CEGAL GROUP AS
Annual Report 2018

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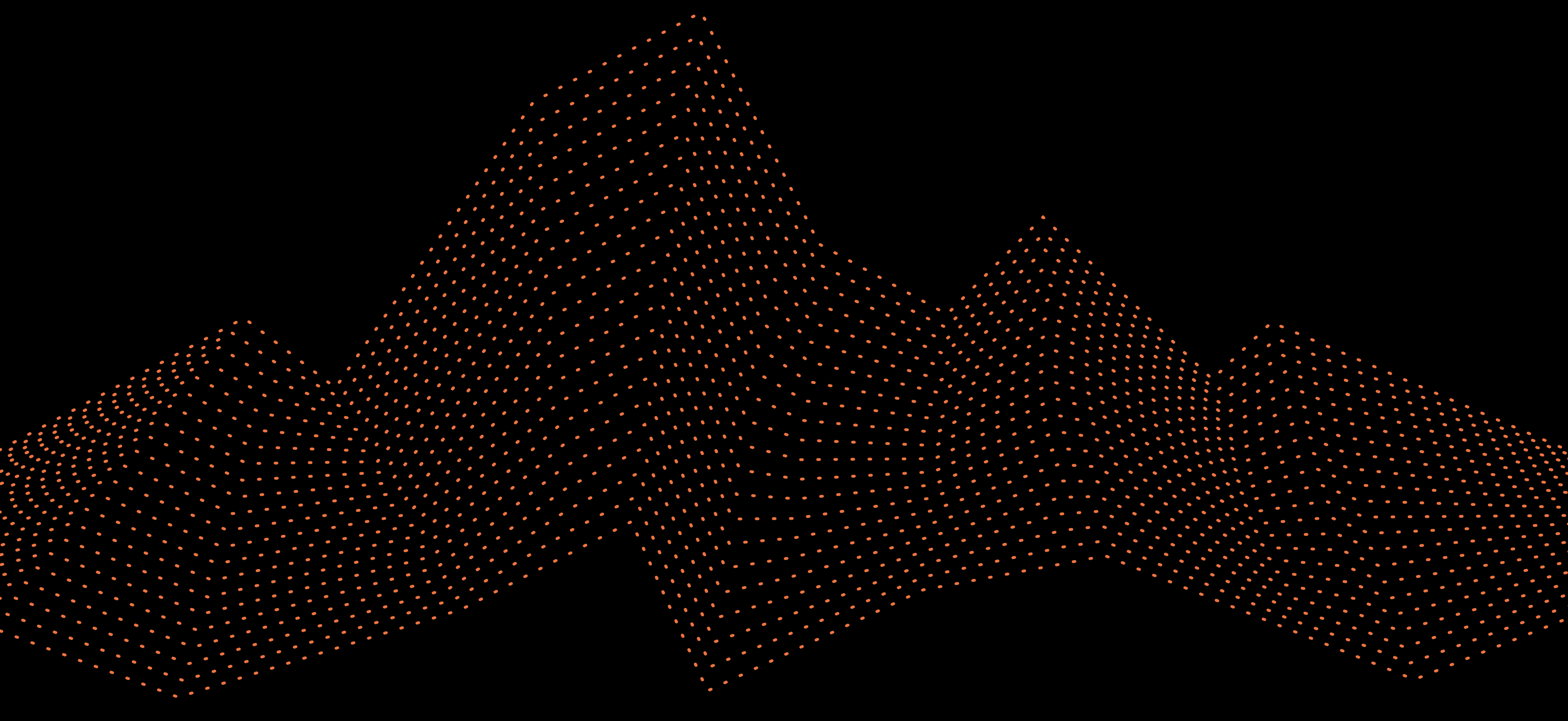

DEAR EMPLOYEES, CUSTOMERS AND SHAREHOLDERS

2018 was a great year for Cegal! We have delivered significant revenue growth and improved our EBITDA margins. We have spent the time wisely, invested in product development, and broadened our value proposition for the oil and gas industry.

Our customers are focusing on efficiency gains and production optimization. This drives the demand for gaining the benefits that digital technology represents. Disruptive innovation within advanced analytics, process digitalization, and robotics technology is at its rise. The industry is focused and there are unleashed opportunities across the value chain that will unlock comprehensive savings and efficiency gains.

Cegal strengthened its domain expertise by acquiring Avito Consulting AS, a subsidiary of Avito AS as announced in December 2018. The expertise in Avito Consulting AS is an important contribution to complement Cegal´s offering throughout the value chain. Avito´s skilled staff have expertise within the energy industry that will supplement and add value to Cegal´s unique combination of IT and geoscience expertise. The combination of our two companies will represent increased power combining technical expertise with business and domain advisory as an embedded part of deliveries that customers of both companies will benefit from. I am very happy to have the Avito Consulting employees as a part of the Cegal team!

Cegal' s has a role as an industry specialist and is an important part of the industry's digital transformation journey. We see that interaction between business, people and technology is a key factor for retaining a competitive edge. We delivered a relevant value proposition with products, services and domain knowledge to the industry. Domain knowledge is our key differentiator. We understand our client's business and we help them understand and use technology creating business value.

