	10	77 268	101 385
Total current liabilities		191 684	380 271
Total liabilities		367 508	399 232
Total equity and liabilities		525 482	555 295

CEGAL GROUP AS

31 December 2017
Stavanger, 22 March 2018




Henning Vold
Chairman



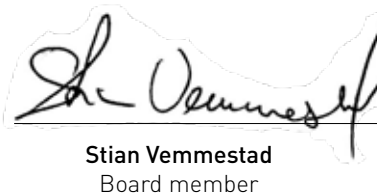
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Board member



Per-Ola Baalerud
Board member



Frank Robert Garneng
Board member



Stian Vemmestad
Board member



Ketil Anders Waagbø
Board member



Ole Johannes Rossebø
Board member



Svein Torgersen
CEO

CEGAL GROUP AS
Amount in NOK thousands

STATEMENT OF CASH FLOW	2017	2016
Profit/(loss) before tax	335	-21 604
Taxed paid	-811	-4 211
Impairment	0	563
Depreciation and amortization	68 525	69 709
Interest income	-1 192	-1 197
Interest expense	13 617	19 105
Changes in trade receivable	7 316	35 941
Changes in trade creditors	3 969	3 465
Interest received	1 192	1 197
Interests paid	-13 617	-19 105
Changes in other current balance sheet items	-41 569	-17 505
Net cash flow from operating activities	37 766	66 358
Purchase of tangible and intangible assets	-30 763	-31 035
Net cash flow from investing activities	-30 763	-31 035
Proceeds from issuance of long term debt	200 000	0
Repayment of short term loans to financial institutions	-245 250	0
Increase/(decrease) short term loan to financial institutions	35 057	0
Payment financial lease	-22 001	-32 023
Sale/(purchase) own shares	-160	-581
Net cash flow from financing activities	-32 354	-32 604
Net change in cash and cash equivalents	-25 351	2 720
Cash and cash equivalents 01.01	45 895	43 176
Cash and cash equivalents 31.12	20 544	45 895

CEGAL GROUP AS
Amount in NOK thousands

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL EQUITY
Equity as at 01.01.2016	1 258	-5	139 714	38 942	179 909
Loss for the year				-14 889	-14 889
Purchase/sale of own shares	0	-1	0	-508	-581
Currency translation difference				-8 376	-8 376
Equity as at 31.12.2016	1 258	-6	139 714	15 097	156 063
Equity as at 01.01.2017	1 258	-6	139 714	15 097	156 063
Profit for the year				1 229	1 229
Purchase/sale of own shares				-160	-160
Currency translation difference				807	807
Equity as at 31.12.2017	1 258	-6	139 714	17 008	157 974

CEGAL GROUP AS
Amount in NOK thousands

NOTES TO THE GROUP FINANCIAL STATEMENT 2017

NOTE 1 ACCOUNTING PRINCIPLES

The company's financial statements have been prepared in accordance with the Norwegian Accounting Act § 3-9 and specific regulations, related to what is often referred to as "the simplified application of international financial reporting standards (IFRSs)", issued by the Ministry of Finance January 21, 2008. Under this regulation, recognition and measurement rules are based on international financial reporting standards (IFRSs), while presentation and disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

1.1 Basis for consolidation

The consolidated financial statements comprise the following entities:

- Cegal Group AS
- Cegal AS
- Cegal Ltd
- Cegal LLC
- Cegal Geoscience Inc.
- Cegal FZ-LLC

Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is normally achieved when the Group owns more than 50% of the shares in the company and is also in the position to exercise control over the company. The consolidated financial statements are prepared such that the group of companies are presented as a single economic entity. Intercompany transactions have been eliminated in the preparation of the consolidated financial statements. The accounting principles for the consolidated financial statements have been applied consistently for all periods presented.

Acquired subsidiaries are accounted for on the basis of the parent company's acquisition cost. The acquisition costs are attributed based on fair values

of the separable net assets acquired. Values in excess of fair value of the separable net assets are presented as goodwill in the statement of financial position. Subsidiaries are consolidated in the financial statements from the date control is achieved until the date control ceases to exist.

1.2 Sales revenue

Revenue from services is recognized when performed. Revenue from sale of goods is recognized at transfer of risk and control.

Licence fee related to software are recognized on a straight line basis over the contract subscription period. Sale of perpetual license rights are recognized when the customer gets access to the software.

Maintenance revenue is recognized on a straight line basis over the maintenance period.

1.3 Statement of financial position classification

Current assets and liabilities comprise items due within one year, or items related to the normal operating cycle. Other assets and liabilities are classified as non-current assets and long-term debt, respectively.

Current assets are valued at the lower of cost and net realisable value. Current liabilities are recognized at nominal value.

Fixed assets are initially measured at cost, and subsequently at cost less accumulated depreciation and impairment charges. Long-term liabilities are recognized at amortized cost.

1.4 Tangible assets

Tangible assets are capitalized and depreciated over the estimated useful economic life. Direct maintenance costs are expensed as incurred, whereas improvements

CEGAL GROUP AS

Amount in NOK thousands

and upgrading are capitalized and depreciated together with the underlying asset. If the carrying amount of a non-current asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present values.

