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COMPUTER MODELLING GROUP ANNOUNCES FIRST QUARTER RESULTS

CALGARY, Alberta, August 9, 2018 (GlobeNewswire) – Computer Modelling Group Ltd. ("CMG" or the "Company") announces its first quarter results for the three months ended June 30, 2018.

Quarterly Performance

	Fiscal 2017[(1)]			Fiscal 2018[(1)]				Fiscal 2019
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance licenses	15,379	18,378	14,613	16,516	16,341	16,158	15,664	**14,715**
Perpetual licenses	521	835	3,036	1,078	290	743	2,053	**326**
Software licenses	15,900	19,213	17,649	17,594	16,631	16,901	17,717	**15,041**
Professional services	1,027	1,082	1,409	1,392	1,350	1,418	1,677	**1,664**
Total revenue	16,927	20,295	19,058	18,986	17,981	18,319	19,394	**16,705**
Operating profit	6,905	9,811	7,630	6,978	6,615	6,908	7,529	**5,374**
Operating profit (%)	41	48	40	37	37	38	39	**32**
EBITDA[(2)]	7,189	10,081	7,867	7,447	7,090	7,400	8,090	**5,837**
Profit before income and other taxes	7,119	10,176	7,685	6,930	6,253	7,151	8,547	**5,980**
Income and other taxes	2,128	2,917	2,480	1,973	1,647	2,054	2,401	**1,722**
Net income for the period	4,991	7,259	5,205	4,957	4,606	5,097	6,146	**4,258**
Cash dividends declared and paid	7,929	7,930	7,942	7,977	8,021	8,022	8,021	**8,021**
Funds flow from operations[(3)]	5,903	8,084	6,085	6,205	5,788	6,225	7,285	**5,242**
Per share amounts - ($/share)								
Earnings per share - basic	0.06	0.09	0.07	0.06	0.06	0.06	0.08	**0.05**
Earnings per share - diluted	0.06	0.09	0.07	0.06	0.06	0.06	0.08	**0.05**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**0.10**
Funds flow from operations per share - basic[(3)]	0.07	0.10	0.08	0.08	0.07	0.08	0.09	**0.07**

(1) On April 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at April 1, 2018. Accordingly, comparative information is not restated and continues to be reported under the previous standard.

(2) EBITDA is a non-IFRS financial measure defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See "Non-IFRS Financial Measures".

(3) Funds flow from operations is a non-IFRS financial measure that represents net income adjusted for depreciation expense, non-cash stock-based compensation expense, deferred tax expense (recovery) and deferred rent. See "Non-IFRS Financial Measures".

Highlights

During the three months ended June 30, 2018, as compared to the same period of the previous fiscal year, CMG:

- Experienced an 11% decrease in annuity/maintenance license revenue as a result of timing differences of revenue recognition on certain contracts and a change in accounting policy. If normalized for these items, annuity/maintenance license revenue was comparable to the same period of the previous fiscal year;
- Experienced a decrease in total revenue of 12%. Similarly, if normalized for the aforementioned items, total revenue was comparable to the same period of the previous fiscal year;
- Experienced a 6% decrease in total operating expenses, due to the fact that the comparative period included $0.6 million of non-recurring charges related to the move to the new headquarters.

During the three months ended June 30, 2018, CMG:

- Realized basic earnings per share of $0.05;
- Declared and paid a regular dividend of $0.10 per share.

Revenue

Three months ended June 30, ($ thousands)	**2018**	2017	$ change	% change
Software license revenue	**15,041**	17,594	(2,553)	-15%
Professional services	**1,664**	1,392	272	20%
Total revenue	**16,705**	18,986	(2,281)	-12%
Software license revenue as a % of total revenue	**90%**	93%		
Professional services as a % of total revenue	**10%**	7%		

CMG's revenue is comprised of software license sales, which provide the majority of the Company's revenue, and fees for professional services.

On April 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at April 1, 2018. The Company recorded an increase to retained earnings of $0.7 million ($0.5 million net of tax), on April 1, 2018, due to earlier recognition of revenue on certain term-based software licenses. Under the cumulative effect method, comparative information is not restated and continues to be reported under the previous standard, IAS 18 *Revenue*. For more information, refer to note 3 of the Company's condensed consolidated interim financial statements.

