



Hunter Group ASA
Fourth-quarter results 2017

Highlights

Financial highlights

- Total consolidated revenues was NOK 11.5m in Q4 2017. Total income for 2017 was NOK 44.0m (Dwellop included from May 2017).
- EBITDA (Earnings before interest, tax, depreciation and amortization) was negative with NOK -9.3m in Q4 2017 and NOK -30.7m for 2017.
- EBIT (Earnings before interest and tax) was negative with NOK -14.2m in Q4 2017 and negative with NOK -111.1m for 2017, including a write off of NOK 69m (please see note 3 for further details).
- Net income was negative with NOK -13.5m in Q4 2017, equivalent to negative earnings per share of NOK -0.01. Net income for 2017 was negative with NOK -92.0m equivalent to negative earnings per share of NOK -0.09.
- Cash position as of 31.12.2017 was NOK 279.5m, down from NOK 286.8 last quarter, and total interest bearing debt was NOK -15.3m.

Key events in Q4 2017

- Dwellop management continued sales focus on high value products and systems. Leads and prospects have been converted into firm business opportunities and quotations. We still experience lag in final decisions from clients.
- Continuous focus on cash collection in Dwellop has resulted in sound collection of account receivables.
- Hunter Group management has spent a lot of time assessing investment opportunities.
- Still no material development in the patent infringement accusations from WellPartner. Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believes that these accusations will not impact the business negatively.

Subsequent events

- Dwellop's board of directors has approved a work-over rig (WOR) contract with a yard. The contract is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. If a firm contract between the yard and its client is not signed, Dwellop's contract will be cancelled. Hunter Group is about to secure a project financing facility for the construction process. The construction period is estimated to 18 months.
- Dwellop has also been shortlisted for another WOR project.
- Dwellop's sales effort materialized in orders of well intervention products and equipment for over NOK 17.5m to date, equivalent to 70% increase from same period in 2017.

Business review

Hunter Group

The Company has continued the work to get in place a platform which has a combination of underlying cash flow generation and scalability both with respect to technology add ons and geographically expansion within the oil service sector.

A stringent focus on capital discipline in order to generate long term value creation has been maintained.

Annual impairment tests have been conducted during the quarter. Based on the conducted impairment tests it is concluded that the entity's assets are not carried at more than their recoverable amounts (i.e. the higher of fair value less costs of disposal and value in use). The value in use was calculated using a discounted cash flow model

Indicator

Hunter Group is pursuing alternatives with respect to Indicator and will keep the investors updated accordingly. The cash burn is down to a bare minimum and is close to zero.

Dwellop

The last quarter of 2017 did not stand out from the previous with no significant orders received. Still, market activity continued strong and several new quotations being submitted. Discussions with clients regarding WOR, WIC and Hunter Crane continues as investment decisions are still being pushed forward in time.

Management is focusing on cash management and keeping cost at a minimum level in balance with sufficient market activity.

There has been no material development in the patent infringement accusations from WellPartner. Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believe that these accusations will not impact the business negatively.

Dwellop has disputed ENI termination of the rental agreement of one tension frame. Dwellop is awaiting response from ENI with respect to legal proceedings.

Financial key figures

Financial key figures in Q4

- Total revenues was NOK 11.5m and operating expenses came in at NOK 20.8m, excluding depreciation. EBITDA was negative with NOK -9.3m.
- EBIT was negative with NOK -14.2m.
- Net income was negative with NOK -13.5m, equivalent to negative earnings per share of NOK -0.01.
- Total consolidated equity was NOK 415.1m and total interest bearing debt was NOK -15.3m.
- Total consolidated cash position was NOK 279.5m, down from NOK 286.8 last quarter.
- Cash flow from operations was negative with NOK -3.6m mainly driven by negative net contributions from operations before tax.
- Cash flow from investments came in at NOK -3.6m stemming from investments in PPE in the quarter.
- Net cash flow from financing was negative with NOK -0.1m.