1.5 Intangible assets

Intangible assets comprise software. Software is identifiable and controlled by the company. An intangible asset is capitalized providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. The intangible assets are depreciated over the estimated useful economic life. If the carrying amount of an intangible asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present values.

1.6 Trade and other receivables

Trade receivables and other current receivables are recorded in the statement of financial position at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments.

1.7 Income tax

Tax expenses in profit and loss comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated using the tax percentage in the country the subsidiary is in, on the basis of existing temporary differences between accounting profit and taxable profit as well as losses carried forward at year end. Net deferred tax assets are recorded in the statement of financial position to the extent it is more likely than not that the tax assets will be utilized.

1.8 Long term debt

Costs related to acquiring long-term debt are capitalized and amortized over the loan term using the effective interest rate method.

1.9 Leasing / leases

Leases where the company assumes all the risks and rewards associated with ownership of the asset are financial leases. At the inception of the lease, finance leases are recognized at the lower of their fair value and the present value of the minimum lease payments, less accumulated depreciation and impairment losses. When calculating the lease agreement's present value, the interest rate implicit in the lease is used. Direct costs associated with the lease are included in the asset cost.

Leases where substantially all the risks and rewards associated with ownership of the asset is not transferred to the Company, are classified as operating leases. Lease payments are classified as operating costs and expensed as incurred over the contract period.

1.10 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received. The consideration paid in a business combination is measured at fair value at the acquisition date.

When acquiring a business all financial assets and liabilities are assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Goodwill is recognised as the difference between the consideration transferred, including an equivalent amount for any non-controlling interest, and the net of the acquisition-date fair values of identifiable assets acquired and liabilities assumed. Goodwill is not depre-

CEGAL GROUP AS

Amount in NOK thousands

ciated, but tested for impairment at least annually. For goodwill impairment purposes, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

1.11 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term highly liquid investments with original maturities of three months or less.

1.12 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

In accordance with IAS.85 and IAS.85A, the Group has presented an additional (non-GAAP) subtotal in the statement of comprehensive income. This subtotal is considered relevant to the understanding of the entity's financial performance.

1.13 Amendments to standards and interpretations with a future effective date

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. The standard, including rules for classification and measurement, hedge accounting and impairment, has been approved by the EU and will be implemented with effect from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB has published a new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognised

to reflect the transfer of contracted goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. With a few exceptions, the standard applies to all income-generating contracts with customers and provides a model for the recognition and valuation of the sale of certain non-financial assets (e.g. sale of property, plant and equipment).

IFRS 15 is to be implemented either by applying the fully retrospective method or the modified retrospective method. The standard will be implemented with effect from 1 January 2018.

The Group is currently evaluating the potential effects of IFRS 15 and, based on the preliminary assessment and effects seen in similar companies, the implementation will not have significant impact on the financial statements, but may for some projects, affect the timing of revenue recognition. This assessment is subject to change once evaluation is completed and common practice is established.

IFRS 16 Leases

The International Accounting Standards Board (IASB) published in January 2016 a new standard for leases (IFRS 16 Leases). The new standard requires that the lessee recognize assets and liabilities for almost all leases. The EU has not yet approved the standard, but it is expected that it will be applicable from the fiscal year 2019. Early implementation will be possible if the new standard for revenue recognition, IFRS 15 Revenue from contracts with customers is applied simultaneously with, or prior to the implementation of IFRS 16 Leases. The Group expects to apply IFRS 16 with effect from 1 January 2019.

CEGAL GROUP AS
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NOTE 2 ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies in according to simplified IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Changes in key assumptions may have significant effect and may cause

material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

The company's most important accounting estimates are the following items:

BALANCE SHEET ITEM	NOTE	ESTIMATE/ASSUMPTIONS	NET BOOK VALUE
Goodwill	2, 16	Net present value of expected future cash flow	251 289
Software	3	Net present value of expected future cash flow	64 251
Tangible assets	4	Net present value of expected future cash flow	55 182
Deferred tax asset	8	Net present value of expected future cash flow	10 143

Depreciation of tangible and intangible fixed assets

Depreciation is based on management's estimate of useful life. Such estimates may change as a result of technological developments, competition, changes in market conditions and other matters. This may cause change in the estimated useful life and accordingly in depreciation.

Impairment of goodwill and other assets

The Group tests goodwill for impairment annually. The book value of goodwill in the Group's cash-generating units (CGU) is measured against the value in use of goodwill in these units. The recoverable amount from cash generating units is determined through calculations of value in use. These calculations are based on discounted cash flows that involve uncertainty and require the use of estimates. A change in the yield requirement used for discounting future cash flows will affect the book value of goodwill. An increase in the yield requirement will, in isolation, cause a lower value in use which in turn will cause a fall in the value of goodwill.

Other tangible and intangible assets are tested for impairment to the extent there are indications of a material loss of value.

Capitalisation of development projects (software)

When capitalising development costs that relate to the use of internal resources, costs are estimated using an hourly rate based on the direct costs per employee. In the event of any indication of the need for a write-down in respect of an individual development project, the recoverable amount is tested against the book value. The recoverable amount assigned to the development project is determined on the basis of calculations of value in use. These calculations are based on discounting future cash flows that involve uncertainty and require the use of estimates. A change in the forecast revenue or margin used when estimating future cash flows will affect the estimated value of the development project in question.

