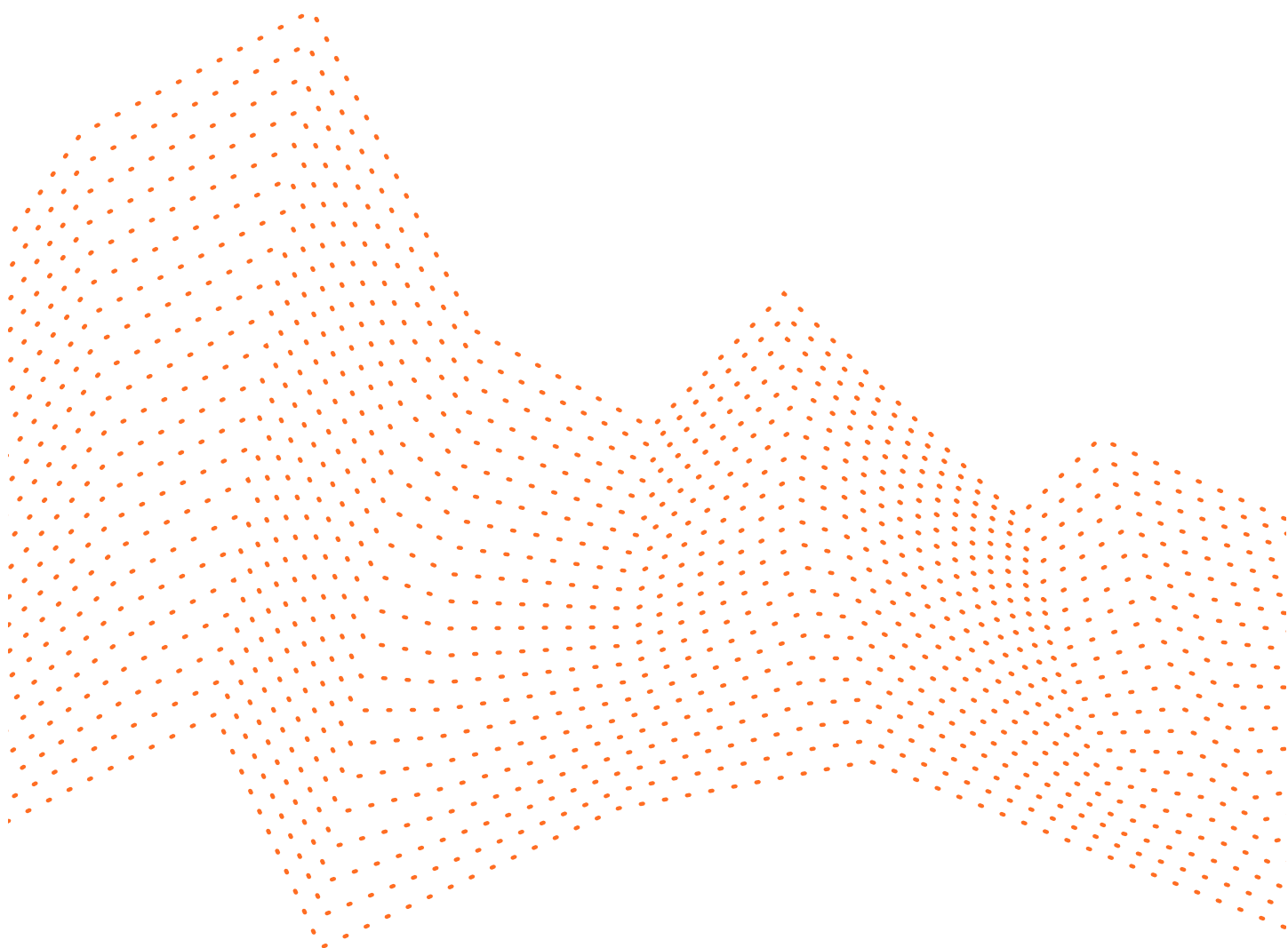


# CHIP BIDCO AS

A Cegal Group company

INTERIM REPORT Q3 2020



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## Q3 2020 HIGHLIGHTS

### KEY FINANCIAL METRICS

Figures in NOKm

	Q3 2020	LTM Q3 2020
Operating revenue	180.1	814.6
EBITDA (reported)	43.1	139.0
EBITDA (adjusted post IFRS16)*	43.6	199.8
EBITDA (adjusted pre IFRS16)*	36.3	171.6
Order backlog	2 474.6	2 474.6