Financial key figures for 2017

- Total revenues was NOK 44.0m with the acquisition of Dwellop included from May 2017. Operating expenses came in at NOK 74.8m. EBITDA was negative with NOK -30.7m.
- EBIT was negative with NOK -111.1m, including a write off of NOK 69.4m related to the Badger technology.
- Net income was negative NOK -92.0m, equivalent to negative earnings per share of NOK -0.09.
- Cash flow from operations was negative with NOK -25.5m mainly driven by negative net contributions from operations before tax.
- Cash flow from investments came in at negative NOK -65.6m, whereof NOK -60.0m relates to the Dwellop transaction.
- Net cash flow from financing was NOK 360.8m, particularly driven by private placements and repair equity issues of NOK 385.4m.

Outlook

The outlook for oil services is still challenging, however we experience sign of improvement in the sector. The Company is experiencing that decisions are being made, however it still takes time as the majority of the clients need headquarter approval before purchase orders are confirmed. It is anticipated that the relatively stable oil price over the past months, in combination with reserves depletion is likely to improve activity levels in the oil and gas industry.

Results of Dwellop's enhanced focus of its sales activities during autumn 2017 are starting to materialize and activity is growing, documented in Dwellop's high number of quoted projects. Dwellop is also in discussions with numerous clients regarding high value products and systems such as WOR, WIC and Hunter Crane.

In light of the positive market signals, Hunter Group will continue to focus on investment in technologies within oil companies "opex territory" which will increase their return on existing offshore infrastructure.

Condensed consolidated financial statements for Q4 2017

Consolidated income statement

Unaudited figures in NOK 1 000	Quarters		Note	Year to date	
	Q4 2017	Q4 2016		31.12.2017	31.12.2016
Revenues					
Revenues	11 464	19		44 043	66
Total Revenues	11 464	19		44 043	66
Operating expenses					
Raw materials and consumables	5 764	65		20 775	1 561
Payroll expenses	7 854	1 144		27 493	4 140
Depreciation and amortisation expense	4 881	4	3	11 013	99
Net write-down intangible assets and capitalized grants	0	0	3	69 374	0
Other operating expenses	7 182	1 303		28 411	4 391
Capitalised development cost	0	-410		-1 915	-3 516
Total operating expenses	25 682	2 105		155 152	6 675
Operating profit (loss)	-14 218	-2 086		-111 108	-6 611
Interest income	994	0		2 661	0
Finance income	306	0		2 272	0
Other financial income	0	0		0	0
Interest expenses	-224	-98		-715	-445
Other financial expenses	-414	0		-2 956	0
Net financial income (loss)	661	-98		1 262	-445
Profit (loss) before taxes	-13 557	-2 184		-109 847	-7 056
Tax on ordinary result	59	0	8	17 855	0
Net profit (loss)	-13 498	-2 184		-91 991	-7 056
Earnings per share	-0,01	-0,12		-0,09	-0,38
Earnings per share diluted	-0,01	-0,12		-0,09	-0,38

Unaudited figures in NOK 1 000	Quarters			Year to date	
	Q4 2017	Q4 2016		31.12.2017	31.12.2016
Total comprehensive income					
Profit (loss) for the period	-13 498	-2 184		-91 991	-7 056
Other	0	0		0	0
Translation differences	0	0		0	0
Comprehensive income for the period	-13 498	-2 184		-91 991	-7 056
Total comprehensive income attributable to:					
Equity holders of the parent	-13 498	-2 184		-91 991	-7 056
Non-controlling interest	0	0		0	0
Total comprehensive income	-13 498	-2 184		-91 991	-7 056

Consolidated balance sheet

Assets

(Unaudited figures in NOK 1 000)	Note	31.12.2017	30.09.2017	31.12.2016
NON-CURRENT ASSETS				
Research and development	2, 3	17 830	19 259	149 632
Patents and customer relationships	2, 3	18 911	20 279	387
Goodwill	2, 3	58 655	58 655	0
Total intangible assets		95 396	98 193	150 019
Property, plant, equipment & machineries		27 884	26 322	24
Total tangible assets		27 884	26 322	24
TOTAL NON-CURRENT ASSETS		123 280	124 515	150 043
CURRENT ASSETS				
Inventories		20 368	13 273	0
Total inventories		20 368	13 273	0
Accounts receivables		21 073	24 771	0
Other short-term receivables		4 873	3 894	605
Total current receivables		25 946	28 664	605
Cash and cash equivalents		279 456	286 827	335
TOTAL CURRENT ASSETS		325 769	328 764	940
TOTAL ASSETS		449 049	453 279	150 983