Deferred tax asset

Deferred tax assets are recognised when it is probable that sufficient future taxable profits exists and can be

CEGAL GROUP AS
Amount in NOK thousands

utilized towards the deferred tax assets. The parent company, Cegal Group As has significant tax loss carry forwards at the balance sheet date as a result of previous periods losses. As a consequence, it is uncertain when future taxable profits can be reported, however, the management and the board are in the opinion that future taxable profits will be sufficient to make use of the tax loss, and a deferred tax asset

for the parent company and correspondingly for the group can be recognized in the financial statement for 2017. In addition, the group has tax losses in Canada and Dubai. Due to low activity in Canada and Dubai, the management and the board are of the opinion that a deferred tax asset for these operations cannot be recognized in the financial statements for 2017.

NOTE 3 INTANGIBLE ASSETS

	SOFTWARE
Acquisition cost at 01.01	147 645
Additions	17 744
Acquisition cost 31.12.	165 389
Acc. amortization at 01.01.	70 941
Impairment	0
Amortization for the year	30 196
Net carrying amount at 31.12	64 251
Useful economic life	3-5 years
Amortization plan	Linear

Goodwill

Recognized goodwill is NOK 251 289. The goodwill relates to the acquisition of the subsidiaries Cegal AS, Unitron AS, Escape Business Technologies Ltd and Cegal Geoscience AS with subsidiaries. Unitron AS was in 2012 merged into Cegal AS. Cegal Geoscience AS with subsidiaries was acquired in 2014. Escape Ltd was acquired in 2015. Total acquisition cost was NOK 266

747 and £ 2 996. Book value of goodwill changes due to goodwill amount of £ 2996 is valued at exchange rate per year end.

The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36 (IFRS 3.54, IAS 36.10).

CEGAL GROUP AS
Amount in NOK thousands

NOTE 4 TANGIBLE ASSETS

	FINANCIAL LEASING	TANGIBLE ASSETS	TOTAL
Acquisition cost at 01.01	163 893	82 119	246 012
Additions	20 297	13 019	33 316
Translation differences	0	-797	- 797
Disposals	-75	-108	-182
Acquisition cost 31.12.	184 115	94 234	278 349
Acc. depreciation 01.01	119 214	66 150	185 364
Translation differences	0	-525	-525
Acc. depreciation on disposals	0	0	0
Depreciation for the year	29 340	8 988	38 329
Net carrying amount at 31.12	35 562	19 620	55 182
Useful economic life	2-5 years	2-5 years	
Depreciation plan	Linear	Linear	

CEGAL GROUP AS
Amount in NOK thousands

NOTE 5 BANK DEPOSIT

The cash and deposits for the Group includes restricted funds of NOK 7 566 related to employee taxes as of 31 December 2017.

The Group has bank guarantees of NOK 10 853.

The Group has a bank overdraft facility of NOK 50 000, in which NOK 35 057 is used. Accounts receivable, inventory,

shares and fixed assets in Cegal Group and Cegal AS are pledged as security for the bank overdraft facility. The security is limited to NOK 350 000.

The Cegal Group companies in Norway are organized in a group account structure where Cegal Group AS is the owner of the group accounts.

NOTE 6 OPERATING LEASE AGREEMENTS

The Group has of 31 December 2017 the following operating leasing agreements:

	2017
Facilities	9 952
Transportation, inventory, computer equipment	1 947
Total	11 899

Information about financial leasing, see note 11.

CEGAL GROUP AS
Amount in NOK thousands

NOTE 7 WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES AND AUDITOR'S FEE

WAGE COSTS	2017	2016
Salaries	217 809	220 606
Payroll tax	28 431	30 044
Pension costs	8 088	9 395
Other remuneration	7 397	10 174
Capitalized development cost	-18 504	-22 844
Total	243 220	247 375
The total number of employees in the company during the year:	275	315

MANAGEMENT REMUNERATION

	General manager	Board of Directors remuneration
Salary	1 210	350
Pension expenses	45	0
Other payments	11	0

The general manager has no agreements regarding severance pay.

The Group is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenstepensjon"). The Group's pension scheme meets the requirements of that law. The Group has a defined contribution plan.

AUDITOR REMUNERATION HAS BEEN DIVIDED AS FOLLOWS	2017
Audit remuneration	485
Other services	177

VAT is not included in the figures of auditor's remuneration.

