COMPUTER MODELLING GROUP LTD.
3710 33rd Street NW ▪ Calgary, AB, T2L 2M1 ▪ Canada
Tel: +1.403.531.1300 ▪ Fax: +1.403.289.8502
cmgl@cmgl.ca ▪ www.cmgl.ca

# COMPUTER MODELLING GROUP ANNOUNCES YEAR END RESULTS

CALGARY, Alberta, May 24, 2018 (GlobeNewswire) – Computer Modelling Group Ltd. ("CMG" or the "Company") is very pleased to report our financial results for the fiscal year ended March 31, 2018.

## ANNUAL PERFORMANCE

| ($ thousands, unless otherwise stated) | **March 31, 2018** | March 31, 2017 | March 31, 2016 |
|---|---|---|---|
| Annuity/maintenance licenses | **64,679** | 65,263 | 67,805 |
| Perpetual licenses | **4,164** | 4,971 | 7,169 |
| Software licenses | **68,843** | 70,234 | 74,974 |
| Professional services | **5,837** | 4,863 | 5,824 |
| Total revenue | **74,680** | 75,097 | 80,798 |
| Operating profit | **28,030** | 33,321 | 36,036 |
| Operating profit (%) | **38%** | 44% | 45% |
| EBITDA[(1)] | **30,027** | 34,414 | 37,418 |
| Net income for the year | **20,806** | 24,269 | 25,302 |
| Cash dividends declared and paid | **32,041** | 31,697 | 31,514 |
| Funds flow from operations [(2)] | **25,503** | 27,560 | 29,632 |
| Total assets | **97,990** | 106,725 | 101,413 |
| Total shares outstanding | **80,215** | 79,482 | 78,819 |
| Trading price per share at March 31 | **9.29** | 10.35 | 10.14 |
| Market capitalization at March 31 | **745,194** | 822,634 | 799,220 |
| Per share amounts - ($/share) | | | |
| Earnings per share - basic | **0.26** | 0.31 | 0.32 |
| Earnings per share - diluted | **0.26** | 0.31 | 0.32 |
| Cash dividends declared and paid | **0.40** | 0.40 | 0.40 |
| Funds flow from operations per share - basic [(2)] | **0.32** | 0.35 | 0.38 |

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

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

## Quarterly Performance

| ($ thousands, unless otherwise stated) | Fiscal 2017 Q1 | Q2 | Q3 | Q4 | Fiscal 2018 Q1 | Q2 | Q3 | **Q4** |
|---|---|---|---|---|---|---|---|---|
| Annuity/maintenance licenses | 16,893 | 15,379 | 18,378 | 14,613 | 16,516 | 16,341 | 16,158 | **15,664** |
| Perpetual licenses | 579 | 521 | 835 | 3,036 | 1,078 | 290 | 743 | **2,053** |
| Software licenses | 17,472 | 15,900 | 19,213 | 17,649 | 17,594 | 16,631 | 16,901 | **17,717** |
| Professional services | 1,345 | 1,027 | 1,082 | 1,409 | 1,392 | 1,350 | 1,418 | **1,677** |
| Total revenue | 18,817 | 16,927 | 20,295 | 19,058 | 18,986 | 17,981 | 18,319 | **19,394** |
| Operating profit | 8,975 | 6,905 | 9,811 | 7,630 | 6,978 | 6,615 | 6,908 | **7,529** |
| Operating profit (%) | 48 | 41 | 48 | 40 | 37 | 37 | 38 | **39** |
| EBITDA | 9,277 | 7,189 | 10,081 | 7,867 | 7,447 | 7,090 | 7,400 | **8,090** |
| Profit before income and other taxes | 9,212 | 7,119 | 10,176 | 7,685 | 6,930 | 6,253 | 7,151 | **8,547** |
| Income and other taxes | 2,398 | 2,128 | 2,917 | 2,480 | 1,973 | 1,647 | 2,054 | **2,401** |
| Net income for the period | 6,814 | 4,991 | 7,259 | 5,205 | 4,957 | 4,606 | 5,097 | **6,146** |
| Cash dividends declared and paid | 7,896 | 7,929 | 7,930 | 7,942 | 7,977 | 8,021 | 8,022 | **8,021** |
| Funds flow from operations | 7,489 | 5,903 | 8,084 | 6,085 | 6,205 | 5,788 | 6,225 | **7,285** |
| Per share amounts - ($/share) | | | | | | | | |
| Earnings per share - basic | 0.09 | 0.06 | 0.09 | 0.07 | 0.06 | 0.06 | 0.06 | **0.08** |
| Earnings per share - diluted | 0.09 | 0.06 | 0.09 | 0.07 | 0.06 | 0.06 | 0.06 | **0.08** |
| 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 | 0.09 | 0.07 | 0.10 | 0.08 | 0.08 | 0.07 | 0.08 | **0.09** |