### KEY CREDIT METRICS

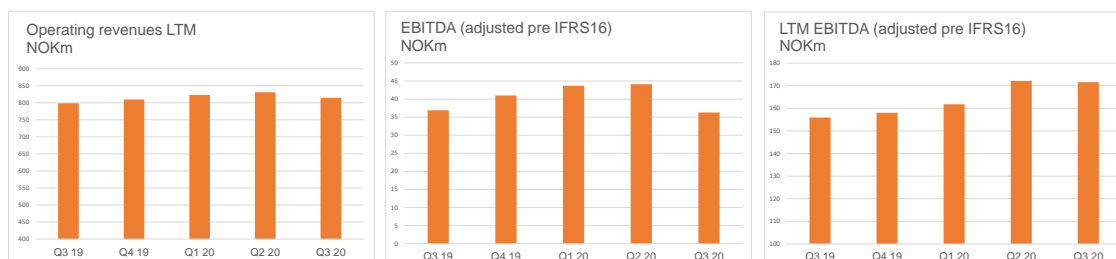
Figures in NOKm

	Q3 2020	LTM Q3 2020
NIBD (post IFRS16)	996.4	996.4
NIBD (pre IFRS16)	810.5	810.5
Leverage ratio NIBD/EBITDA (adjusted post IFRS16)**		5.0
Leverage ratio NIBD/EBITDA (adjusted pre IFRS16)***		4.7

\* Adjusted EBITDA for Q3 includes NOK 0.5 million in post-closing costs and Third-party services

\*\*Includes NOK 185.9 million in leasing liabilities, whereof NOK 131.6 million is long-term debt and NOK 54.3 million is short-term debt

\*\*\*Pre IFRS 16 leverage ratio calculation excludes NOK 71.5 million in HW/SW leasing liabilities (non IFRS16 debt)



- Operating revenues in Q3 2020 were NOK 180.1 million compared to NOK 196.3 million in Q3 2019, representing a decrease of 8.2%. Compared to Q3 2019, there was a NOK 4.0 million growth in recurring Cloud revenue, whereas the other business lines were either stagnant or declining slightly. The main reasons for the decline in revenues are related to impact from ongoing COVID-19 pandemic, resulting in less new sales, and less chargeability from our consulting services. For Q3 this year, we also experienced a special effect as employees had more vacation in July and August than in a normal year, leading to less hours billed to clients. In the month of September we saw revenue growth for all business areas.
- Adjusted Q3 2020 EBITDA was NOK 43.6 million compared to NOK 43.5 million in the same period last year, an increase of 0.3 %. Adjusted Q3 EBITDA margin has increased from 22.1% in 2019 to 24.2% in 2020, driven by less COGS and strict cost control during the COVID-19 pandemic situation.
- Strong balance sheet with significant liquidity growth of NOK 22.5 million, thereby improving the Group's cash position considerably from Q3 2019. As at 30.09.20, the Group's cash balance was NOK 61.9 million. However, since Q2, the Group's cash balance has decreased primarily due to a net negative change in working capital. Please refer to "balance sheet and liquidity" for more details.

## ABOUT THE GROUP

Chip Bidco, a Cegal Group company, is a trusted provider of hybrid cloud solutions, software, and consultancy within IT, business, geoscience, and data management for the energy industry.

Our employees are working from offices in Stavanger (HQ), Oslo, Trondheim, London, Aberdeen, Dubai, Houston, Calgary and Kuala Lumpur. The combination of IT and geoscience domain expertise makes us a unique IT and geoscience solutions provider to the energy industry.