Total revenue for the three months ended June 30, 2018 decreased by 12% compared to the same period of the previous fiscal year, due to a decrease in software license revenue. The adoption of IFRS 15 and the resultant early revenue recognition through opening equity had a negative impact of $0.2 million on software license revenue for the three months ended June 30, 2018. The remainder of the decrease was due to the timing of revenue recognition on certain contracts and a decrease in perpetual license revenue.

Software License Revenue

Three months ended June 30, ($ thousands)	**2018**	2017	$ change	% change
Annuity/maintenance license revenue	**14,715**	16,516	(1,801)	-11%
Perpetual license revenue	**326**	1,078	(752)	-70%
Total software license revenue	**15,041**	17,594	(2,553)	-15%
Annuity/maintenance as a % of total software license revenue	**98%**	94%		
Perpetual as a % of total software license revenue	**2%**	6%		

Total software license revenue for the three months ended June 30, 2018 decreased by 15% compared to the same period of the previous fiscal year, due to decreases both in annuity/maintenance license revenue and perpetual license revenue.

CMG's annuity/maintenance license revenue decreased by 11% during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, due to a decrease in Canada, as well as decreases in South America and the Eastern Hemisphere, caused mainly by the timing of revenue recognition on certain contracts. The US region experienced a small decrease of 1%, mainly as a result of IFRS 15 adoption.

Our annuity/maintenance license revenue can be significantly impacted by the variability of the amounts recorded from a long-standing customer and its affiliates for whom revenue recognition criteria are fulfilled only at the time of the receipt of funds. Due to the economic conditions in the country where this customer and its affiliates are located, revenue from them will continue to be recognized on a cash basis. The timing of such payments may skew the comparison of annuity/maintenance license revenue between periods. We received payment from one of these customers during the first quarter of the previous fiscal year, but not during the current quarter. Normalized for this receipt, annuity/maintenance license revenue for the three months ended June 30, 2018, compared to the same period of the previous fiscal year, decreased by 6% instead of 11%.

The normalized decrease of 6% was due to the timing of revenue recognition on certain contracts in the Eastern Hemisphere, as well as the negative impact of IFRS 15 adoption. The movement in the CAD/USD exchange rate had a negative impact of approximately 3% on USD-denominated annuity/maintenance license revenue in the United States, South America and the Eastern Hemisphere.

Perpetual license revenue decreased by 70% for the three months ended June 30, 2018, compared to the same period of the previous fiscal year, as there were fewer perpetual sales realized in the Eastern Hemisphere and no perpetual sales realized in Canada, the United States or South America. Software licensing under perpetual sales may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year.

Software Revenue by Geographic Segment

Three months ended June 30, ($ thousands)	2018	2017	$ change	% change
Annuity/maintenance license revenue				
Canada	**3,867**	4,164	(297)	-7%
United States	**4,553**	4,591	(38)	-1%
South America	**1,681**	2,333	(652)	-28%
Eastern Hemisphere[(1)]	**4,614**	5,428	(814)	-15%
	14,715	16,516	(1,801)	-11%
Perpetual license revenue				
Canada	**-**	-	-	0%
United States	**-**	26	(26)	-100%
South America	**-**	158	(158)	-100%
Eastern Hemisphere	**326**	894	(568)	-64%
	326	1,078	(752)	-70%
Total software license revenue				
Canada	**3,867**	4,164	(297)	-7%
United States	**4,553**	4,617	(64)	-1%
South America	**1,681**	2,491	(810)	-33%
Eastern Hemisphere	**4,940**	6,322	(1,382)	-22%
	15,041	17,594	(2,553)	-15%

(1) Includes Europe, Africa, Asia and Australia.

During the three months ended June 30, 2018, all regions experienced a decrease in total software license revenue, as compared to the same period of the previous fiscal year.

The Canadian market (representing 26% of year-to-date software license revenue) experienced a 7% decrease in annuity/maintenance license revenue during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, due to a reduction in licensing by some customers.