Equity and Liabilities

(Unaudited figures in NOK 1 000)	Note	31.12.2017	30.09.2017	31.12.2016
EQUITY				
Share capital	4	163 948	163 948	2 317
Share premium	4	504 507	504 507	218 070
Additional paid-in capital	4	0	0	3 935
Other equity	4	-253 318	-239 835	-165 403
TOTAL EQUITY		415 137	428 619	58 919
LIABILITIES				
Capitalized grants	3	0	0	81 500
Other interest-bearing debt		11 700	12 600	0
Total non-current liabilities		11 700	12 600	81 500
Trade creditors		8 587	4 585	2 063
Accrued public charges and indirect taxes		3 161	-222	281
Taxes payable		0	0	0
Debt financial institutions		3 600	3 600	6 889
Other current liabilities		6 864	4 097	1 331
Total current liabilities		22 212	12 060	10 564
TOTAL LIABILITIES		33 912	24 660	92 064
TOTAL EQUITY AND LIABILITIES		449 049	453 279	150 983

Consolidated cash flow statement

Unaudited figures in NOK 1 000	Quarters			Year to date	
	Q4 2017	Q4 2016	Note	31.12.2017	31.12.2016
Contribution from operations before tax	-9 429	-2 004		-31 263	-6 730
Change in accounts receivables and accounts payables	7 699	84		17 101	-1 015
Change in inventory	-7 094	0		-11 464	0
Change in other receivables and payables and other	5 230	-79		80	-376
Net cash flow from operating activities	-3 593	-1 998		-25 546	-8 121
Capitalization of development cost	0	-410		-1 915	-3 516
Net investments in PPE & intangible assets	-3 647	0	2	-63 647	0
Net cash flow from investment activities	-3 647	-410		-65 562	-3 516
Public grants	0	2 547		1 061	5 166
Contribution from industry partners	0	0		0	6 500
Interest received	994	8		2 661	30
Interest paid	-224	-119		-715	-488
Proceeds from borrowings financial institution	-900	-20		-9 554	178
Capital contribution	0	0	4	385 368	0
Transaction cost capital contribution	0	0	2	-18 069	0
Net cash flow from financing activities	-131	2 416		360 751	11 386
Total net changes in cash flow	-7 370	8		269 644	-251
Cash in acquired company	0	0	2	9 478	0
Cash and cash equivalents beginning of period	286 826	327		335	586
Cash and cash equivalents end of period	279 456	335		279 456	335
Profit (loss) attributable to equity holders of the parent	-13 557	-2 184		-109 847	-7 055
Employee options	17	66		142	-232
Depreciation	4 881	4		11 013	99
Net write-down intangible assets and capitalized grants	0	0		69 374	0
Financial income	-994	-8		-2 661	-30
Financial expenses	224	119		715	488
* Contribution from operations before tax	-9 429	-2 004		-31 263	-6 730

Changes in various cash flow items year to date 31 December 2017 is reflecting the change in Dwellop's items from 2 May 2017 to 31 December 2017.

Consolidated statement of changes in equity

Unaudited figures in NOK 1 000	Note	Share Capital	Share premium	Other paid- in capital	Retained earnings	Total equity
Equity as of 01.01.2016		2 317	218 070	4 167	-158 347	66 207
Total comprehensive income per 4Q 2016		0	0	0	-7 056	-7 056
Option plan payment		0	0	-232	0	-232
Equity as of 31.12.2016		2 317	218 070	3 935	-165 403	58 919
Total comprehensive income per 4Q 2017		0	0	0	-91 991	-91 991
Private placement 16 January 2017		45 000	0	0	0	45 000
Private placement 28 February 2017		75 000	225 000	0	0	300 000
Private placement 7 March 2017		10 000	0	0	0	10 000
Private placement 31 March 2017		7 592	22 776	0	0	30 368
Issuance of shares 22 May 2017		24 038	56 731	0	0	80 769
Transactions costs and reclassifications		0	-18 069	-3 935	3 935	-18 069
Option plan payment and other		0	0	0	142	142
Equity as of 31.12.2017		163 947	504 507	0	-253 317	415 137