We have a business model based on the delivery of scalable and recurring as a Service solution. This enables our energy customers to scale costs easily. With significant investments in our product and services portfolio over the last years, we now have a unique offering and are well positioned for the future.

In November 2019 Chip Bidco AS entered into an agreement to acquire all of the shares and voting rights in Cegal Group AS and the acquisition was formally closed on 20 December 2019. The corresponding balance sheet figures for 2019 represents Cegal Group AS before the acquisition.

# SUMMARY

## Q3 2020

(Figures in brackets refer to the corresponding period of 2019)

Revenues for the third quarter amounted to NOK 180.1 million (196.3) with recurring Cloud revenues growing by NOK 4.0 million and other business lines either being stagnant or slightly declining due to the ongoing COVID-19 pandemic. Reported EBITDA amounted to NOK 43.1 million (42.5) for the third quarter of 2020, corresponding to an increase of 1.4 % compared to same period last year. EBITDA margin increased to 23.9 % (21.6 %) as a result of strict cost control combined with effects from automation and economies of scale. In addition, the change of revenue mix with less third-party revenue and more Cloud and Cloud Services revenue are contributing factors for the increased EBITDA margin.

The Group is increasing its recurring revenue base and has a solid order backlog of NOK 2.5 billion following several international contract wins last year with the Wintershall Dea/Atos contract as the most prominent one. In addition, a newly re-signed five-year global contract with Neptune Energy will give the Group extra order backlog by providing the Group's core services for GeoCloud, Cloud services, Connect@Plant, Application and Operation Management, and Digitalization. The total order backlog has grown by NOK 44 million from Q2 to Q3, using the currency rates from 30.06.20.

In Q3 2020, the Group invested NOK 16.0 million (13.2) in equipment on behalf of customers and internal investments on our Cloud platform. In addition, Cegal invested NOK 5.9 million (5.2) in development of new software products and Cloud solutions.

By the end of the quarter, the number of employees were 388 (353).

## BALANCE SHEET AND LIQUIDITY

Total reported assets (unaudited) as at 30 September 2020 were NOK 2 093.7 million compared to NOK 798.1 million as at 30 September 2019. This increase is primarily related to added goodwill and other intangible assets following the acquisition of Cegal Group AS in December 2019.

Consolidated equity as at 30 September 2020 was NOK 700.5 million compared to NOK 88.1 million as at 30 September 2019. Again, the acquisition of Cegal Group AS in December 2019 is the reason for the increase in equity.

Cash flow from operating activities was NOK 12.3 million (18.6). Net change in net working capital was NOK -15.0 million, which is primarily due to lower balances on accounts payable, public duties payable and other short-term liabilities compared to Q2.

As at 30 September 2020, the Group had bank deposits of NOK 61.9 million. In addition, the Group had an unused credit facility of NOK 50 million and an available cash balance of NOK 111.9 million. This is a net change in cash of NOK -16.9 million from Q2, which is mainly due to the aforementioned negative change in working capital.

## BUSINESS SEGMENTS

### CLOUD

The Group's cloud-based solutions provides high performance IT systems and customized software solutions to more than 15 000 end users. We support more than 1 300 applications, and our support center offers a single point of contact for all IT related questions. We have customized our offering for the energy sector, in particular with respects to advanced geoscience applications and critical on/offshore operations. Cegal supports all main exploration and production applications based on best practices. In Q3 2020, Cloud represented 56.2 % of the Group's total revenues of which almost all is long-term recurring revenue.

### SOFTWARE

The Group develops and sells software to extend, improve and speed up workflows within geology, geophysics, reservoir engineering and data management. In addition, we offer the development of high-quality customized software solutions. In Q3 2020, software represented 16.4 % of our revenues.

### CONSULTING

The Group offers highly experienced on-site consultants and expert geomodelers. We provide consulting services including seismic interpretation, electromagnetic integration, structural modeling, geomodeling, well planning, volume calculations, flow simulation, data room, drilling decisions, Tracker services and data management. The Cegal IT consultancy group provide onsite IT infrastructure services and support for both short- and long-term assignments, in addition to ad-hoc based technical work. Several of our consultants hold an offshore certificate and have experience from both domestic and international customer assignments.