The United States market (representing 30% of year-to-date software license revenue) experienced a slight 1% decrease in annuity/maintenance license revenue during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, primarily due to the impact of IFRS 15 adoption. After normalizing for IFRS 15 adoption, US annuity/maintenance license revenue experienced low single-digit growth. No perpetual sales were recorded in the United States during the three months ended June 30, 2018.

South America (representing 11% of year-to-date software license revenue) experienced a decrease of 28% in annuity/maintenance license revenue during the three months ended June 30, 2018, compared to the same period of the previous fiscal year. Our revenue in South America can be significantly impacted by the variability of the amounts recorded from a customer and its affiliates for whom revenue is recognized only when cash is received. We received payment from one of these customers during the first quarter of the previous fiscal year, but not during the current quarter. To provide a normalized comparison, if we remove the revenue from this particular customer from the three months ended June 30, 2017, we note that the annuity/maintenance license revenue increased by 12% instead of decreasing by 28%. No perpetual sales were recorded in South America during the three months ended June 30, 2018.

The Eastern Hemisphere (representing 33% of year-to-date software license revenue) experienced a 15% decrease in annuity/maintenance license revenue during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, mainly due to differences in the timing of revenue recognition on certain contracts. After normalizing for these contracts, the Eastern Hemisphere experienced a low single-digit decrease in annuity/maintenance license revenue. The Eastern Hemisphere experienced a 64% decrease in perpetual license revenue during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, as a result of high perpetual sales in Asia in the prior year quarter.

Deferred Revenue

($ thousands)	**Fiscal 2019**	Fiscal 2018	Fiscal 2017	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**29,350** (5)	31,551 (2)		(2,201)	-7%
Q2 (September 30)		23,686 (3)	20,787	2,899	14%
Q3 (December 31)		17,785	18,916	(1,131)	-6%
Q4 (March 31)		34,362 (4)	38,232 (1)	(3,870)	-10%

(1) Includes current deferred revenue of $36.3 million and long-term deferred revenue of $1.9 million.
(2) Includes current deferred revenue of $30.3 million and long-term deferred revenue of $1.3 million.
(3) Includes current deferred revenue of $23.0 million and long-term deferred revenue of $0.6 million.
(4) Includes current deferred revenue of $33.4 million and long-term deferred revenue of $1.0 million.
(5) Includes current deferred revenue of $28.8 million and long-term deferred revenue of $0.6 million.

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. With the exception of certain term-based software licenses that are recognized at the start of the license period, our annuity/maintenance revenue is deferred and recognized ratably over the license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

The above table illustrates the normal trend in the deferred revenue balance from the beginning of the calendar year (which corresponds with Q4 of our fiscal year), when most renewals occur, to the end of the calendar year (which corresponds with Q3 of our fiscal year). Our fourth quarter corresponds with the beginning of the fiscal year for most oil and gas companies, representing a time when they enter a new budget year and sign/renew their contracts.

Deferred revenue as at Q1 of fiscal 2019 decreased by 7% compared to Q1 of fiscal 2018, primarily due to one significant multi-year contract that commenced during Q4 of fiscal 2017 and included a large upfront payment for future software use and lower payments during the remainder of the contract period.

Expenses

Three months ended June 30, ($ thousands)	**2018**	2017	$ change	% change
Sales, marketing and professional services	**4,987**	4,917	70	1%
Research and development	**4,775**	5,307	(532)	-10%
General and administrative	**1,569**	1,784	(215)	-12%
Total operating expenses	**11,331**	12,008	(677)	-6%
Direct employee costs[1]	**8,715**	8,503	212	2%
Other corporate costs	**2,616**	3,505	(889)	-25%
	11,331	12,008	(677)	-6%

(1) Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development. See "Non-IFRS Financial Measures".

CMG's total operating expenses decreased by 6% for the three months ended June 30, 2018 compared to the same period of the previous fiscal year, due to a decrease in other corporate costs, partially offset by an increase in direct employee costs.