CEGAL GROUP AS
Amount in NOK thousands

NOTE 8 TAXES

SPECIFICATION OF TOTAL TAX COST	2017	2016
Total Payable tax	2 982	1 569
Correction previous years	- 803	- 639
Effect change of tax rate	357	155
Translation effect	0	- 150
Changes in deferred taxes	-3 464	-7 650
Total tax cost for the year	- 928	- 6 715
SPECIFICATION OF BASE OF PAYABLE TAXES	2017	2016
Net income before tax	335	-21 604
Permanent differences	-382	-3 852
Changes in temporary differences	8 516	13 356
Tax base pre loss carry forward	8 469	-12 100
Intercompany interest carry forward	0	2 466
Used previous year's tax loss carry forward	-4 162	0
Base for payable tax	4 307	-9 634
SPECIFICATION OF BASE FOR DEFERRED TAX BENEFIT	2017	2016
Assets	8 386	16 353
Leasing	-230	- 1 338
Long term debt	1 490	574
Short term debt	- 20 283	- 19 170
Loss carry forward	- 41 519	- 43 018
Intercompany interest carried forward	0	-2 609
Temporary differences	- 52 156	- 49 208
Loss carry forward not recognized **	2 548	13 312
Other differences not basis for deferred tax asset	4 472	4 278
Basis for deferred tax	- 45 136	- 31 618
Deferred tax/- deferred tax assets	- 10 143	- 7 719

** Loss carry forward not recognized relates to Cegal FZ LCC and Cegal Canada.

CEGAL GROUP AS
Amount in NOK thousands

RECONCILIATION EFFECTIVE TAX RATE	2017	2016
Expected income taxes, statutory rate 25 % (27 % 2015)	84	- 5 401
Correction previous years	485	- 639
Effect different tax rates	561	- 260
Effect change of tax rate	351	155
Translation effect	- 437	- 150
Change not booked deferred tax asset	1 880	284
Permanent differences	- 92	- 703
Total tax cost	-928	-6 715

NOTE 9 LIABILITIES

REPAYMENT SCHEDULE LONG TERM LIABILITIES	2017	2016
Within one year*	24 000	225 000
Between one and five years*	158 000	0
Total	182 000	225 000

* Cost related to acquiring the long term debt are capitalized and amortized over the loan period. Capitalized costs amounts to NOK 1 490 is classified as a reduction of loan.

On March 24, 2017 Cegal paid off the Stock Listed Bond Loan at Oslo Stock Exchange. The refinancing was secured by a long-term loan facility in SpareBank 1 SR-Bank. The total frame of the long-term financing is 200 MNOK split in two parts on 120 MNOK (A) and 80 MNOK (B). The (A) part of the financing is a amortizing loan with equal payment of installments over 5 years, part (B) is a bullet loan where the principal is due for payment after 5 years.

In addition to the long term financing an overdraft facility of 50 MNOK is secured and the bank have granted a leasing facility of 40 MNOK, and a 40 MNOK draw facility for potential future acquisitions. The new financing structure is subject to 3 separate loan covenants in relation to equity share, NIBD/12 LTM EBITDA, Current assets/current liabilities.

CEGAL GROUP AS
Amount in NOK thousands

NOTE 10 SHORT TERM DEBT

SHORT TERM DEBT	2017
Deferred revenue	22 921
Salary	28 840
Short term leasing	18 535
Other short term debt	6 972
Total	77 268

NOTE 11 FINANCIAL LEASE

REPAYMENT SCHEDULE	2017
Within one year	18 535
Between one and five years	17 489
Total	36 024

NOTE 12 FINANCE ITEMS

OTHER FINANCIAL INCOME	2017
Agio	11 910
Other financial income	2 601
Total	14 511

OTHER FINANCIAL EXPENSES	2017
Disagio	12 032
Other financial expenses	9 388
Total	21 420

CEGAL GROUP AS
Amount in NOK

NOTE 13 SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL:	NUMBER OF SHARES	FACE VALUE	NOMINAL VALUE
A-shares	12 390 433	0,09 NOK	1 115 139
B-shares	1 587 017	0,09 NOK	142 832
Total	13 977 450		1 257 971

MAIN SHAREHOLDERS PER 31.12:	A-SHARES	B-SHARES	OWNERSHIP SHARE
Norvestor V LP	7 199 207	72 719	52,03 %
ST Innovation AS*	529 041	132 260	4,73 %
Garneng Kapital AS***	386 209	106 819	3,53 %
John Nygård	260 802	65 201	2,33 %
Dag Ydstebø	260 802	65 201	2,33 %
Sveinung Rage	260 802	65 201	2,33 %
Pagoda AS	229 134	62 371	2,09 %
Fivel Holding AS	224 771	61 639	2,05 %
Paleonor AS**	193 677	56 419	1,79 %
Reservoir Dimensions ApS	173 812	42 778	1,55 %
Splinetail AS	168 648	42 162	1,51 %
Wellwork Innovation AS****	144 055	42 499	1,33 %
Meah AS	133 370	35 606	1,21 %
Arve Osmundsen	45 263	105 613	1,08 %
Espen Espedal	119 342	31 079	1,08 %
Transalp Invest AS	149 664	0	1,07 %
Rune Aartun	116 782	31 070	1,06 %
Ole Johannes Rossebø, Board Member	117 759	29 865	1,06 %
Christian Cock	108 556	34 122	1,02 %
Total	10 821 696	1 082 624	85,17 %
Other (less than 1% ownership)	1 568 737	504 393	14,83 %
Total number of shares	12 390 433	1 587 017	100,00 %

A-shares and B-shares have equal voting rights.

* Owned by general manager of Cegal Group AS

** Owned by board member Arne Kristoffer Norborg

*** Owned by board member Frank Garneng

**** Board member Stian Vemmestad owns shares in Wellwork Innovation AS

Board member Ketil Waagbø owns 105 195 shares.