In Q3 2020, consulting represented 19.0 % of our revenues.

### BUSINESS CONSULTING

Business Consulting consists of multi skilled consultants, organized in teams and in individual engagements providing value-adding services to our clients. Our service areas are Operator Readiness, Business Improvement Services and Business Professionals for hire. We have core competencies within program/project management, change management, process management and enterprise architecture. We typically provide specialized advisory roles within areas such as information security management, information management, test management, information management, application management, business intelligence and data science. In Q3 2020, Business Consulting represented 4.9 % of our revenues.

### 3RD PARTY RESALE/OTHER SALES

In Q3 2020, 3rd party resale and other sales represented 3.5 % of our revenues.

## FUTURE OUTLOOK

Even if the COVID-19 pandemic is still a dominating factor for the Group, we continue to deliver high quality services to our customers. We experience longer contract roll-outs as a result of delayed implementation projects and longer sales cycles due to limited number of in-person meetings and higher risk awareness among our customers. On the other hand, existing customers are satisfied with Cegal's services and product delivery, resulting in significant up-selling opportunities. For Q4 2020, Cegal expects to continue its stable financial development. Full year 2020 revenues are currently forecasted to be in line with 2019 revenues with full year 2020 EBITDA in line with LTM Q3 2020.

The oil price has been steady around \$40 for Brent crude, and energy companies are generally maintaining activities related to production of existing fields. Low oil-prices over an extended period of time might have negative impact on the Group's performance due to reduced activity levels, however the efforts taken by energy companies to reduce cost and improve efficiency increase the relevance of the Group's product and service offering. As the technology leader in the cloud solutions in the energy sector, we offer solutions that is responding to lower oil prices at the same time enabling our clients to become digital organizations and providing remote access to critical data and critical applications.

Our employees are still reporting high productivity and high job satisfaction through the monthly HCI (Human Capital Index) survey, working either from the office or from home, depending on local restrictions. The Group's management is cautiously reviewing the pandemic on a continuous basis, implementing mitigating policies as required to ensure a safe and healthy workforce and to make sure that operations can run smoothly without disruptions.

## STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today reviewed and approved the interim report for the period 1 July to 30 September 2020 of Chip Bidco AS. We believe, to the best of our knowledge, that the financial statements presented in this report, gives a fair view of the Group's financial position of assets and liabilities and the profits earned for this quarter. Furthermore, in our opinion, the Management's review gives a fair representation of the Group's activities as well as a fair description of the material risks and uncertainties which the Group is currently facing.