The Sales team has been busy, and we have signed several significant new contracts during the year. In addition, there has been significant growth within our existing customers. It has been a busy year for the project and delivering team's rolling out GeoCloud internationally, delivering rig installation in record time and a large carveout project on the Norwegian Continental Shelf, also done in record time. The international footprint has increased and we see large global opportunities for our solutions. We are in the beginning of a very exciting global journey for the years to come.

Our value proposition is most relevant to our customers and I am confident that we are in a good position for facing the future. The Cegal employees constitute a fantastic team with excellent skills and proves over and over again high work ethics and capacity. I am proud of the team and my colleagues! You make Cegal a great work place.

Thanks for a fantastic 2018, I look forward to 2019 and beyond!

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 is filling the gap between IT and E&P.

Cegal Group AS and the headquarter is located in Stavanger, Norway. The group is also located in Oslo, Trondheim, Moscow, London, Aberdeen, Houston, Calgary and Dubai.

BUSINESS SEGMENTS

Cloud and cloud servies

Cegal's cloud based solutions provides high performance IT systems and customized software solutions to more than 15.000 end users. We support more than 1.000 applications, and our support center offers a single point of contact for all IT related questions. We have seven data centers and more than 210 oil and gas customers. Cegal is at the forefront of digitalizing the oil and gas industry with its GeoCloud value proposition - an open integration platform tailored to the industry.

Cegal's offering delivers the benefits of cloud computing to its customers, all within one user friendly digital workspace interface.

As a strategic partner with deep domain knowledge, Cegal enables its customers to manage and structure their data in order to perform advanced analytics, thereby increasing productivity and efficiency in their exploration and production. 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 2018, Cloud including Cloud services represented 72.7 % of our revenues. Long term recurring cloud revenue represents approximately 67% 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 2018, software products and services represented 17.1% of revenues.

Geoscience consulting

Cegal offers highly experienced on-site consultants and expert geomodelers. In 2018, geoscience consulting represented 2.8 % of our revenues.

Other

Mainly 3rd party resale of hardware and other software to IT cloud customers. In 2018, other revenue represented 6.6% of our revenues.

Acquisition of Avito Consulting AS

Cegal Group AS signed in December 2018 an agreement to acquire all the shares in Avito Consulting AS, a subsidiary of Avito AS. Avito Consulting delivers strategic consultancy services that adds execution strength to projects, with a primary focus on IT projects in the energy industry. Cegal will continue the collaboration with the remaining business in the Avito Group. All employees in Avito Consulting will be integrated into the Cegal organization.

Avito Consulting's skilled staff has expertise within the energy industry that will supplement and add value to Cegal's unique combination of IT and geoscience expertise, complementing Cegal's offering throughout the whole value chain. The combination of the two companies will represent increased power to combine technical expertise with business and domain advisory as an embedded part of deliveries that customers will benefit from.

STATEMENT OF INCOME

Cegal Group financial statement for 2018 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 640.9 million in 2018 compared to NOK 530.2 million in 2017, representing an increase of 20.9%. 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 2018 NOK 123.3 million, representing an increase of 39.8% compared to 2017.

Depreciations
Depreciation of tangible assets was NOK 62.3 million compared to 38.3 million in 2017, whereas amortization of intangible assets was NOK 30.9 million compared to NOK 30.2 million in 2017.

Net financial items and profit before and after tax
Net financial items amounted to NOK -22.2 million compared to NOK -19.3 million in 2017. Profit before tax was NOK 7.9 million compared to NOK 0.3 million in 2017. Tax was NOK 1.3 million resulting in a net profit of 6.6 million.

Cash flow and financial positions
Total cash flow from operations for the group was NOK 102.3 million. The difference between profit before tax and cash flow from operations is due to taxes, depreciation and changes in working capital.

The cash flow from investment activities was NOK -307.8 million, which was related to purchase of tangible and intangible assets and also the aquistition of Avito Consulting.

Purchase of tangible assets was NOK 99.2 million. Investments in internal IT amounted to NOK 8.9 million and NOK 90.4 million was related to investments in Geocloud infrastructure, whereof NOK 57.3 million was directly related to ramp-up of existing clients and onboarding of new clients. The remaining NOK 33.1 million was related to investments in maintenance, tech re-fresh and expansion of multi client infrastructure.

These investments will facilitate growth in long-term Geocloud revenue.

Cash flow from financing activities was NOK 220.4 million including issuance of new long term debt and increase financial lease liability. The company made a repayment of paid-in capital of NOK 100.0 million in 2018. In the view of the Board, this will leave sufficient head room in the loan covenants, secure sufficient equity in the company and leave room for organic growth.

As at 31 December 2018, the group had bank deposits totaling NOK 35.4 million.Cegal has complied with all loan covenants during 2018.

The Group's current assets amounted to 27.8% of total assets per 31 December 2018. Total assets at the end of the year NOK 816.9 million and the equity ratio was 7.9%.