## Highlights

During the year ended March 31, 2018, as compared to the previous fiscal year, CMG:

- Experienced a 4% increase in annuity/maintenance license revenue, after normalizing for revenue from customers for whom revenue recognition criteria are fulfilled only when payment is received (see “Software License Revenue” for further discussion). Without normalizing for this revenue, annuity/maintenance license revenue decreased by 1%;
- Experienced a 4% increase in total revenue, after adjusting for revenue from certain customers as explained above. Without normalizing, total revenue decreased by 1%;
- Experienced an increase in total operating expenses of 12%, mainly due to moving into the new headquarters.

During the year ended March 31, 2018, CMG:

- Realized basic earnings per share of $0.26;
- Declared and paid a regular dividend of $0.40 per share.

## Revenue

| Three months ended March 31, ($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Software license revenue | **17,717** | 17,649 | 68 | 0% |
| Professional services | **1,677** | 1,409 | 268 | 19% |
| Total revenue | **19,394** | 19,058 | 336 | 2% |
| Software license revenue - % of total revenue | **91%** | 93% | | |
| Professional services - % of total revenue | **9%** | 7% | | |

| Year ended March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Software license revenue | **68,843** | 70,234 | (1,391) | -2% |
| Professional services | **5,837** | 4,863 | 974 | 20% |
| Total revenue | **74,680** | 75,097 | (417) | -1% |
| Software license revenue - % of total revenue | **92%** | 94% | | |
| Professional services - % of total revenue | **8%** | 6% | | |

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

Total revenue for the three months ended March 31, 2018 increased by 2%, compared to the same period of the previous fiscal year, mainly due to an increase in professional services. Total revenue for the year ended March 31, 2018 decreased by 1% compared to the previous fiscal year, due to a decrease in software license revenue, partially offset by an increase in professional services.

### Software License Revenue

| Three months ended March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Annuity/maintenance license revenue | **15,664** | 14,613 | 1,051 | 7% |
| Perpetual license revenue | **2,053** | 3,036 | (983) | -32% |
| Total software license revenue | **17,717** | 17,649 | 68 | 0% |
| Annuity/maintenance as a % of total software license revenue | **88%** | 83% | | |
| Perpetual as a % of total software license revenue | **12%** | 17% | | |

| Year ended March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Annuity/maintenance license revenue | **64,679** | 65,263 | (584) | -1% |
| Perpetual license revenue | **4,164** | 4,971 | (807) | -16% |
| Total software license revenue | **68,843** | 70,234 | (1,391) | -2% |
| Annuity/maintenance as a % of total software license revenue | **94%** | 93% | | |
| Perpetual as a % of total software license revenue | **6%** | 7% | | |

Total software license revenue for the three months ended March 31, 2018 remained consistent with the same period of the previous fiscal year, as an increase in annuity/maintenance license revenue was offset by a decrease in perpetual license revenue. Total software license revenue for the year ended March 31, 2018 decreased by 2% compared to the previous fiscal year, due to decreases in both annuity/maintenance license revenue and perpetual license revenue.

CMG's annuity/maintenance license revenue increased by 7% during the three months ended March 31, 2018, compared to the same period of the previous fiscal year, due to increases in all geographic areas except for Canada.

CMG's annuity/maintenance license revenue decreased by 1% during the year ended March 31, 2018, compared to the previous fiscal year, due to decreases in Canada and South America, partially offset by increases in the United States and the Eastern Hemisphere.