Notes to the Hunter Group condensed consolidated financial statements for Q4 2017

1A. Accounting principles

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements as of 31 December 2016 (IFRS as adopted by EU). Please refer to the financial statements for 2016 for description of the accounting policies. The Group has adopted the following accounting policies in 2017 because of the acquisition:

Consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. The Company assesses whether there are any indications that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost incurred in bringing raw materials to its present location and condition are accounted for by purchase cost on a first in, first out basis. Cost incurred in bringing finished goods and work in progress to its present location and condition are accounted for by cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Revenue recognition

Revenue from sale of goods is recognised at the time of delivery. Services are recognised as they are delivered. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The percentage of completion is measured based on the proportion of hours incurred for work performed to date relative to the estimated total estimated hours in the project. For projects that are expected to generate a loss, the entire estimated loss is taken immediately.

1A. Accounting effect of the new standards

IFRS 15 Revenue from contracts with customers

IASB and FASB have issued a new joint standard for revenue recognition, IFRS 15. The standard supersedes all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of promised goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. The standard applies to all income contracts and contains a model for recognition and measurement of sale of certain non-financial assets.

Hunter Group is in the process of evaluation the potential consequences of the new standard. The main focus is assessment of long term contracts as they represent a material part of the Group's total revenue. It is expected that revenue recognition over time will continue as the main accounting method for long-term contracts. The Company is currently measuring progress on ongoing projects based on hours incurred for work performed to date relative to the estimated total hours in the project, and the new standard might change the principle for how accruals of progress for ongoing projects at period end will be measured. There is no material ongoing projects in the company at 31 December 2017. The Group has decided to use the modified retrospective method (ie. without adjusting the comparable amounts for earlier periods). The Group has as such not evaluated contracts ending before 2018. In 2017, only one contract was entered into with expected delivery in 2018. The contract value is immaterial. It is the Groups's assessment that under IFRS 15, the revenue recognition will be equal to the current IFRS standards for this contract. The implementation of IFRS 15 will as such not have any effect on the equity as per 1 January 2018.

IFRS 16 Leases

Effective from 1 January, 2019, IFRS 16 covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right-of-use assets and lease liabilities in the balance sheet, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 Property, Plant and Equipment over the shorter of each contract's term and the assets' useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both with regard to impact on the balance sheet and the statement of income. With regards to lessor accounting IASB has decided to substantially carry forward the lessor accounting model in IAS 17. The standard requires adoption either on a full retrospective basis, or retrospectively with the cumulative effect of initially recognizing the standard as an adjustment to retained earnings at the date of initial application.

The Company is currently in process for review of its rental agreements for assessing if these will change category from operational to financial lease at time of implementing the new standard. The new standard is expected to have an impact on the accounting of leasing of premises as the Company rent the buildings it operates its business from.

The preliminary analysis has not identified any other significant leasing items. The remaining undiscounted lease obligations as of 31.12.17 is approximately NOK 27.9m.

Hunter Group will adopt IFRS 16 on 1 January, 2019.

2. Business combinations

Hunter Group ASA completed the acquisition of all the shares in Dwellop pursuant to a share purchase agreement (the "SPA") dated 2 May 2017 (the "Acquisition"). As a result thereof, Dwellop became a wholly-owned subsidiary of the Company. As consideration for the shares in Dwellop, the Company issued 192,307,692 new ordinary Shares, each with a par value of NOK 0.125 and with a fixed subscription price of NOK 0.65 per Share. In addition NOK 60,000,000 was settled in cash.

The consideration of the shares is NOK 60,000,000 in cash in addition to issuance of 192,307,692 ordinary Shares at a fair value at the closing date of NOK 0.42 resulting in a total purchase price of NOK 140,769,231. The Company has provisionally determined that the excess value based on the purchase price compared to book values as of 31 December 2016 primarily relates to patents value and customer relation value.