Due to early adoption of IFRS16 accounting standard as of January 1 2018, costs such as office rent costs and data center costs under the previous accounting standard has been classified as ROU assets (right of use assets) amounting to NOK 129 million on the balance sheet which will be depreciated over the contract period. Conversely, the group has recorded a corresponding lease liability of NOK 129 million.

The early adoption has also affected the P&L accounts by increasing EBITDA by NOK 23.8 million. However, due to increased amortizations and interest costs, the profit before tax has decreased by NOK 5.5 million.

GOING CONCERN
In accordance with the Accounting Act (Regnskaps-loven) § 3-3a it is confirmed that the going concern assumption is present. This assumption is based on profit forecasts for 2019 and its long-term strategic prognosis.

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 digitalization 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 risk 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 118.5 cash flow from operations in 2018, and held liquid assets of NOK 35.4 million at the close of the year. The Group considers its liquidity as good, and its exposure to liquidity risk is considered to being limited.

WORK ENVIRONMENT

Sick leave in the Group was approximately 2.8% in 2018. 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 2018, the group consisted of a total of 318 employees, including 47 women and 271 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. 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 with regards to workplace and work tasks.

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. As the market leader for cloud enablement on the Norwegian Continental Shelf (NCS), a global centre for innovation in oil and gas E&P, with a portfolio of software customers in 43 countries across the world, Cegal is well positioned to continue on its strong and profitable growth path.

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 the profit for Cegal Group AS:

Transferred to other equity	NOK 6.638.000
Total allocation	NOK 6.638.000

No dividend is proposed in respect of the 2018 financial year.

Stavanger, 28 March 2019

Henning Vold Chairman	**Arne Kristoffer Norborg** Board member	**Per-Ola Baalerud** Board member
Frank Robert Garneng Board member	**Stian Vemmestad** Board member	**Arve Osmundsen** Board member
Kjell-Erik Østdahl Board member	**Ole Johannes Rossebø** Board member	**Svein Torgersen** CEO

GROUP ANNUAL ACCOUNTS 2018

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

CEGAL GROUP AS – GROUP
Amount in NOK thousands

STATEMENT OF COMPREHENSIVE INCOME	NOTE	2018	2017
Revenue			
Sales revenue	15	640 904	530 173
Total revenue		**640 904**	**530 173**
Operating expenses			
Cost of sale		227 427	153 344
Payroll expenses	7	254 168	243 220
Other operating expenses	6, 7	36 034	45 414
Total operating expenses		**517 628**	**441 979**
EBITDA	1	**123 276**	**88 195**
Depreciation and amortization	3, 4	93 166	68 525
Operating profit/-loss		**30 109**	**19 669**
Financial income and expenses			
Interest income		2 083	1 192
Other financial income	12	18 146	14 511
Interest expenses		23 379	13 617
Other financial expenses	12	19 012	21 420
Net financial items		**-22 162**	**-19 334**
Profit before tax		**7 947**	**335**
Tax on ordinary result	8	1 309	-928
Net profit or loss for the year		**6 638**	**1 263**
Other comprehensive income			
Items which will not be reclassified over profit and loss		0	0
Currency translation differences		-564	807
Items which may be reclassified over profit and loss in subsequent periods		-564	807
Net other comprehensive income		**-564**	**807**
Total comprehensive income for the year		**6 074**	**2 071**

CEGAL GROUP AS – GROUP
Amount in NOK thousands

STATEMENT OF FINANCIAL POSITION	NOTE	2018	2017
Assets			
Intangible assets			
Goodwill	16	301 898	251 289
Software	3	50 039	64 251
Intangible assets	3	7 952	0
Deferred tax assets	8	7 275	10 143
Total intangible assets		**367 164**	**325 683**
Tangible assets			
Servers, office furniture, etc	4	221 193	55 182
Total tangible assets		**221 193**	**55 182**
Financial assets			
Other receivables		1 284	1 634
Total financial assets		**1 284**	**1 634**
Non-current assets		**589 641**	**382 498**
Current assets			
Trade receivables		152 045	83 742
Other receivables		28 941	10 919
Prepayments		10 774	27 779
Total current assets		**191 761**	**122 440**
Cash and cash equivalents	5	35 448	20 544
Total current assets		**227 209**	**142 984**
Total assets		**816 851**	**525 482**

CEGAL GROUP AS – GROUP
Amount in NOK thousands

STATEMENT OF FINANCIAL POSITION	NOTE	2018	2017
Equity and liabilities			
Paid-in capital			
Share capital	13	1 258	1 258
Share premium reserve		39 721	139 714
Own shares		-7	-6
Total paid-in capital		**40 972**	**140 966**
Retained earnings			
Other equity		23 415	17 008
Total retained earnings		**23 415**	**17 008**
Total equity		**64 387**	**157 974**
Provisions			
Deferred tax	8	0	1 825
Total provisions		**0**	**1 825**
Liabilities			
Liabilities to financial institutions	9	324 713	156 510
Other long-term liabilities	11	145 843	17 489
Total other long term liabilities		**470 556**	**173 999**
Current liabilities			
Liabilities to financial institutions	5, 9	45 185	59 057
Trade creditors		57 620	31 205
Public duties payable		34 453	22 039
Tax payable	8	4 046	2 115
Other short-term liabilities	10	140 605	77 268
Total current liabilities		**281 908**	**191 684**
Total liabilities		**752 464**	**367 508**
Total equity and liabilities		**816 851**	**525 482**

