Q4 2021

Crayon Group Interim Financial Report

Content

Highlights

- Continued profitable growth with margin expansion across all business areas.
- Gross profit grew 42.5% year-over-year (YoY) primarily driven by Software & Cloud Channel and Consulting.
- Adj. EBITDA grew by 64% to NOK 225m (137m) corresponding to a margin of 23.6% (20.6%).
- Strong growth in APAC & MEA due to the recent acquisition of rhipe, which closed in November 2022.

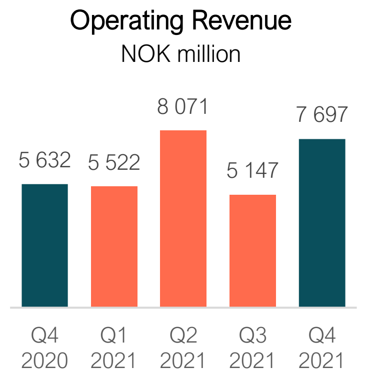
- For the full year 2021, gross profit grew by 29.6% to NOK 3 040m, largely driven by Software & Cloud Direct and Consulting.
- Adj. EBITDA/gross profit was 21.5% (17.6%) positively impacted by improved profitability in Europe and APAC & MEA.

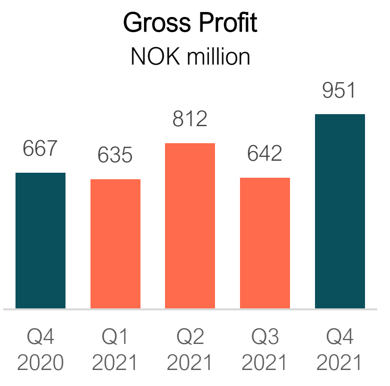
Key figures

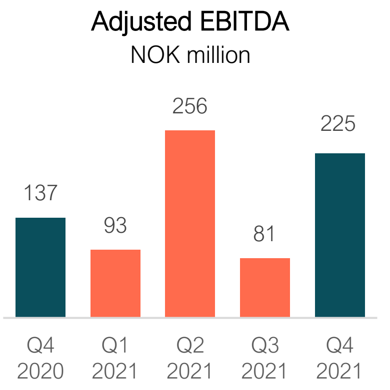
	Q4 2021	Q4 2020	2021	2020
NOK thousands, unless stated	Un-audited	Audited	Un-audited	Audited
Operating revenue	7 697 348	5 632 309	26 438 331	19 599 455
Gross profit	951 417	667 435	3 039 747	2 344 785
EBITDA	189 624	146 152	590 973	381 414
Adjusted EBITDA	224 661	137 160	654 899	412 902
Operating (loss)/profit/EBIT	132 285	108 960	416 431	241 112
Net (loss) income	213 997	94 683	253 947	126 831
Cash flow from operations	340 688	975 411	25 758	941 630
Gross profit margin (%)	12.4%	11.9%	11.5%	12.0%
Adjusted EBITDA margin (%)	2.9%	2.4%	2.5%	2.1%
Adjusted EBITDA / Gross profit margin (%)	23.6%	20.6%	21.5%	17.6%
Earnings per share (NOK)	2.31	1.05	2.58	1.48

	December 31, 2021	December 31, 2020
Liquidity reserve	1 992 143	1 582 313
Net working capital	(712 601)	(979 161)
Average headcount (number of employees)	2 318	1 727

See Alternative Performance Measures section in the note disclosure for definitions







Business review

(Figures in parentheses refer to the same period in the previous year)

Q4 2021

2021 was a historic year for Crayon, characterized by considerable operational and financial improvements as well as substantial M&A activity.

In Q4 2021, gross profit grew by 42.5% year-over-year (YoY) to NOK 952m, while Adj. EBITDA ended at NOK 225m, up 63.8% YoY and corresponding to an Adj. EBITDA margin of 23.6% (20.6%).

The strong results were driven by continued organic growth across all markets and business areas as well as the effects of the recent acquisition of Australia-based cloud and licensing specialist company, rhipe, which closed in early November 2022. Excluding the effects of the rhipe acquisition, Q4 2021 gross profit growth was 28.7% YoY.