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. The timing of such payments may skew the comparison of annuity/maintenance license revenue between periods. To provide a normalized comparison, if we remove this revenue from the years ended March 31, 2018 and 2017, we note that the annuity/maintenance license revenue increased by 4% instead of decreasing by 1%. No payments were received from these customers during the three months ended March 31, 2018 and 2017. Due to the economic conditions in the country where this customer and its affiliates are located, revenue from this customer and its affiliates will continue to be recognized on a cash basis, which may result in fluctuations in our annuity/maintenance license revenue. This normalized increase of 4% was due to increased licensing to existing and new customers in all of the regions except for Canada.

Perpetual license revenue decreased by 32% and 16% for the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, due to fewer perpetual sales having been realized in most geographic areas. 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 March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| ***Annuity/maintenance license revenue*** | | | | |
| Canada | **3,748** | 4,211 | (463) | -11% |
| United States | **4,565** | 4,318 | 247 | 6% |
| South America | **2,142** | 1,723 | 419 | 24% |
| Eastern Hemisphere[(1)] | **5,209** | 4,361 | 848 | 19% |
| | **15,664** | 14,613 | 1,051 | 7% |
| ***Perpetual license revenue*** | | | | |
| Canada | **-** | - | - | 0% |
| United States | **107** | 164 | (57) | -35% |
| South America | **-** | 508 | (508) | -100% |
| Eastern Hemisphere | **1,946** | 2,364 | (418) | -18% |
| | **2,053** | 3,036 | (983) | -32% |
| ***Total software license revenue*** | | | | |
| Canada | **3,748** | 4,211 | (463) | -11% |
| United States | **4,672** | 4,482 | 190 | 4% |
| South America | **2,142** | 2,231 | (89) | -4% |
| Eastern Hemisphere | **7,155** | 6,725 | 430 | 6% |
| | **17,717** | 17,649 | 68 | 0% |

| Year ended March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| ***Annuity/maintenance license revenue*** | | | | |
| Canada | **16,754** | 18,561 | (1,807) | -10% |
| United States | **18,519** | 16,460 | 2,059 | 13% |
| South America | **9,009** | 10,900 | (1,891) | -17% |
| Eastern Hemisphere[(1)] | **20,397** | 19,342 | 1,055 | 5% |
| | **64,679** | 65,263 | (584) | -1% |
| ***Perpetual license revenue*** | | | | |
| Canada | **-** | 114 | (114) | -100% |
| United States | **262** | 244 | 18 | 7% |
| South America | **394** | 1,070 | (676) | -63% |
| Eastern Hemisphere | **3,508** | 3,543 | (35) | -1% |
| | **4,164** | 4,971 | (807) | -16% |
| ***Total software license revenue*** | | | | |
| Canada | **16,754** | 18,675 | (1,921) | -10% |
| United States | **18,781** | 16,704 | 2,077 | 12% |
| South America | **9,403** | 11,970 | (2,567) | -21% |
| Eastern Hemisphere | **23,905** | 22,885 | 1,020 | 4% |
| | **68,843** | 70,234 | (1,391) | -2% |

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

During the three months ended March 31, 2018, on a geographic basis, total software license revenue remained consistent compared to the same period of the previous fiscal year as increases in the United States and the Eastern Hemisphere were offset by decreases in Canada and South America.

During the year ended March 31, 2018, on a geographic basis, total software license sales decreased in Canada and South America, partially offset by increases in the United States and the Eastern Hemisphere, as compared to the previous fiscal year.

The Canadian market (representing 24% of total annual software license revenue) experienced decreases of 11% and 10% in annuity/maintenance license revenue during the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, due to a reduction in licensing by some customers. No perpetual sales were recorded in Canada during the three months and year ended March 31, 2018.

The United States market (representing 27% of total annual software license revenue) experienced increases of 6% and 13% in annuity/maintenance license revenue during the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, mainly due to increased licensing by existing customers. Perpetual license revenue for the three months and year ended March 31, 2018 was comparable to the same periods of the previous fiscal year.