Direct Employee Costs

As a technology company, CMG's largest area of expenditure is its people. Approximately 77% of the total operating expenses for the three months ended June 30, 2018 related to direct employee costs. Staffing levels in the current fiscal year were slightly lower compared to the previous fiscal year. At June 30, 2018, CMG's full-time equivalent staff complement was 197 employees and consultants, down from 201 full-time equivalent employees and consultants at June 30, 2017. Direct employee costs increased during the three months ended June 30, 2018, compared to the same period of the previous fiscal year, due to an increase in stock-based compensation expense.

Other Corporate Costs

Other corporate costs decreased by 25% during the three months ended June 30, 2018 compared to the same period of the previous fiscal year, mainly because the comparative period included $0.6 million of non-recurring charges related to the move to the new headquarters.

Outlook

During the first quarter of fiscal 2019, annuity and maintenance license revenue decreased by 11% compared to the first quarter of the previous fiscal year. Part of the decrease was due to the fact that the comparative quarter was positively affected by receipts from a customer for whom revenue is recognized only when cash is received, thus skewing the comparison between the periods. If we normalize revenue by removing the impact of those receipts, annuity and maintenance revenue decreased by 6%. This revenue stream was also negatively affected by the change in accounting policy and timing differences of revenue recognition on certain contracts in the Eastern Hemisphere. If normalized for those items, annuity and maintenance revenue remained consistent with the comparative quarter.

During the quarter, the movement in foreign exchange had a negative impact on annuity/maintenance license revenue.

Despite being negatively affected by the above-mentioned items, our first quarter was steady with activity. We are encouraged by the signs of improved project activity by our customers as demonstrated by the increase in professional services revenue.

We are optimistic about the additions we have made to our customer base throughout fiscal 2018 and into the first quarter of fiscal 2019, which have contributed to low single-digit growth in annuity/maintenance license revenue after normalizing for the items described above and the negative impact of foreign exchange. In particular, we are optimistic about the US market, where we continue to work with both existing and new customers on modelling workflows for unconventional assets. In all regions, we continue to demonstrate to customers the importance of reservoir simulation as a value creation tool for their enterprises, especially in times of economic and regulatory uncertainty.

CMG's total operating expenses decreased by 6%, due to the fact that the comparative period included $0.6 million of non-recurring charges related to the move to the new headquarters.

CoFlow, our newest product that will provide a one-vendor solution for integrated asset modelling by combining reservoir, production networks and geomechanics in one environment, is in early marketing and trial modelling stages. Shell has been deploying and using the software on its selected assets, and we continue identifying potential customers and performing trial modelling for them using CoFlow. In the meantime, the CoFlow team continues to work on feature development and performance improvement.

We ended the first quarter of 2019 with a strong balance sheet, no debt and $60.1 million in cash. Subsequent to quarter end, CMG's Board of Directors declared a quarterly dividend of $0.10 per share.

For further detail on the results, please refer to CMG's Management Discussion and Analysis and Condensed Consolidated Financial Statements, which are available on SEDAR at www.sedar.com or on CMG's website at www.cmgl.ca.

Forward-looking Information

Certain information included in this press release is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans and status of the Company's software development projects, the Company's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, research and development timetable, and future growth and performance. When used in this press release, statements to the effect that the Company or its management "believes", "expects", "expected", "plans", "may", "will", "projects", "anticipates", "estimates", "would", "could", "should", "endeavours", "seeks", "predicts" or "intends" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. The Company believes that the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

Non-IFRS Financial Measures

This press release includes certain measures which have not been prepared in accordance with IFRS such as "EBITDA", "direct employee costs" and "other corporate costs." Since these measures do not have a standard meaning prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Management believes that these indicators nevertheless provide useful measures in evaluating the Company's performance.

"Direct employee costs" include salaries, bonuses, stock-based compensation, benefits, commission expenses, and professional development. "Other corporate costs" include facility-related expenses, corporate reporting, professional services, marketing and promotion, computer expenses, travel, and other office-related expenses. Direct employee costs and other corporate costs should not be considered an alternative to total operating expenses as determined in accordance with IFRS. People-related costs represent the Company's largest area of expenditure; hence, management considers highlighting separately corporate and people-related costs to be important in evaluating the quantitative impact of cost management of these two major expenditure pools.