Dwellop is an independent systems and technology provider delivering topside handling equipment for well intervention, workover and plugging & abandonment (P&A) operations. A large part of the business is focused on the design and manufacturing of high quality mechanical and structural wireline, coil tubing and pipe handling equipment for the global well intervention market. Dwellop's business model covers both sale and rental of equipment and systems to E&P companies, service providers and vessel/rig owners, and the company has a broad product portfolio for safe and cost efficient well intervention operations.

The acquisition has been accounted for using the acquisition method. The completion of the acquisition was done on 2 May 2017 and the company has been consolidated into the Hunter group from 2 May 2017.

Purchase price allocation Dwellop AS	TNOK
Equity Dwellop AS at acquisition date	66 936
Excess value patents	9 298
Excess value customer relationships	10 672
Deferred tax on excess values	(4 793)
Fair value of identified net assets	82 113
Fair value of consideration	140 769
Goodwill	58 656

Unaudited figures in NOK 1 000	Book value of purchased assets and liabilities	Fair value adjustment	Fair value of purchased assets and liabilities
Goodwill	-	58 655	58 655
Patents	2 187	9 298	11 486
R&D assets	21 640	-	21 640
Customer relationships	402	10 672	11 074
Tangible fixed assets	27 770	-	27 770
Total non-current assets	51 999	78 625	130 625
Inventories	9 244	-	9 244
Account receivables	48 330	-	48 330
Cash	9 482	-	9 482
Total current assets	67 055	-	67 055
Total assets	119 055	78 625	197 680
Equity	66 937	73 833	140 769
Deferred tax	13 062	4 793	17 855
Long-term liabilities	17 965	-	17 965
Total non-current liabilities	97 964	78 626	176 590
Accounts payable	13 692	-	13 692
Public duties payable	1 170	-	1 170
Other current liabilities	6 229	-	6 229
Total current liabilities	21 091	-	21 091
Total equity and liabilities	119 055	78 626	197 680

The majority of recognised goodwill is related to potential projects and workforce that do not qualify for recognition according to IAS 38.

The transaction costs of NOK 18 million have been registered directly against other equity.

The table below sets out the pro forma income statement of Hunter Group for the twelve months ended 31 December 2017 as if the transaction had been completed 1 January 2017.

Operating revenues and expenses	TNOK
Revenues	80 718
Total operating revenues	80 718
Raw materials and consumables used	43 699
Payroll expenses	38 472
Depreciation and amortisation expense	15 901
Write-down intangible assets	69 374
Other operating expenses	34 966
Capitalised development cost	-1 915
Total operating expenses	200 497
Operating profit (loss)	-119 779
Interest income	2 681
Finance income	3 467
Other financial income	0
Interest expenses	-835
Other financial expenses	-4 402
Net financial items	911
Profit / (loss) before taxes	-118 868
Taxes (+)/tax income (-)	17 855
Net income	-101 013

The Company has recognised the following assets in the statement of financial position (including internal built up assets such as development costs).

Unaudited figures in NOK 1 000					
Per 31 December 2017					
	Customer relationships		Patents	Development costs	Total
Cost at 1 January 2017	0	0	400	149 632	150 032
Additions through aquisition of Dwellop	58 655	11 074	11 485	21 640	102 854
Additions in the period	0	0	0	1 915	1 915
Government grants	0	0	0	-1 061	0
Cost at 31 December 2017	58 655	11 074	11 885	172 126	253 740
Accumulated impairments at 31 December 2017	0	0	389	150 485	150 874
Accumulated depreciations at 31 December 2017	0	1 575	2 085	3 810	7 471
Book value at 31 December 2017	58 655	9 499	9 412	17 830	95 396
This year depreciation	0	1 575	2 072	3 810	7 458
This year impairment charges	0	0	389	150 485	150 874

Unaudited figures in NOK 1 000

Unaudited figures in NOK 1 000				
Year ended 31 December 2016				
	Patents	Development costs	Total	
Cost at 1 January 2016	400	147 768	148 168	
Additions in the year	0	3 516	3 516	
Government grants	0	-1 651	-1 651	
Cost at 31 December 2016	400	149 633	150 033	
Accumulated depreciations at 31 December 2016	13	0	13	
Book value at 31 December 2016	387	149 633	150 020	

This years depreciation	13	0	13	
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The additions of goodwill, customer relationships and patents are related to the business acquisition of Dwellop AS, see note 2. The goodwill is in its entirety related to the cash generating unit of Dwellop.