South America (representing 14% of total annual software license revenue) experienced an increase of 24% in annuity/maintenance license revenue during the three months ended March 31, 2018, compared to the same period of the previous fiscal year, mainly due to reactivation of maintenance on perpetual licenses. Annuity/maintenance license revenue for the year ended March 31, 2018 decreased by 17%, compared to the previous fiscal year. Our revenue in South America can be significantly impacted by the variability of the amounts recorded from a long-standing customer and its affiliates for whom revenue is recognized only when cash is received. No payments were received from these customers during the three months ended March 31, 2018 and 2017, but we did receive payments from them earlier in fiscal 2018 and 2017. To provide a normalized comparison, if we remove this revenue from the years ended March 31, 2018 and 2017, we note that the annuity/maintenance license revenue in South America increased by 22% instead of decreasing by 17%. This increase was mainly due to reactivation of maintenance on perpetual licenses.

South American perpetual sales were down during the three months and year ended March 31, 2018, compared to the same periods of the previous fiscal year, resulting in decreases of 100% and 63%, respectively.

The Eastern Hemisphere (representing 35% of total annual software license revenue) experienced increases of 19% and 5% in annuity/maintenance license revenue during the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, mainly due to increased licensing to existing customers in Asia. The Eastern Hemisphere experienced an 18% decrease in perpetual license revenue during the three months ended March 31, 2018, compared to the same period of the previous fiscal year, due to realizing fewer perpetual sales. Eastern Hemisphere perpetual revenue for the year ended March 31, 2018 was comparable to the previous fiscal year, with a minor decrease of 1%.

### Deferred Revenue

| ($ thousands) | **Fiscal 2018** | Fiscal 2017 | $ change | % change |
|---|---|---|---|---|
| Deferred revenue at: | | | | |
| Q1 (June 30) | **31,551** (2) | 26,154 | 5,397 | 21% |
| 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.

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. Our annuity/maintenance revenue is deferred and recognized on a straight-line basis or according to usage over the life of the related 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 Q4 of fiscal 2018 decreased by 10% compared to Q4 of fiscal 2017. The decrease is mostly due to the fact that the deferred revenue balance at March 31, 2017 included a number of contracts that were not included in the deferred revenue balance at March 31, 2018, because those contracts were finalized and invoiced subsequent to March 31, 2018, whereas in the previous fiscal year those contracts were finalized and invoiced prior to year end. After adjusting for these timing differences, deferred revenue decreased slightly as at Q4 of fiscal 2018, compared to Q4 of fiscal 2017.

## Expenses

| Three months ended March 31, ($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Sales, marketing and professional services | **5,068** | 5,259 | (191) | -4% |
| Research and development | **5,171** | 4,587 | 584 | 13% |
| General and administrative | **1,626** | 1,582 | 44 | 3% |
| Total operating expenses | **11,865** | 11,428 | 437 | 4% |
| Direct employee costs(1) | **8,877** | 9,096 | (219) | -2% |
| Other corporate costs | **2,988** | 2,332 | 656 | 28% |
| | **11,865** | 11,428 | 437 | 4% |

| Year ended March 31,<br>($ thousands) | **2018** | 2017 | $ change | % change |
|---|---|---|---|---|
| Sales, marketing and professional services | **19,535** | 19,353 | 182 | 1% |
| Research and development | **20,371** | 16,423 | 3,948 | 24% |
| General and administrative | **6,744** | 6,000 | 744 | 12% |
| Total operating expenses | **46,650** | 41,776 | 4,874 | 12% |
| Direct employee costs[(1)] | **33,959** | 33,214 | 745 | 2% |
| Other corporate costs | **12,691** | 8,562 | 4,129 | 48% |
| | **46,650** | 41,776 | 4,874 | 12% |

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

CMG's total operating expenses increased by 4% and 12% for the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, mainly due to an increase in other corporate costs.

### Direct Employee Costs

As a technology company, CMG's largest area of expenditure is its people. Approximately 73% of the total operating expenses for the year ended March 31, 2018 related to direct employee costs. Staffing levels in the current fiscal year were lower compared to the previous fiscal year. At March 31, 2018, CMG's full-time equivalent staff complement was 189 employees and consultants, down from 197 full-time equivalent employees and consultants at March 31, 2017. Direct employee costs decreased by 2% during the three months ended March 31, 2018, compared to the same period of the previous fiscal year, mainly due to the reduced headcount. Direct employee costs increased by 2% during the year ended March 31, 2018, compared to the same period of the previous fiscal year, due to CMG recording a larger share of CoFlow salaries as a result of the new agreement with Shell.