Market Clusters

All market clusters underwent growth YoY, with the strongest growth coming from APAC & MEA, mainly related to the rhipe acquisition, which also positively impacted profitability in the region.

In the largest market cluster, the Nordics, gross profit grew by 26% to NOK 439m, primarily driven by Services, partly owing YoY effects from the acquisition of Sensa in Q2 202. Adj. EBITDA increased by NOK 30m for a margin of 35% (32%).

In Europe, gross profit was NOK 196m, up 30.1% YoY, while Adj. EBTIDA grew by 96.1% to NOK 60m, corresponding to a margin of 31% (20%), with scale effects positively impacting profitability in the region.

In the US, gross profit grew across both Services and Software & Cloud reaching NOK 113m in the quarter, up 17% YoY, with an Adj. EBITDA margin of 9.5% (10.3%).

Business Areas

All business areas developed positively in the quarter, with Software & Cloud Channel and Consulting contributing the most to gross profit growth, growing by 99% and 59% YoY, respectively.

Gross profit in the Services division grew by 45.2% to NOK 451m, driven primarily by Consulting growth in the Nordics. For Consulting, the combination of strong gross profit growth and margin expansion, resulted in significant Adj. EBITDA growth of 106% YoY.

Profitability across both Software & Cloud Direct and Software & Cloud Channel continued to improve, resulting in an Adj. EBITDA for the division of NOK 278m, corresponding to a margin of 55% (47%).

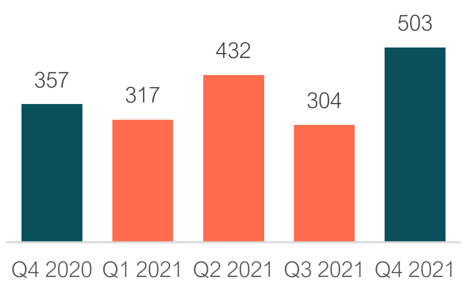
Full Year 2021

Gross profit for the full year was NOK 3 040m, up 29.6% YoY, driven primarily by Services in the Nordics and Software & Cloud Channel in APAC and MEA. Software & Cloud Direct remains the largest business area and constituted approximately 37% (39%) of gross profit.

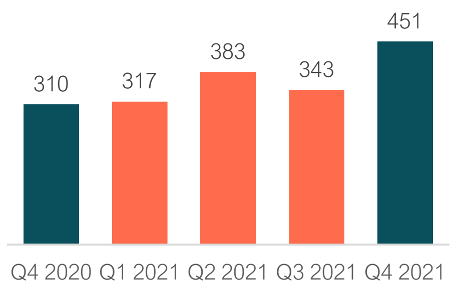
The Adj. EBITDA was NOK 655m, up 58.6% YoY, for an Adj. EBITDA margin of 21.5% (20.6%). The improved profitability is driven mainly by continued scale and profitable growth in the Software & Cloud division, which reported an Adj. EBITDA margin of 51% for the full year.

The most profitable market cluster remains the Nordics, with stable high margins of 35% (34%), but the strongest margin improvements in 2021 came from Europe with 19% (11%) Adj. EBITDA margin and APAC & MEA with 23% (15%).

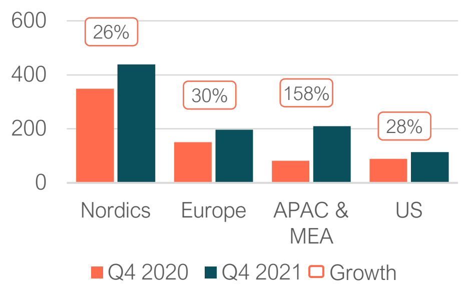
Software & Cloud Gross Profit
NOK million



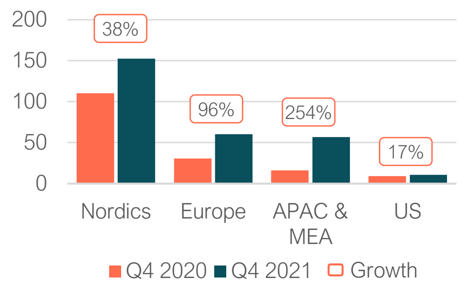
Services Gross Profit
NOK million



Gross Profit by Market Cluster
NOK million



Adj. EBITDA by Market Cluster
NOK million



Financial review

Items below EBITDA

Depreciation and amortization increased by NOK 20.1m YoY, primarily driven by increased depreciation from the acquisitions of Sensa and rhipe, which made up NOK 3.7m and NOK 11.2m, respectively.