3. Impairment

The write-down of intangible assets of NOK 150,9m in 2Q 2017 related to the Badger Technology, and was due to a change of course and position from the new owners and new directors. A comprehensive assessment of the Badger Technology including the possibilities for commercializing was performed. The conclusion was that the possibility of an early commercialization was less likely. As such, the related Capitalized grants of NOK -81,5m were also derecognized in 2Q 2017. The contractual obligations related to any future earnings in the Indicator will remain should there be commercializing possibilities in the future. Net write-down amounted to NOK 69.4m.

According to the Development Program, the industry partners have first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Indicator explorers at market price for a period of up to 6 years from commercialization.

Annual impairment tests have been conducted during the quarter. Based on the conducted impairment tests it is concluded that the entity's assets are not carried at more than their recoverable amounts (i.e. the higher of fair value less costs of disposal and value in use). The value in use was calculated using a discounted cash flow model

4. Equity transactions

On 16 January 2017, the private placement consisting of 360,000,000 new ordinary shares for gross proceeds of NOK 45 million with a subscription price of NOK 0.125 was registered in The Register of Business Enterprises.

On 28 February 2017, the private placement consisting of 600,000,000 new ordinary shares for gross proceeds of NOK 300 million with a subscription price of NOK 0.50 was registered in The Register of Business Enterprises.

On 7 March 2017, the private placement consisting of 80,000,000 new ordinary shares for gross proceeds of NOK 10 million with a subscription price of NOK 0.125 was registered in The Register of Business Enterprises.

On 31 March 2017, the private placement consisting of 60,735,150 new ordinary shares for gross proceeds of NOK 30.4 million with a subscription price of NOK 0.50 was registered in The Register of Business Enterprises.

On 19 May 2017, BXPL has issued 192,307,692 new ordinary shares at fair value of 0.42 per share totaling NOK 140.8 million as part of the consideration for the purchase of shares in Dwellop AS. The share issue was registered on 22 May 2017 in The Register of Business Enterprises.

On 6 December 2017, the Hunter Group carried out a reverse share split, where the shares are merged from 1,311,580,130 shares to 131,158,013 shares. The nominal value of the shares is changed from NOK 0.125 to NOK 1.25 so the company's share capital is divided into 131,158,013 shares, each with a nominal value of NOK 1.25.

5. Segment information

The operating segments were established in May 2017 when the Company acquired Dwellop AS.

For management purposes the group is organized into business units based on its products and services and has three reportable segments, as follows:

- Hunter Group, which is the holding company that includes group services
- Indicator, which performs research and develop of the Badger Exploration Tools
- Dwellop, which produces and sells products related to enhanced oil recovery

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Unaudited figures in NOK 1 000	Adjustments and				
Twelve months ended 31 December 2017	Hunter Group	Indicator	Dwellop	eliminations	Consolidated
Operating revenue					
External customers	0	91	43 952	0	44 043
Inter-segment	0	155	0	-155	0
Total operating revenues	0	246	43 952	-155	44 043
Income / (expenses)					
Depreciation and amortization	7	15	5 245	5 746	11 013
Net impairment charges*	0	69 374	0	0	69 374
Segment profit (loss)	-20 245	-70 377	-14 021	12 652	-91 991
Total assets	419 498	803	87 060	-58 312	449 049
Total liabilities	2 066	1 088	43 179	-12 421	33 912

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

* Net impairment charges of NOK 69.4 relates to the Indicator-segment, which existed prior to the company was formally established in September 2017.

6. Construction contracts

The table below includes information of incurred contract costs, recognised profits and losses relating to ongoing long-term construction contracts.