CEGAL GROUP AS
Amount in NOK thousands

NOTE 14 RELATED PARTY TRANSACTIONS

Cegal Group AS has in 2017 bought consulting services for NOK 50 from Wellwork Innovation AS. Wellwork Innovation AS owns 1,33 % of the shares in Cegal Group AS. The consulting service was related to financial services.

NOTE 15 SALES REVENUE BY GEOGRAPHICAL MARKET AND AREA OF OPERATION

MARKET	2017	2016
Cloud	249 291	237 217
Cloud services	110 452	104 996
Hardware/Software	32 745	25 563
Software Products	83 231	87 619
Software Solutions	25 221	27 513
Geoscience consulting	24 312	22 041
Other revenues	4 920	1 928
Total Sales	530 173	506 878

DISTRIBUTED BY AREA OF OPERATION	2017
Norway, Continental Europe and Russia	431 377
UK and Africa	53 934
North and South America	36 659
Middle East and Asia Pacific	8 203
Other	0
Total Sales	530 173

CEGAL GROUP AS
Amount in NOK thousands

NOTE 16 IMPAIRMENT TESTING OF GOODWILL

Recognised goodwill in the Group amounts to NOK 251 289 as of 31.12.2017. Goodwill relates to the acquisition of Cegal AS, Unitron AS, Escape Business Technologies LTD and Cegal Geoscience AS with subsidiaries.

Goodwill is tested for impairment by groups of cash-generating unit (CGU).

Goodwill is tested for impairment at least annually, or when there are indications of impairment.

The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flows and the expected risk.

The following assumptions were utilised when calculating value in use as of 2017:

Discount rate	8,0 %
Growth rate	5,0-17,0 %
Growth in terminal value	2,5 %
Gross margin (average)	72,0 %

The value in use has been calculated by using projected cash flows based on the budgets approved by the Group Management, covering a five-year period. The projected cash flows are based on historical numbers and adding a moderate growth in the total market, our market share and the prices of our products.

Key assumptions for value in use calculations

The calculation of value in use for the cash generating units is most of all sensitive when it comes to the following assumptions:

Discount interest

The discount interest is based on weighted average cost of capital (WACC). The discount rate is reflecting the current

market rate of return in the industry where the cash generating unit is being compared. The cost of equity has been calculated with the basis in the capital asset pricing model (CAPM).

Gross margin

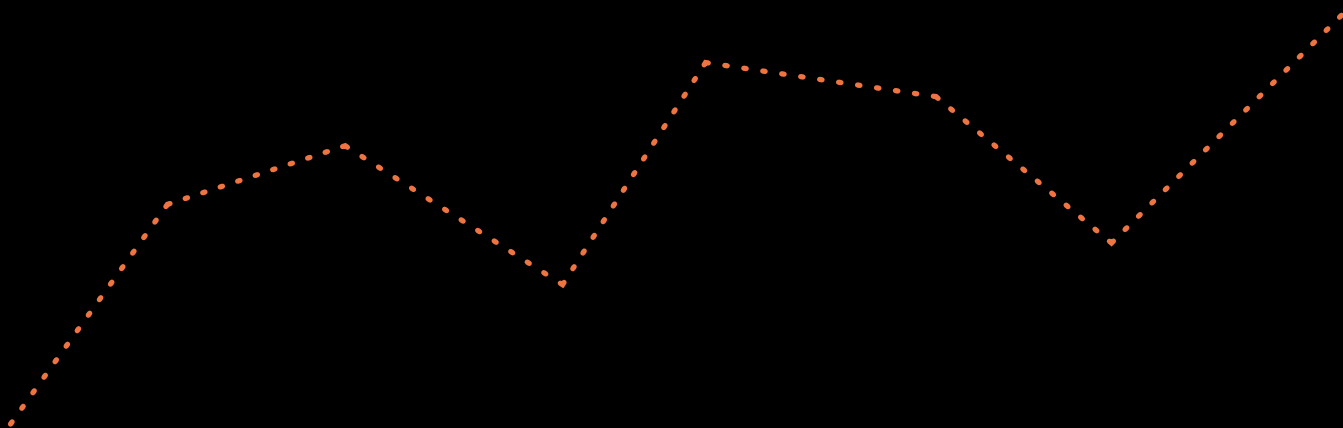
The gross margin is based on an historical average margin.

Growth rate

The growth rate in the period is based on management's expectation to the development in the market. Based on available information and knowledge about the market, management is expecting some increase in the growth for the next years.

COMPANY ANNUAL ACCOUNTS 2017

- The company income statement
- The company balance sheet
- Company cash flow statement
- Notes



CEGAL GROUP AS
Amount in NOK

INCOME STATEMENT	NOTE	2017	2016
Revenue			
Management fee		4 905 545	0
Operating expenses			
Payroll expenses	2	11 124 920	10 228 766
Depreciation of tangible and intangible fixed assets	3	528 595	280 724
Other operating expenses	2	4 648 669	6 467 067
Total operating expenses		16 302 184	16 976 557
Operating result		-11 396 639	-16 976 557
Financial income and expenses			
Income from investments in subsidiaries and associated companies		12 060 945	4 356 699
Interest income from group companies		7 397 527	7 191 683
Other financial income		11 491 559	14 716 341
Other financial expenses	4	26 506 047	32 801 954
Net financial items		4 443 984	-6 537 231
Ordinary result before tax		-6 952 655	-23 513 788
Tax on ordinary result	9	-1 304 792	-5 566 871
Net profit or loss for the year		-5 647 863	-17 946 917
Allocated as follows			
Transferred to other equity	8	-5 647 863	-17 946 917