CEGAL GROUP AS – GROUP

31 December 2018
Stavanger, 28 March 2019

Henning Vold Chairman	**Arne Kristoffer Norborg** Board member	**Per-Ola Baalerud** Board member
Frank Robert Garneng Board member	**Stian Vemmestad** Board member	**Arve Osmundsen** Board member
Kjell-Erik Østdahl Board member	**Ole Johannes Rossebø** Board member	**Svein Torgersen** CEO

CEGAL GROUP AS – GROUP
Amount in NOK thousands

STATEMENT OF CASH FLOW	2018	2017
Profit/(loss) before tax	7 947	335
Taxes paid	-2 093	-811
Depreciation and amortization	93 166	68 525
Interest income	-2 083	-1 192
Interest expense	23 379	13 617
Changes in trade receivable	-68 303	7 316
Changes in trade creditors	26 415	3 969
Interests received	2 083	1 192
Interests paid	-23 379	-13 617
Changes in other current balance sheet items	45 145	-41 569
Net cash flow from operating activities	**102 276**	**37 766**
Increase financial lease asset	-208 622	0
Purchase of tangible and intangible assets	-36 546	-30 763
Acquisition of group companies	-62 600	0
Net cash flow from investing activities	**-307 768**	**-30 763**
Proceeds from issuance of long term debt	208 000	200 000
Repayment of short term loans to financial institutions	-24 444	-245 250
Increase/(decrease) short term loan to financial institutions	-26 539	35 057
Payment financial lease	-45 559	-22 001
Increase financial lease liability	208 598	0
Payment of dividend	-99 993	0
Sale/(purchase) own shares	332	-160
Net cash flow from financing activities	**220 395**	**-32 354**
Net change in cash and cash equivalents	14 904	-25 351
Cash and cash equivalents 01.01	**20 544**	**45 895**
Cash and cash equivalents 31.12	**35 448**	**20 544**

CEGAL GROUP AS – GROUP
Amount in NOK thousands

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL EQUITY
Equity as at 01.01.2017	1 258	-6	139 714	15 097	156 063
Profit for the year				1 263	1 263
Purchase/sale of own shares				-160	-160
Currency translation differences				807	807
Equity as at 31.12.2017	**1 258**	**-6**	**139 714**	**17 008**	**157 974**
Equity as at 01.01.2018	1 258	-6	139 714	17 008	157 974
Profit for the year				6 638	6 638
Purchase/sale of own shares		-1		333	332
Repayment of capital			-99 993		-99 993
Currency translation differences				-564	-564
Equity as at 31.12 2018	**1 258**	**-7**	**39 721**	**23 415**	**64 387**

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTES TO THE GROUP FINANCIAL STATEMENT 2018

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
- Cegal Russia LLC
- Avito Consulting AS

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

Sale of licenses (right to use) that are distinct are recognised at a point in time when the customer is able to use and benefit from the license. Sale of licenses that are part of a bundled contract (right to access) are not distinct and are recognised over the contract period. Sale of perpetual license rights are recognized when the customer gets access to the software.

Maintenance revenue is recognised 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 recognised at nominal value.

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

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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 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.

The Group recognises an allowance for expected credit losses (ECLs) for all trade and other receivables. The Group applies a simplified approach in calculating ECLs.

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
Lease contracts where the group is a lessee are capitalised. Upon commencement of the lease the right-of-use asset is recognised at cost being the present value of the lease payment in the contract as defined by IFRS 16 in addition to initial direct costs. The corresponding lease liability is recognised in the balance sheet at present value using the interest rate implicit in the lease, if that rate can be readily determined, or else the lessee's incremental borrowing rate. The lease liability is subsequently increased by the effective interest in the lease and reduced by payments made. The lease liability is also reassessed subsequently if the payments or the interest rate changes. The change in liability is added to or deducted from the right-of-use asset.

The right-of-use asset acquired under leases is depreciated over the asset's useful life or the lease term, if shorter, if the lease does not transfer ownership at the end of the lease term, or there is no purchase option that is in the money. The right-of-use asset is teste d for impairment as for similar assets owned by the entity.

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.

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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 depreciated, 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 Changes in accounting policies and disclosures
The following new and amended standards and interpretations have been implemented for the first time in 2018:

IFRS 9 - Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The standard replaces IAS 39. Implementation of IFRS 9 has not involved any material changes compared to how the Group reported according to IAS 39.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. Implementation of IFRS 15 has not involved any material changes compared to how the Group reported according to previous revenue standards.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27. Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The new standard requires that the lessee recognises assets and liabilities for most leases, which is a significant change from current policies. For lessors, IFRS 16 essentially continues existing principles from IAS 17. In line with

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Amount in NOK thousands

this, a lessor shall continue to classify their leases as operating leases or finance leases and report these two types of leases separately.