Unaudited figures in NOK 1 000	31.12.2017
Contract costs incurred	635
Recognised profits	343
Recognised losses	0
Contract costs incurred and recognised profits (less recognised losses) to date	978
Progress billings	0
Due from (to) customers	978
Due from customers (asset)	978
Due to customers (debt)	0
Due from (to) customers	978

7. Transactions with related parties

The following table provides the total amount of transactions with related parties controlled by the members of the executive management of Hunter Group for the first nine months year of 2017. All related party transactions have been entered into on an arm's length basis.

Transactions with related parties	31.12.2107	31.12.2016
Purchased services in NOK 1 000	4 869	1 202

In June 2013, Hunter entered into a consultancy agreement with one of its shareholders, Dalvin Rådgivning AS. Mr. Gunnar Dolven, acting CFO of Hunter for the first six months of 2017, is a shareholder and director of Dalvin Rådgivning AS. For 2017, consultancy services for totally NOK 630 232 were invoiced by Dalvin Rådgivning AS. The agreement with Dalvin Rådgivning AS was terminated 30 June 2017.

In March 2016, the Company entered into a consultancy agreement with the Company's former CEO and its shareholder Mr. Steinar Bakke and his company S. Bakke Consulting AS. This agreement was terminated 30 November 2016; however, the Company extended the agreement into the first nine months of 2017. Services for NOK 4,000 were invoiced for 2017.

In May 2017, the Company entered into two consultancy agreements with Middelborg AS, a shareholder in Hunter. Middelborg AS is owned by Mr. Lundkvist, who was elected chairperson of the nomination committee of Hunter at the annual general meeting in May 2017 for two years.

- Mr. Lundkvist shall act as a transaction advisor to the Company with a success fee payable for transactions resulting from these services.
- Mr. Vegard Urnes, employed as an Investment Manager in Middelborg AS, to perform the services as interim CEO of Hunter.

Middelborg AS has invoiced the Company NOK 3 509 994 for 2017, mainly for interim CEO services from February to December.

During 2017, the Company has rented office space and purchased various services from Navis Finance AS for NOK 197 000. Mr. Urnes, through Novasuper AS, and Mr. Lundkvist, through Middelborg AS, are shareholders and directors in Navis Finance.

In May 2017, the Company entered into a consultancy agreement with Gudbrandsneset AS. Gudbrandsneset is owned by the Company's SVP Business Development (hired on 60% basis) and chairman in Dwellop Mr. Eirik Bergsvik. Services for NOK 528 000 were invoiced for 2017.

8. Tax cost

Hunter Group ASA has assessed the probability of the deferred tax asset that was not recognized before the business combination with Dwellop AS. A deferred tax asset of NOK 18m has been recognized by Hunter Group and is offset by the existing deferred tax liability in Dwellop at the acquisition in May 2017, resulting in an tax income in the income statement of NOK 18m.

As per 31.12.17 net temporary differences for the Group is estimated to approximately NOK -307m. Calculated net deferred tax asset (23%) of approximately NOK 70m has not been recognized in the Consolidated Financial Statements as per 31.12.17.

9. Subsequent events

Dwellop's board of directors has approved a work-over rig (WOR) contract with a yard. The contract is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. If a firm contract between the yard and its client is not signed, Dwellop's contract will be cancelled. Hunter Group is about to secure a project financing facility for the construction process. The construction period is estimated to 18 months.

Dwellop has also been shortlisted for another WOR project.

Dwellop's sales effort materialized in orders of well intervention products and equipment for over NOK 17.5m to date, equivalent to 70% increase from same period in 2017.

10. Provisions, commitments and contingent liabilities/assets

Dwellop received 23. June 2017 notification from Oslo District Court that Wellpartner AS has initiated legal proceedings against the company, alleging that Dwellop AS has infringed upon a tension frame patent. Dwellop has responded to these accusations, however there has been no material development in the case during the quarter.

Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believes that these accusations will not impact the business negatively.

Dwellop received termination notice 4th October 2017 from ENI with respect to rental of a tension frame for the Goliat platform. Dwellop is assessing whether to initial action regarding the legality of the termination. The monthly rental revenues was NOK 0.7m and original contract was due February 2019.

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