CEGAL GROUP AS
Amount in NOK

BALANCE SHEET AS OF DECEMBER 31	NOTE	2017	2016
Fixed assets			
Intangible assets			
Deferred tax asset	9	8 274 882	6 970 090
Total intangible assets		8 274 882	6 970 090
Tangible assets			
Fixtures and fittings, tools, office machinery etc.	3	5 993 531	989 261
Total tangible assets		5 993 531	989 261
Financial assets			
Investments in subsidiaries	7	209 371 836	209 371 836
Loans to group companies	5	170 566 981	172 776 447
Total financial assets		379 938 817	382 148 283
Total fixed assets		394 207 230	390 107 634
Current assets			
Receivables			
Trade receivables	5	5 979 337	0
Other receivables	5	71 864 956	52 082 945
Total accounts receivable		77 844 293	52 082 945
Cash and cash equivalents	6	501 512	28 072 028
Total current assets		78 345 805	80 154 973
Total assets		472 553 035	470 262 607

CEGAL GROUP AS
Amount in NOK

BALANCE SHEET AS OF DECEMBER 31	NOTE	2017	2016
Equity			
Paid-in capital			
Share capital	8, 10	1 257 971	1 257 971
Own shares	8	-6 420	-5 951
Share premium reserve	8	139 713 959	139 713 959
Total paid-in capital		140 965 510	140 965 979
Retained earnings			
Other equity	8	25 305 080	31 112 050
Total retained earnings		25 305 080	31 112 050
Total equity		166 270 590	172 078 029
Liabilities			
Other long-term liabilities			
Bonds	4	0	224 426 250
Liabilities to financial institutions	4	180 510 417	0
Total other long term liabilities		180 510 417	224 426 250
Current liabilities			
Liabilities to financial institutions	4	35 034 455	0
Trade creditors	5	1 563 908	1 302 656
Public duties payable	6	1 065 142	740 292
Other short-term liabilities	5	88 108 523	71 715 380
Total current liabilities		125 772 028	73 758 328
Total liabilities		306 282 445	298 184 578
Total equity and liabilities		472 553 035	470 262 607

CEGAL GROUP AS
Amount in NOK

CASH FLOW STATEMENT	2017	2016
Cash flow from operating activities		
Result before tax	-6 952 655	-23 513 788
Received payment for dividend	4 356 699	16 533 786
Recognized dividend from subsidiaries	-12 060 945	-4 356 699
Depreciation and amortization	528 595	280 723
Change account receivable	-5 979 337	0
Change account payables	261 252	1 006 739
Effect of changes in exchange rates	5 908 924	7 504 672
Changes in other current balance sheet items	504 801	352 06
Net cash flow from operating activities	-13 432 666	-2 192 502
Cash flow from investing activities		
Purchase of tangible fixed assets	-5 532 865	-1 092 682
Net change in intercompany loan	1 770 136	7 801 094
Net cash flow from investing activities	-3 762 729	6 708 412
Cash flow from financing activities		
Proceeds from issuance of long term debt	200 000 000	0
Repayment of long term loans	-245 250 000	0
Change overdraft facility	35 034 455	0
Sale/(purchase) of own shares	-159 576	-582 119
Net cash flow from financing activities	-10 375 121	-582 119
Net change in cash and cash equivalents	-27 570 516	3 933 791
Cash and cash equivalents at 01.01	28 072 028	24 138 237
Cash and cash equivalents at 31.12	501 512	28 072 028

NOTES TO THE ACCOUNTS FOR 2017

NOTE 1 ACCOUNTING PRINCIPLES

The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

SUBSIDIARIES AND INVESTMENT IN ASSOCIATE

Subsidiaries and investments in associate are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Dividends and other distributions are recognized in the same year as appropriated in the subsidiary accounts. If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet.

BALANCE SHEET CLASSIFICATION

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non-incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

TRADE AND OTHER RECEIVABLES

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts

receivables outstanding balances, a general provision is carried out based on expected loss.

INCOME TAX

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 23 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

To what extent group contribution not is registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

GROUP BANK ACCOUNT ARRANGEMENT

Cegal Group AS has established a group bank account structure. The entities included in the arrangement are jointly liable for liabilities in the account arrangement.

Subsidiaries overdraft and deposits are classified as group receivables or liabilities. In the parent company, deposits/ overdrafts from the group bank accounts are classified as bank deposits or bank overdrafts depending on financial status.

CEGAL GROUP AS
Amount in NOK

NOTE 2 WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES AND AUDITOR'S FEE

WAGE COSTS	2017	2016
Salaries	9 186 694	8 617 549
Payroll tax	1 272 413	1 262 264
Pension costs	309 562	266 383
Other payments	356 251	82 570
Total	11 124 920	10 228 766
The average number of employees	6	6

MANAGEMENT REMUNERATION

	General manager	Board of Directors
Salary	1 210 022	350 000
Pension expenses	45 444	0
Other remuneration	11 481	0

There are no agreements regarding severance pay.