The Group has opted for the early adoption of IFRS 16 "Leases" starting January 1, 2018. The Group has chosen to apply IFRS 16 using the modified retrospective approach, setting the right-of-use asset equal to the lease liability as of 1.1.2018.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

- Lease contracts with a duration of less than 12 months
- Lease contracts for which the underlying asset has a value in new of below 50 000 NOK

The impact of IFRS 16 on the opening balance sheet as of January 1, 2018 are as follows:

- Recognition of a right of use asset amounting to NOK 129 mill
- Recognition of a lease liability amounting to NOK 129 mill

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	3,16	Net present value of expected future cash flow	301 898
Intangible assets	3	Net present value of expected future cash flow	57 991
Tangible assets	4	Net present value of expected future cash flow	28 450
Deferred tax asset	8	Net present value of expected future cash flow	7 275

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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 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 2018. 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 recognised in the financial statements for 2018.

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTE 3 INTANGIBLE ASSETS

	CUSTOMER RELATIONS	SOFTWARE	TOTAL
Acquisition cost at 01.01	0	109 507	165 389
Additions	7 952	16 665	24 617
Acquisition cost 31.12.	7 952	126 171	190 006
Acc. amortization at 01.01.	0	101 138	101 138
Amortization for the year	0	30 877	30 877
Net carrying amount at 31.12	**7 952**	**50 039**	**57 991**
Useful economic life	3–5 years	3–5 years	3–5 years
Amortization plan	Linear	Linear	Linear

Goodwill
Recognised goodwill is NOK 301 898. 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, and amount of £ 2996 is valued at exchange rate per year end.

In 2018 the Group acquired Avito Consulting AS, and the purchase price has been allocated to goodwill of NOK 50 519 and customer relations and order backlog of NOK 7 952.

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 – GROUP
Amount in NOK thousands

NOTE 4 TANGIBLE ASSETS

	FINANCIAL LEASING IT-EQUIPMENT	TANGIBLE ASSETS	TOTAL
Acquisition cost at 31.12	184 115	89 176	273 291
IFRS 16 implementation	129 296	0	129 296
Acquisition cost at 01.01	313 411	89 176	402 587
Additions	79 325	19 882	99 207
Translation differences	0	17	17
Acquisition cost 31.12.	392 737	109 074	501 811
Acc. depreciation 01.01	148 554	69 664	218 218
Translation differences	138	-27	111
Depreciation for the year	51 303	10 987	62 289
Net carrying amount at 31.12.	**192 743**	**28 450**	**221 193**
Useful economic life	2–5 years	2–5 years	
Depreciation plan	Linear	Linear	

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTE 5 BANK DEPOSIT

The cash and deposits for the Group includes restricted funds of NOK 9 723 related to employee taxes as of 31 December 2018.

The Group has bank guarantees of NOK 10 853.

The Group has a bank overdraft facility of NOK 50 000, in which NOK 8 518 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 2018 the following operating leasing agreements:

	2018
Transportation, inventory, computer equipment Total	1 159
Total	**1 159**

Information about financial leasing, see note 12.

CEGAL GROUP AS – GROUP
Amount in NOK thousands

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

WAGE COSTS	2018	2017
Salaries	223 500	217 809
Payroll tax	30 067	28 431
Pension costs	7 579	8 088
Other remuneration	6 539	7 397
Capitalized development cost	-13 517	-18 504
Total	**254 168**	**243 220**
The total number of employees in the company during the year:	318	275

MANAGEMENT REMUNERATION

	General manager	Board of Directors remuneration
Salary	1 339	250
Pension expenses	47	0
Other payments	12	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 tjenestepensjon"). 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	2018
Audit remuneration	471
Other services	182

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

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTE 8 TAXES

SPECIFICATION OF TOTAL TAX COST	2018	2017
Total payable tax	2 829	2 982
Correction previous years	-467	-803
Effect change of tax rate	110	357
Translation effect	-95	0
Changes in deferred taxes	-1 069	-3 464
Total tax cost for the year	**1 309**	**-928**

SPECIFICATION OF BASE OF PAYABLE TAXES	2018	2017
Net income before tax	7 947	335
Permanent differences	187	-382
Changes in temporary differences	10 323	8 516
Tax base pre loss carry forward	18 456	8 469
Used previous year's tax loss carry forward	-9 803	-4 162
Base for payable tax	**8 653**	**4 307**

SPECIFICATION OF BASE FOR DEFERRED TAX BENEFIT	2018	2017
Assets	5 273	8 386
Leasing	-6 025	-230
Long term debt	4 176	1 490
Short term debt	-15 848	-20 283
Loss carry forward	- 38 538	-41 519
Temporary differences	-50 962	-52 156
Loss carry forward not recognized **	9 371	11 458
Other differences not basis for deferred tax asset	361	4 472
Basis for deferred tax	**-41 230**	**-36 226**
Deferred tax/- deferred tax assets	-7 275	-10 143