### Other Corporate Costs

Other corporate costs increased by 28% and 48% during the three months and year ended March 31, 2018, respectively, compared to the same periods of the previous fiscal year, due to higher office costs and depreciation related to moving into our new headquarters. The year ended March 31, 2018 includes $0.6 million of non-recurring charges related to the move, which were incurred in the first quarter of the fiscal year.

## Outlook

During fiscal 2018, annuity and maintenance license revenue decreased by 1% due to higher receipts in the comparative fiscal year from South American customers 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 receipts from these customers, annuity and maintenance revenue increased by 4%.

All geographic regions contributed to this normalized increase of 4%, with the exception of Canada, where sales continued to be affected by economic uncertainty. Double-digit growth in the United States is supported by continued interest in modelling of hydraulic fractures and other enhanced oil recovery processes in shale and tight reservoirs. The South American region, on an adjusted basis, also grew annuity/maintenance revenue at double digits, driven by reinstatement of maintenance contracts on perpetual licenses.

As the price of oil rose to the US$60-$70 per barrel range in fiscal 2018, for most of the regions we are more optimistic about our customers starting to increase their spending and reducing their focus on cost cutting, resulting in increased licensing of our software, as well as reinstatement of maintenance contracts on perpetual licenses.

Perpetual license sales were $4.2 million during fiscal 2018. Although this is a $0.8 million decrease compared to fiscal 2017, it was in line with our expectations for the year.

During the first quarter of fiscal 2018, we moved into our new headquarters in Calgary, which we will lease for the next 20 years. The new building features training facilities for customers and brings together our entire team in one location. We invested just under $16 million into the new building infrastructure over the past four fiscal years. Now that the new headquarters is complete, our capital expenditures are expected to return to their normal levels of a couple of million dollars a year.

Mainly due to costs associated with the new headquarters, our total operating expenses increased by 12% for fiscal 2018, compared to the previous fiscal year. The other factor contributing to the increase in operating expenses was the new agreement with our CoFlow partner Shell, under which CMG is responsible for a larger share of CoFlow costs starting January 1, 2017. At the same time, during 2018, our headcount decreased due to natural attrition, and we continue to exercise financial prudence and cost control.

CMG's research and development team continues to deliver new features and enhancements to our product suite. During fiscal 2018, we implemented several performance enhancement technologies, one of which is using artificial intelligence to preselect and optimize the numerical parameters of simulation models, resulting in a significant increase in the speed of simulation runs. During the year, we continued to enhance cloud-based solutions for our simulators, allowing customers to submit and run simulation jobs on a public cloud. The cloud solution gives customers flexibility and economies of scale with the "pay as you go" model for hardware and CMG software, allowing them to improve operational efficiencies.

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.

We ended the year with a strong balance sheet, no debt and $63.7 million in cash. During fiscal 2018, we paid dividends of $0.40 per share. CMG's Board of Directors has confirmed our commitment to shareholder returns by maintaining a quarterly dividend of $0.10 per share to be paid on June 15, 2018.

On May 23, 2018, CMG announced Ken Dedeluk's retirement as President and CEO following the Annual General Meeting on July 12, 2018. Ryan Schneider, COO, will succeed Mr. Dedeluk as President and CEO. Mr. Schneider has been a key member of CMG's executive and leadership team since 2011. He has served as the Company's COO since 2015 and has played an active role in helping guide the Company's strategic direction.

For further details on the results, please refer to CMG's Management Discussion and Analysis and Consolidated Financial Statements, which are available on SEDAR at www.sedar.com or on CMG's website 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 that have not been prepared in accordance with IFRS, such as “EBITDA”, “direct employee costs”, “other corporate costs” and “funds flow from operations”. 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. See “Expenses” heading for a reconciliation of direct employee costs and other corporate costs to total operating expenses.

“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. See “EBITDA” heading for a reconciliation of EBITDA to net income.