The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law. The company has a defined contribution plan.

AUDITOR REMUNERATION HAS BEEN DIVIDED AS FOLLOWS	2017
Audit remuneration	265 000
Other services	115 000
Total	380 000

VAT is not included in the figures of auditor's remuneration.

CEGAL GROUP AS
Amount in NOK

NOTE 3 TANGIBLE ASSETS

	TOTAL
Acquisition cost 01.01.2017	1 324 439
Purchased tangibles	5 532 865
Acquisition cost 31.12.2017	6 857 304
Acc.depreciation 31.12.2017	-863 773
Net carrying amount at 31.12.2017	5 993 531
Depreciation for the year	528 595

NOTE 4 LONG TERM LIABILITIES

	2017	2016
Within one year	24 000 000	225 000 000
Between one and five years	158 000 000	0
Total	182 000 000	225 000 000

Cost related to acquiring the long term debt are capitalized and amortized over the loan period. Capitalized costs amounts to NOK 1 489 583 is classified as a reduction of bond loan.

On March 24, 2017 Cegal paid off the Stock Listed Bond Loan at Oslo Stock Exchange. The refinancing was secured by a long term loan facility in SpareBank 1 SR-Bank. The total frame of the long-term financing is 200 MNOK split in two parts on 120 MNOK (A) and 80 MNOK (B). The (A) part of the financing is an amortizing loan with equal payment of installments over 5 years, part (B) is a bullet loan where the principal is due for payment after 5 years.

In addition to the long term financing an overdraft facility of 50 MNOK is secured and the bank have granted a leasing facility of 40 MNOK, and a 40 MNOK draw facility for potential future acquisitions. The new financing structure is subject to 3 separate loan covenants in relation to equity share, NIBD/12 LTM EBITDA, Current assets/current liabilities.

CEGAL GROUP AS
Amount in NOK

NOTE 5 INTERCOMPANY BALANCE GROUP COMPANIES

RECEIVABLES	2017	2016
Loans to group companies	170 566 981	172 776 447
Accounts receivables	5 979 337	0
Other receivables	69 541 988	51 385 093
Total	246 088 306	224 161 540

PAYABLES	2017	2016
Other short term payables	4 880 946	4 915 965
Accounts payable	38 631	625 088
Liability related to cash pool	81 494 322	65 537 060
Total	86 413 899	71 078 113

NOTE 6 BANK DEPOSIT

	2017
Restricted cash deposits	501 512

The Cegal Group companies in Norway are organized in a group account structure where Cegal Group AS is the owner of the group account. The Group has an overdraft facility of 50 000 000.

CEGAL GROUP AS
Amount in NOK

NOTE 7 INVESTMENT IN SUBSIDIARIES AND ASSOCIATE

COMPANY	ACQUISITION	LOCATION	SHARE OWNERS	NET PROFIT	EQUITY	BOOK VALUE
	year			2017	31.12.17	31.12.17
Cegal AS	2011	Sandnes	100 %	-3 074 381	6 078 122	209 371 836

Cegal Geoscience AS and Cegal AS merged with effect from 01.01.2017

NOTE 8 OWNERS EQUITY

	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
Owners equity 01.01	1 257 971	-5 951	139 713 959	31 112 050	172 078 029
Profit for the year	0	0	0	-5 647 863	-5 647 863
Purchase/sale of own	0	-469	0	-159 107	-159 576
Owners equity 31.12.	1 257 971	-6 420	139 713 959	25 305 080	166 270 590

CEGAL GROUP AS
Amount in NOK

NOTE 9 INCOME TAXES

INCOME TAX EXPENSES	2017	2016
Too much/little allocated in previous year(s)	-12 234	13 298
Change in deferred tax	-1 292 558	-5 580 169
Total income tax expense	-1 304 792	-5 566 871

TAX BASE ESTIMATION	2017	2016
Ordinary result before tax	-6 952 655	-23 513 788
Permanent differences	70 141	31 429
Tax base pre loss carry forward	-6 882 514	-23 482 359
Change temporary differences	-2 328 308	1 110 326
Tax base	-9 210 822	-22 372 033

TEMPORARY DIFFERENCES OUTLINED	2017	2016
Fixed assets	1 502 839	90 367
Long term debt	1 489 583	573 750
Loss carried forward	-38 970 174	-29 706 160
Total temporary differences	-35 977 752	-29 042 043

Deferred income tax asset (23% this year, 24% last year)	-8 274 883	-6 970 090
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EFFECTIVE TAX RATE	2017
Expected income taxes, statutory tax rate 24%	-1 668 637
Too much/little allocated in previous year(s)	-12 234
Permanent differences (24%)	16 834
This years tax effect of change in tax rate	359 245
Income tax expense	-1 304 792

CEGAL GROUP AS

NOTE 10 SHARE CAPITAL AND SHAREHOLDER INFORMATION

SHARE CAPITAL:	NUMBER OF SHARES	FACE VALUE	NOMINAL VALUE
A-shares	12 390 433	0,09 NOK	1 115 139
B-shares	1 587 017	0,09 NOK	142 832
Total	13 977 450		1 257 971