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

CEGAL GROUP AS – GROUP
Amount in NOK thousands

RECONCILIATION EFFECTIVE TAX RATE	2018	2017
Expected income taxes, statutory rate 23 % (24 % 2017)	1 828	84
Correction previous years	-467	485
Effect different tax rates	157	561
Effect change of tax rate	357	351
Translation effect	-237	-437
Change not booked deferred tax asset	-298	-1 880
Permanent differences	-30	-92
Total tax cost	**1 309**	**-928**

NOTE 9 LIABILITIES

REPAYMENT SCHEDULE LONG TERM LIABILITIES	2018	2017
Within one year*	36 667	24 000
Between one and five years*	328 889	158 000
Total	**365 556**	**182 000**

* Cost related to acquiring the long term debt are capitalized and amortized over the loan period. Capitalized costs amount to NOK 4 176 is classified as a reduction of long term loan.

The total frame of the long-term financing is 370 MNOK split in three parts on 120 MNOK (A), 200 MNOK (B) and 50 MNOK (C). The (A) part of the financing is a amortizing loan with equal payment of installments over 4.5 years, part (B) is a bullet loan where the principal is due for payment after 5 years and part (C) is a amortizing loan with equal payment of installments over 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. 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 – GROUP
Amount in NOK thousands

NOTE 10 SHORT TERM DEBT

SHORT TERM DEBT	2018
Deferred revenue	40 631
Salary	35 047
Short term leasing	53 244
Other short term debt	11 683
Total	**140 605**

NOTE 11 FINANCIAL LEASE

REPAYMENT SCHEDULE	2018
Within one year	53 244
Between one and five years	145 843
Total	**199 087**

NOTE 12 FINANCE ITEMS

OTHER FINANCIAL INCOME	2018
Agio	18 143
Other financial income	3
Total	**18 146**

OTHER FINANCIAL EXPENSES	2018
Disagio	18 174
Other financial expenses	838
Total	**19 012**

CEGAL GROUP AS – GROUP
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 %
Chrisfam AS	183 831	30 303	1,52 %
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	**11 005 527**	**1 112 927**	**86,70 %**
Other (less than 1% ownership)	1 384 906	474 090	13,30 %
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.
***** Owned by board member Arve Osmundsen.

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTE 14 RELATED PARTY TRANSACTIONS

Cegal Group AS has in 2018 bought consulting services for NOK 288 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	2018	2017
Cloud	299 913	249 291
Cloud services	166 188	110 452
Hardware/Software	41 906	32 745
Software Products	91 817	83 231
Software Solutions	18 006	25 221
Geoscience consulting	18 219	24 312
Other revenues	4 855	4 920
Total Sales	**640 904**	**530 173**

DISTRIBUTED BY AREA OF OPERATION	2018
Norway, Continental Europe and Russia	538 590
UK and Africa	52 319
North and South America	34 701
Middle East and Asia Pacific	15 294
Total Sales	**640 904**

CEGAL GROUP AS – GROUP
Amount in NOK thousands

NOTE 16 IMPAIRMENT TESTING OF GOODWILL

Recognised goodwill in the Group amounts to NOK 301 898 as of 31.12.2018. Goodwill relates to the acquisition of Cegal AS, Avito Consulting 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 2018:

Discount rate	7.6 %
Growth rate	5.0 %
Growth in terminal value	2.5 %
Gross margin (average)	71.4 %

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 2018

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

CEGAL GROUP AS
Amount in NOK

INCOME STATEMENT	NOTE	2018	2017
Revenue			
Management fee		19 041 492	4 905 545
Operating expenses			
Payroll expenses	2	12 095 358	11 124 920
Depreciation of tangible and intangible fixed assets	3	3 102 538	528 595
Other operating expenses	2	7 730 859	4 648 669
Total operating expenses		**22 928 755**	**16 302 184**
Operating result		**-3 887 263**	**-11 396 639**
Financial income and expenses			
Income from investments in subsidiaries and associated companies		21 421 685	12 060 945
Interest income from group companies		7 023 457	7 397 527
Other financial income		5 641 297	11 491 559
Other financial expenses	4	17 674 693	26 506 047
Net financial items		**16 411 746**	**4 443 984**
Ordinary result before tax		12 524 483	-6 952 655
Tax on ordinary result	9	3 134 379	-1 304 792
Net profit or loss for the year		**9 390 104**	**-5 647 863**
Allocated as follows			
Transferred to other equity	8	9 390 104	-5 647 863