“Funds flow from operations” is a non-IFRS financial measure that represents net income adjusted for certain non-cash items, such as depreciation expense, 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”.

# Consolidated Statements of Financial Position

| (thousands of Canadian $) | **March 31, 2018** | March 31, 2017 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | **63,719** | 63,239 |
| Trade and other receivables | **16,272** | 25,305 |
| Prepaid expenses | **1,415** | 1,236 |
| Prepaid income taxes | **-** | 72 |
| | **81,406** | 89,852 |
| Property and equipment | **16,062** | 16,873 |
| Deferred tax asset | **522** | - |
| **Total assets** | **97,990** | 106,725 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Trade payables and accrued liabilities | **6,550** | 9,331 |
| Income taxes payable | **126** | 190 |
| Deferred revenue | **33,360** | 36,303 |
| | **40,036** | 45,824 |
| Deferred revenue | **1,002** | 1,929 |
| Deferred rent liability | **1,388** | - |
| Deferred tax liability | **-** | 254 |
| Total liabilities | **42,426** | 48,007 |
| Shareholders' equity: | | |
| Share capital | **79,598** | 71,859 |
| Contributed surplus | **11,775** | 11,433 |
| Deficit | **(35,809)** | (24,574) |
| Total shareholders' equity | **55,564** | 58,718 |
| **Total liabilities and shareholders' equity** | **97,990** | 106,725 |

# Consolidated Statements of Operations and Comprehensive Income

| Years ended March 31,<br>(thousands of Canadian $ except per share amounts) | **2018** | 2017 |
|---|---|---|
| **Revenue** | **74,680** | 75,097 |
| **Operating expenses** | | |
| Sales, marketing and professional services | **19,535** | 19,353 |
| Research and development | **20,371** | 16,423 |
| General and administrative | **6,744** | 6,000 |
| | **46,650** | 41,776 |
| **Operating profit** | **28,030** | 33,321 |
| Finance income | **905** | 871 |
| Finance costs | **(54)** | - |
| **Profit before income and other taxes** | **28,881** | 34,192 |
| Income and other taxes | **8,075** | 9,923 |
| **Net and total comprehensive income** | **20,806** | 24,269 |
| **Earnings Per Share** | | |
| Basic | **0.26** | 0.31 |
| Diluted | **0.26** | 0.31 |

# Consolidated Statements of Cash Flows

| Years ended March 31,<br>(thousands of Canadian $) | **2018** | 2017 |
|---|---|---|
| **Operating activities** | | |
| Net income | **20,806** | 24,269 |
| Adjustments for: | | |
| Depreciation | **1,997** | 1,093 |
| Income and other taxes | **8,075** | 9,923 |
| Stock-based compensation | **2,087** | 2,144 |
| Interest income | **(905)** | (551) |
| Deferred rent | **1,388** | - |
| | **33,448** | 36,878 |
| Changes in non-cash working capital: | | |
| Trade and other receivables | **9,033** | (4,233) |
| Trade payables and accrued liabilities | **35** | (1,585) |
| Prepaid expenses | **(179)** | (14) |
| Deferred revenue | **(3,870)** | 4,603 |
| Cash provided by operating activities | **38,467** | 35,649 |
| Interest received | **905** | 574 |
| Income taxes paid | **(8,842)** | (7,378) |
| **Net cash provided by operating activities** | **30,530** | 28,845 |
| **Financing activities** | | |
| Proceeds from issue of common shares | **6,664** | 4,925 |
| Dividends paid | **(32,041)** | (31,697) |
| **Net cash used in financing activities** | **(25,377)** | (26,772) |
| **Investing activities** | | |
| Property and equipment additions | **(4,673)** | (11,514) |
| **Decrease in cash** | **480** | (9,441) |
| Cash, beginning of year | **63,239** | 72,680 |
| **Cash, end of year** | **63,719** | 63,239 |

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

For further information, please contact:


Kenneth M. Dedeluk
President & CEO
(403) 531-1300
ken.dedeluk@cmgl.ca
www.cmgl.ca

or

Sandra Balic
Vice President, Finance & CFO
(403) 531-1300
sandra.balic@cmgl.ca