**Sandnes, 13.11.2020**

### **Executive Management**

Svein Torgersen, Group CEO

Trym Gudmundsen, Group CFO

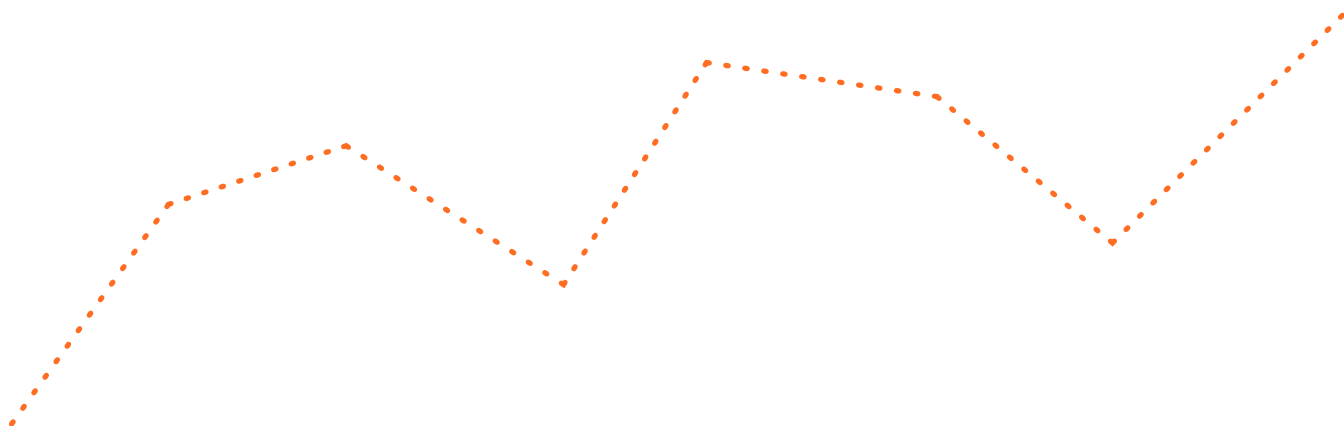
### **Board of Directors**

Fredrik Gyllenhammar Raaum, Chairman of the Board



# INTERIM CONSOLIDATED FINANCIAL INFORMATION

- Profit & loss
- Balance sheet
- Cash flow statement
- General Accounting principles



PROFIT & LOSS (pro forma)	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Q3	Q3	YTD	YTD	LTM Q3	LTM Q3
<i>Figures in NOKm</i>	2020	2019	2020	2019	2020	2019
<b>Operating revenue</b>	<b>180.1</b>	<b>196.3</b>	<b>588.9</b>	<b>584.3</b>	<b>814.6</b>	<b>798.7</b>
Cost of goods sold	45.6	61.0	153.2	186.2	224.3	259.5
Salaries	83.4	83.8	256.7	237.5	362.5	315.6
Other operating costs	8.0	8.9	37.6	31.6	88.8	43.0
<b>EBITDA</b>	<b>43.1</b>	<b>42.5</b>	<b>141.4</b>	<b>129.0</b>	<b>139.0</b>	<b>180.7</b>
Depreciations	23.2	21.2	67.5	62.1	89.0	80.6
Amortisations	26.4	27.2	78.6	80.7	108.0	109.9
<b>EBIT</b>	<b>(6.6)</b>	<b>(5.9)</b>	<b>(4.8)</b>	<b>(13.9)</b>	<b>(58.0)</b>	<b>(9.9)</b>
Net financial items	(23.0)	(6.4)	(57.1)	(24.4)	(76.3)	(8.0)
<b>EBT (profit before tax)</b>	<b>(29.6)</b>	<b>(12.3)</b>	<b>(61.9)</b>	<b>(38.3)</b>	<b>(134.3)</b>	<b>(17.9)</b>
Estimated tax	6.5	2.7	13.6	8.4	29.5	3.9
<b>Net profit</b>	<b>(23.1)</b>	<b>(9.6)</b>	<b>(48.3)</b>	<b>(29.9)</b>	<b>(104.8)</b>	<b>(13.9)</b>
EBITDA margin %	23.9 %	21.6 %	24.0 %	22.1 %	17.1 %	22.6 %
<b>EBITDA adjustments and IFRS16</b>						
Non-recurring items	0.5	1.0	4.3	1.0	60.9	1.0
<b>Adjusted EBITDA post IFRS16</b>	<b>43.6</b>	<b>43.5</b>	<b>145.6</b>	<b>130.0</b>	<b>199.8</b>	<b>181.7</b>
IFRS16 lease adjustments	(7.3)	(6.6)	(21.4)	(19.8)	(28.2)	(25.7)
<b>Adjusted EBITDA pre IFRS16</b>	<b>36.3</b>	<b>36.9</b>	<b>124.2</b>	<b>110.2</b>	<b>171.6</b>	<b>155.9</b>
EBITDA margin % post IFRS16 (adjusted)	24.2 %	22.2 %	24.7 %	22.2 %	24.5 %	22.7 %
EBITDA margin % pre IFRS16 (adjusted)	20.2 %	18.8 %	21.1 %	18.9 %	21.1 %	19.5 %