"EBITDA" refers to net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. EBITDA should not be construed as an alternative to net income as determined by IFRS. The Company believes that EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to consideration of how those activities are amortized, financed or taxed.

"Funds flow from operations" is a non-IFRS financial measure that represents net income adjusted for certain non-cash items, such as depreciation expense, non-cash stock-based compensation expense, deferred tax expense (recovery) and deferred rent. The Company considers funds flow from operations a useful measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables, and demonstrates the Company's ability to generate the cash flow necessary to fund future growth and dividend payments. Funds flow from operations may not be comparable to similar measures presented by other companies.

Corporate Profile

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced process reservoir modelling software with a blue chip customer base of international oil companies and technology centers in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**June 30, 2018**	March 31, 2018*
Assets		
Current assets:		
Cash	**60,081**	63,719
Trade and other receivables	**10,506**	16,272
Prepaid expenses	**1,287**	1,415
Prepaid income taxes	**22**	-
	71,896	81,406
Property and equipment	**15,582**	16,062
Deferred tax asset	**867**	522
Total assets	**88,345**	97,990
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**4,857**	6,550
Income taxes payable	**10**	126
Deferred revenue	**28,787**	33,360
	33,654	40,036
Deferred revenue	**563**	1,002
Deferred rent liability	**1,494**	1,388
Total liabilities	**35,711**	42,426
Shareholders' equity:		
Share capital	**79,598**	79,598
Contributed surplus	**12,108**	11,775
Deficit	**(39,072)**	(35,809)
Total shareholders' equity	**52,634**	55,564
Total liabilities and shareholders' equity	**88,345**	97,990

* The Company adopted IFRS 15 effective April 1, 2018 using the cumulative effect method. Under this method, comparative information is not restated. See note 3 of the Company's condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

Three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2018**	2017*
Revenue	**16,705**	18,986
Operating expenses		
Sales, marketing and professional services	**4,987**	4,917
Research and development	**4,775**	5,307
General and administrative	**1,569**	1,784
	11,331	12,008
Operating profit	**5,374**	6,978
Finance income	**606**	202
Finance costs	**-**	(250)
Profit before income and other taxes	**5,980**	6,930
Income and other taxes	**1,722**	1,973
Net and total comprehensive income	**4,258**	4,957
Earnings Per Share		
Basic	**0.05**	0.06
Diluted	**0.05**	0.06

* The Company adopted IFRS 15 effective April 1, 2018 using the cumulative effect method. Under this method, comparative information is not restated. See note 3 of the Company's condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

Three months ended June 30, UNAUDITED (thousands of Canadian $)	**2018**	2017*
Operating activities		
Net income	**4,258**	4,957
Adjustments for:		
Depreciation	**463**	469
Income and other taxes	**1,722**	1,973
Stock-based compensation	**761**	464
Interest income	**(303)**	(202)
Deferred rent	**106**	828
	7,007	8,489
Changes in non-cash working capital:		
Trade and other receivables	**5,767**	14,728
Trade payables and accrued liabilities	**(1,770)**	(1,834)
Prepaid expenses	**128**	(730)
Deferred revenue	**(4,327)**	(6,681)
Cash provided by operating activities	**6,805**	13,972
Interest received	**302**	198
Income taxes paid	**(2,391)**	(3,038)
Net cash provided by operating activities	**4,716**	11,132
Financing activities		
Proceeds from issue of common shares	**-**	4,124
Dividends paid	**(8,021)**	(7,977)
Net cash used in financing activities	**(8,021)**	(3,853)
Investing activities		
Property and equipment additions	**(333)**	(3,246)
(Decrease) increase in cash	**(3,638)**	4,033
Cash, beginning of period	**63,719**	63,239
Cash, end of period	**60,081**	67,272

* The Company adopted IFRS 15 effective April 1, 2018 using the cumulative effect method. Under this method, comparative information is not restated. See note 3 of the Company's condensed consolidated interim financial statements.

See accompanying notes to condensed consolidated interim financial statements at www.sedar.com.

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