CEGAL GROUP AS
Amount in NOK

BALANCE SHEET AS OF DECEMBER 31	NOTE	2018	2017
Fixed assets			
Intangible assets			
Deferred tax asset	9	5 140 503	8 274 882
Total intangible assets		**5 140 503**	**8 274 882**
Tangible assets			
Fixtures and fittings, tools, office machinery etc.	3	8 750 675	5 993 531
Total tangible assets		**8 750 675**	**5 993 531**
Financial assets			
Investments in subsidiaries	7	271 971 836	209 371 836
Loans to group companies	5	177 744 472	170 566 981
Total financial assets		**449 716 308**	**379 938 817**
Total fixed assets		**463 334 913**	**394 207 230**
Current assets			
Receivables			
Trade receivables	5	3 946 227	5 979 337
Other receivables	5	101 744 265	71 864 956
Total accounts receivable		**105 690 492**	**77 844 293**
Cash and cash equivalents	6	536 254	501 512
Total current assets		**106 226 746**	**78 345 805**
Total assets		**569 834 232**	**472 553 035**

CEGAL GROUP AS
Amount in NOK

BALANCE SHEET AS OF DECEMBER 31	NOTE	2018	2017
Equity			
Paid-in capital			
Share capital	8, 10	1 257 971	1 257 971
Own shares	8	-6 621	-6 420
Share premium reserve	8	39 720 810	139 713 959
Total paid-in capital		**40 972 160**	**140 965 510**
Retained earnings			
Other equity	8	35 027 776	25 305 080
Total retained earnings		**35 027 776**	**25 305 080**
Total equity		**75 999 936**	**166 270 590**
Liabilities			
Other long-term liabilities			
Liabilities to financial institutions	4	324 713 281	180 510 417
Total other long term liabilities		**324 713 281**	**180 510 417**
Current liabilities			
Liabilities to financial institutions	4	45 184 530	35 034 455
Trade creditors	5	2 004 453	1 563 908
Public duties payable	6	1 254 754	1 065 142
Other short-term liabilities	5	120 677 278	88 108 523
Total current liabilities		**169 121 015**	**125 772 028**
Total liabilities		**493 834 296**	**306 282 445**
Total equity and liabilities		**569 834 232**	**472 553 035**

CEGAL GROUP AS
Amount in NOK

CASH FLOW STATEMENT	2018	2017
Cash flow from operating activities		
Result before tax	12 524 483	-6 952 655
Received payment for dividend	0	4 356 699
Recognized dividend from subsidiaries	-21 421 685	-12 060 945
Depreciation and amortization	3 102 538	528 595
Change account receivable	2 033 110	-5 979 337
Change account payables	440 545	261 252
Effect of changes in exchange rates	-154 283	5 908 924
Changes in other current balance sheet items	-12 217 962	504 801
Net cash flow from operating activities	**-15 693 254**	**-13 432 666**
Cash flow from investing activities		
Purchase of tangible fixed assets	-5 859 682	-5 532 865
Purchase of investments in shares	-62 600 000	0
Net change in intercompany loan	26 809 479	1 770 136
Net cash flow from investing activities	**-41 650 203**	**-3 762 729**
Cash flow from financing activities		
Proceeds from issurance of long term debt	208 000 000	200 000 000
Repayment of long term loans	-24 444 446	-245 250 000
Change overdraft facility	-26 516 597	35 034 455
Sale/(purchase) of own shares	332 391	-159 576
Dividends paid	-99 993 149	0
Net cash flow from financing activities	**57 378 199**	**-10 375 121**
Net change in cash and cash equivalents	34 742	-27 570 516
Cash and cash equivalents at 01.01	**501 512**	**28 072 028**
Cash and cash equivalents at 31.12	**536 254**	**501 512**

NOTES TO THE ACCOUNTS FOR 2018

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 22 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	2018	2017
Salaries	9 676 942	9 186 694
Payroll tax	1 375 393	1 272 413
Pension costs	327 896	309 562
Other payments	715 127	356 251
Total	**12 095 358**	**11 124 920**
The average number of employees	7	6

MANAGEMENT REMUNERATION	
	Svein Torgersen
Salary	1 339 319
Pension expenses	46 596
Other remuneration	12 011

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 accupational 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	2018
Audit remuneration	270 000
Other services	114 000
Total	**384 000**

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

CEGAL GROUP AS
Amount in NOK

NOTE 3 TANGIBLE ASSETS

	TOTAL
Acquisition cost 01.01.2018	6 857 304
Purchased tangibles	5 859 682
Acquisition cost 31.12.2018	**12 716 986**
Acc.depreciation 31.12.2018	-3 966 311
Net carrying amount at 31.12.2018	**8 750 675**
Depreciation for the year	3 102 538

NOTE 4 LONG TERM LIABILITIES

	2018	2017
Within one year	36 666 672	24 000 000
Between one and five years	328 888 882	158 000 000
Total	**365 555 554**	**182 000 000**

Cost related to acquiring the long term debt are capitalized and amortized over the loan period. Capitalized costs amounts to NOK 4 175 601 is classified as a reduction of bond loan.