Main shareholders per 31.12:	A-shares	B-shares	Ownership share
Norvestor V LP	7 199 207	72 719	52,03 %
ST Innovation AS*	529 041	132 260	4,73 %
Garneng Kapital AS***	386 209	106 819	3,53 %
John Nygård	260 802	65 201	2,33 %
Dag Ydstebø	260 802	65 201	2,33 %
Sveinung Rage	260 802	65 201	2,33 %
Pagoda AS	229 134	62 371	2,09 %
Fivel Holding AS	224 771	61 639	2,05 %
Paleonor AS**	193 677	56 419	1,79 %
Reservoir Dimensions ApS	173 812	42 778	1,55 %
Splinetail AS	168 648	42 162	1,51 %
Wellwork Innovation AS****	144 055	42 499	1,33 %
Meah AS	133 370	35 606	1,21 %
Arve Osmundsen	45 263	105 613	1,08 %
Espen Espedal	119 342	31 079	1,08 %
Transalp Invest AS	149 664	0	1,07 %
Rune Aartun	116 782	31 070	1,06 %
Ole Johannes Rossebø, Board Member	117 759	29 865	1,06 %
Christian Cock	108 556	34 122	1,02 %
Total	10 821 696	1 082 624	85,18 %
Other (less than 1% ownership)	1 568 737	504 393	14,83 %
Total number of shares	12 390 433	1 587 017	100,00 %

A-shares and B-shares have equal voting rights.

* Owned by general manager of Cegal Group AS

** Owned by board member Arne Kristoffer Norborg

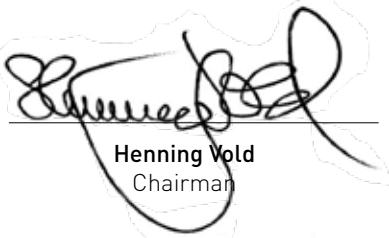
*** Owned by board member Frank Garneng

**** Board member Stian Vemmestad owns shares in Wellwork Innovation AS

Board member Ketil Waagbø owns 105 195 shares.

CEGAL GROUP AS

31 December 2017
Stavanger, 22 March 2018



Henning Vold
Chairman



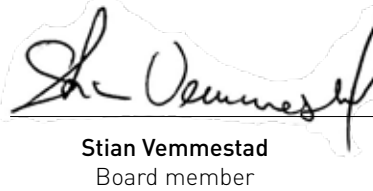
Arne Kristoffer Norborg
Board member



Per-Ola Baalerud
Board member



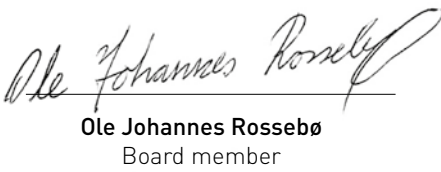
Frank Robert Garneng
Board member



Stian Vemmestad
Board member



Ketil Anders Waagbø
Board member

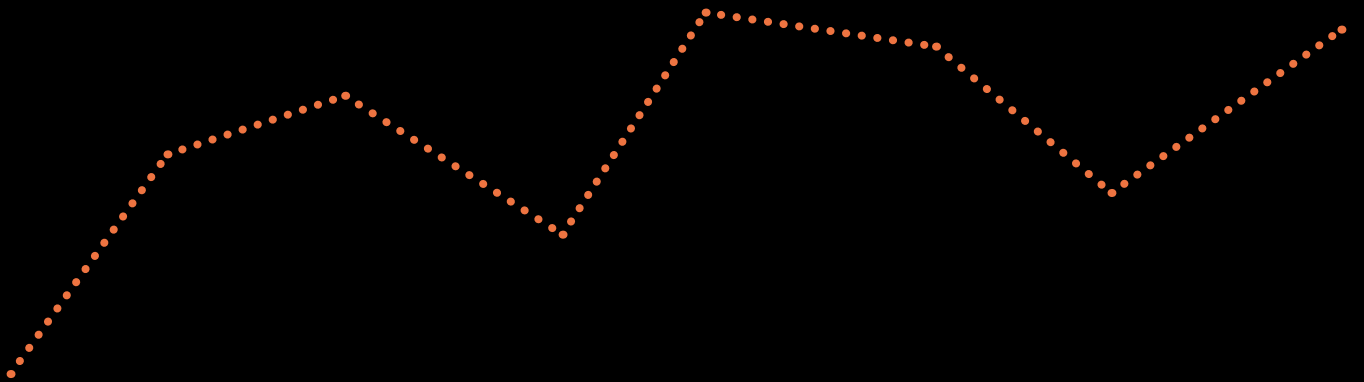


Ole Johannes Rossebø
Board member



Svein Torgersen
CEO

AUDITOR'S REPORT





Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Cegal Group AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cegal Group AS, which comprise the financial statements for the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement, and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31. December 2017, statements of comprehensive income, cash flows, changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Cegal Group AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.



Stavanger, 23 March 2018
ERNST & YOUNG AS

A large, stylized handwritten signature in blue ink is written over the printed name and title. The signature is fluid and cursive, with a large loop at the end.

Jan Kvalvik
State Authorised Public Accountant (Norway)

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