BALANCE SHEET (reported)	Unaudited	Unaudited
<i>Figures in NOKm</i>	<b>30.09.2020</b>	<b>30.09.2019</b>
<b>Assets</b>		
Goodwill	994.0	302.1
Intangible assets	658.0	54.1
Tangible fixed assets	201.1	204.1
Other assets	0.5	5.3
<b>Total non-current assets</b>	<b>1 853.7</b>	<b>565.6</b>
Trade receivables	100.2	136.1
Other receivables	78.0	56.9
Bank deposits, cash and similar	61.9	39.4
<b>Total current assets</b>	<b>240.1</b>	<b>232.4</b>
<b>Total assets</b>	<b>2 093.7</b>	<b>798.1</b>
<b>Equity and liabilities</b>		
Share capital	0.1	1.3
Share premium reserve	752.1	50.7
Retained earnings	(51.7)	36.2
<b>Total equity</b>	<b>700.5</b>	<b>88.1</b>
Deferred tax	136.5	
Interest-bearing long-term liabilities	1 003.9	342.6
Other long-term liabilities	10.9	94.3
<b>Total non-current liabilities</b>	<b>1 151.3</b>	<b>436.9</b>
Interest-bearing current liabilities	54.3	76.0
Accounts payable	37.8	58.8
Income taxes payable	1.4	2.3
VAT & social security payable	29.0	22.8
Other current liabilities	119.5	113.2
<b>Total current liabilities</b>	<b>241.9</b>	<b>273.1</b>
<b>Total liabilities</b>	<b>1 393.3</b>	<b>710.0</b>
<b>Total equity and liabilities</b>	<b>2 093.7</b>	<b>798.1</b>

CASH FLOW STATEMENT (reported)	Unaudited	Unaudited	Unaudited	Unaudited
<i>Figures in NOKm</i>	<b>Q3</b>	<b>Q3</b>	<b>YTD</b>	<b>YTD</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit before tax	(29.6)	(12.3)	(61.9)	(38.3)
Taxes paid	-	-	-	0.9
Depreciations and write-downs	49.6	48.4	146.1	142.9
Change in net working capital	(15.0)	(17.5)	(35.2)	7.9
<b>Net cash flow from operations</b>	<b>5.0</b>	<b>18.6</b>	<b>49.0</b>	<b>113.3</b>
Acquisition of tangible assets	(16.0)	(13.2)	(29.3)	(45.6)
Acquisition of intangible assets	(5.9)	(5.2)	(16.3)	(12.7)
Other investments	0.0	0.0	0.0	0.0
<b>Net cash flow from investment activities</b>	<b>(21.9)</b>	<b>(18.4)</b>	<b>(45.6)</b>	<b>(58.3)</b>
Net repayment of debt to financial institutions	0.9	(11.3)	(13.9)	(34.7)
Other financing activities	(0.4)	0.0	(0.4)	0.0
<b>Net cash flow from financing activities</b>	<b>0.5</b>	<b>(11.3)</b>	<b>(14.3)</b>	<b>(34.7)</b>
<b>Net change in cash and cash equivalents</b>	<b>(16.4)</b>	<b>(11.1)</b>	<b>-10.9</b>	<b>20.3</b>
Cash and cash equivalents at start of period	78.2	50.5	72.8	19.1
<b>Cash and cash equivalents at end of period</b>	<b>61.8</b>	<b>39.4</b>	<b>61.9</b>	<b>39.4</b>

## GENERAL ACCOUNTING PRINCIPLES

The Group consists of the parent company Chip Bidco AS and its subsidiaries in Cegal Group AS. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2019.

The 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. The accounting principles used for this interim report are consistent with accounting principles in the Group's financial statements for 2019.

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are in all material respect the same as those that applied in the annual financial statements for 2019.

The comparative figures in the profit and loss statement has been presented in notes to the financial statement indicating how the statement would have been if the acquisition of Cegal Group AS occurred on 1 January 2019. The figures have been prepared by applying the Group's accounting policies and adjusting the results to reflect additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2019. Further, interest expenses have been adjusted, reflecting the interest expense for the year on the Group's financing structure post transaction. The comparative figures in the balance sheet and the cash flow statements represents the figures for Cegal Group for the corresponding period and does not take into account the impact of the acquisition.

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