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. 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	2018	2017
Loans to group companies	177 744 472	170 566 981
Accounts receivables	3 946 227	5 979 337
Other receivables	89 252 228	69 541 988
Total	**270 942 927**	**246 088 306**

PAYABLES	2018	2017
Other short term payables	5 355 610	4 880 946
Accounts payable	148 704	38 631
Liability related to cash pool	113 140 900	81 494 322
Total	**118 645 214**	**86 413 899**

NOTE 6 BANK DEPOSIT

	2018
Restricted cash deposits	532 528

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 YEAR	LOCATION	SHARE OWNERS	NET PROFIT 2018	EQUITY 31.12.18	BOOK VALUE 31.12.18
Cegal AS	2011	Sandnes	100 %	-4 482 980	21 192 448	209 371 836
Avito Consulting AS	2018	Sandnes	100 %	-4 532 302	5 878 778	62 600 000
Total				**-9 015 282**	**27 071 226**	**271 971 836**

The 17 December 2018 Cegal Group AS completed the aquisition of Avito Consulting AS.

NOTE 8 OWNERS EQUITY

	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
Owners equity 01.01.	1 257 971	-6 420	139 713 959	25 305 080	166 270 590
Profit for the year	0	0	0	9 390 104	9 390 104
Sale of own shares	0	19 272	0	9 480 707	9 499 979
Purchase of own shares	0	-19 473	0	-9 148 115	-9 167 588
Dividend	0	0	-99 993 149	0	-99 993 149
Owners equity 31.12.	**1 257 971**	**-6 621**	**39 720 810**	**35 027 776**	**75 999 936**

CEGAL GROUP AS
Amount in NOK

NOTE 9 INCOME TAXES

INCOME TAX EXPENSES	2018	2017
Too much/little allocated in previous year(s)	0	-12 234
Change in deferred tax	3 134 379	-1 292 558
Total income tax expense	**3 134 379**	**-1 304 792**

TAX BASE ESTIMATION	2018	2017
Ordinary result before tax	12 524 483	-6 952 655
Permanent differences	87 340	70 141
Tax base pre loss carry forward	12 611 823	-6 882 514
Change temporary differences	-12 611 823	-2 328 308
Tax base	**0**	**-9 210 822**

TEMPORARY DIFFERENCES OUTLINED	2018	2017
Fixed assets	1 625 458	1 502 839
Long term debt	4 175 601	1 489 583
Loss carried forward	-29 166 988	-38 970 174
Total temporary differences	**-23 365 929**	**-35 977 752**
Deferred income tax asset (22% this year, 23% last year)	-5 140 503	-8 274 883

EFFECTIVE TAX RATE	2018
Expected income taxes, statutory tax rate 23%	2 880 631
Permanent differences (23%)	20 088
This years tax effect of change in tax rate	233 660
Income tax expense	**3 134 379**

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 %
ST Innovation AS*	529 041	132 260	5 %
Garneng Kapital AS***	386 209	106 819	4 %
John Nygård	260 802	65 201	2 %
Dag Ydstebø	260 802	65 201	2 %
Sveinung Rage	260 802	65 201	2 %
Pagoda AS	229 134	62 371	2 %
Fivel Holding AS	224 771	61 639	2 %
Paleonor AS**	193 677	56 419	2 %
Reservoir Dimensions ApS	173 812	42 778	2 %
Chrisfam AS	183 831	30 303	2 %
Splinetail AS	168 648	42 162	2 %
Wellwork Innovation AS****	144 055	42 499	1 %
Meah AS	133 370	35 606	1 %
Arve Osmundsen*****	45 263	105 613	1 %
Espen Espedal	119 342	31 079	1 %
Transalp Invest AS	149 664	0	1 %
Rune Aartun	116 782	31 070	1 %
Ole Johannes Rossebø, Board Member	117 759	29 865	1 %
Christian Cock	108 556	34 122	1 %
Total	**11 005 527**	**1 112 927**	**87 %**
Other (less than 1% ownership)	1 384 906	474 090	13 %
Total number of shares	**12 390 433**	**1 587 017**	**100 %**

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.
***** Owned by board member Arve Osmundsen.

CEGAL GROUP AS

31 December 2018
Stavanger, 28 March 2019

Henning Vold Chairman	**Arne Kristoffer Norborg** Board member	**Per-Ola Baalerud** Board member
Frank Robert Garneng Board member	**Stian Vemmestad** Board member	**Arve Osmundsen** Board member
Kjell-Erik Østdahl Board member	**Ole Johannes Rossebø** Board member	**Svein Torgersen** CEO

AUDITOR’S REPORT

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Statsautoriserte revisorer
Ernst & Young AS

Vassbotnen 11a Forus, NO-4313 Sandnes
Postboks 8015, NO-4068 Stavanger

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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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 statement of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flows for the year then ended and notes to the financial statement, including a summary of significant accounting policies. The consolidated financial statement comprise the balance sheet as at 31 December 2018, the statement of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the financial statements 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 2018 and their 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 and the Group 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 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.

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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 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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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, 29 March 2019
ERNST & YOUNG AS

Jan Kvalvik
State Authorised Public Accountant (Norway)

CEGAL
www.cegal.com
T: +47 52 04 00 00