Interest expenses increased by NOK 28.7m YoY, primarily related to interest on a new NOK 1 800m senior unsecured bond issued on July 1, 2021. Other financial income, net increased by NOK 98.3m, resulting in a gain of NOK 124.5m in the quarter, mainly due to currency movements and unrealized effects from forward foreign currency contracts. Net income before tax increased by NOK 91.7m to NOK 217.8m YoY, mainly due to higher sales and improved EBITDA-margin as well as higher financial income. Income tax expense for the quarter amounted to NOK 3.8m.

Net profit for the quarter was NOK 214.0m, compared to NOK 94.7m last year. Earnings per share increased to NOK 2.31 from NOK 1.05 in Q4 2020.

Adjusted EBITDA

Adjusted EBITDA excludes share-based compensation and other income and expenses and amounted to NOK 35.0m in Q4 2021. Other income and expenses in mainly consisted of transaction costs related to the acquisition of rhipe. Share-based compensation programs in Crayon relates to the option program from the IPO in 2017, the broad-based Employee Share Purchase Program in 2019 and 2020 and an option-based management performance program for strategic KPIs during 2020 and 2021.

For more details, see the 'Alternative Performance Measures' section of this report.

Balance sheet

As of December 31, 2021 Crayon had assets of NOK 11 292m (2020: NOK 6 315m), primarily composed of accounts receivable NOK 4 493m (2020: NOK 3 393m), goodwill NOK 2 998m (2020: NOK 851m) and cash & cash equivalents NOK 1 217m (2020: NOK 1 394m). Total liabilities as of December 31, 2021 amounted to NOK 9 134m (2020: NOK 5 211m), consisting primarily of accounts payable NOK 4 814m (2020: NOK 3 560m) and bond loan NOK 1 771m (2020: NOK 295m). The increase in accounts receivable and accounts payable primarily relate to the inherent cyclicality of the business.

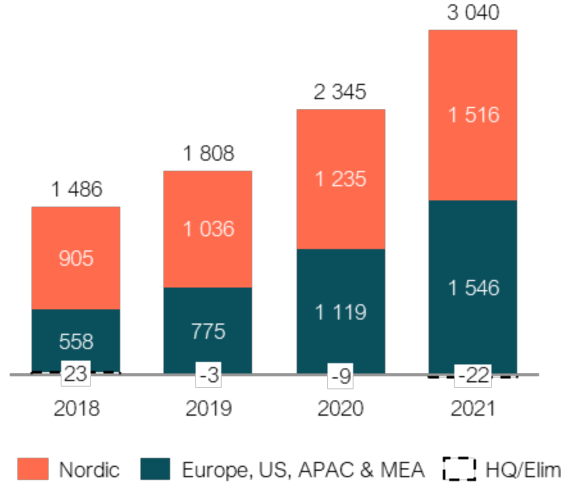
Trade working capital decreased by NOK 160m YoY, mainly due to contributions from acquisitions and gross profit growth. Management is continuing its efforts to control working capital, particularly in light of the growth in emerging markets with varying credit risks and payment cycles and the overall credit risk implied by the COVID-19 situation.

The Group has a large number of customers spread across several countries and industries and there is no specific concentration of credit risk with respect to accounts receivable, but in general the APAC & MEA region has higher credit risk. The provision for bad debt increased by NOK 33.1m (including currency impact) compared to Q4 2020 from provisions for specific customers at risk, general provisions, and currency translation of NOK fluctuation against foreign currencies. Crayon continues to closely follow up the level and nature of the trade receivables to mitigate any recoverability risk.

The need for additional provisions for expected credit losses has been assessed and the level has increased from last quarter. See note 11 for updated information on credit risk.

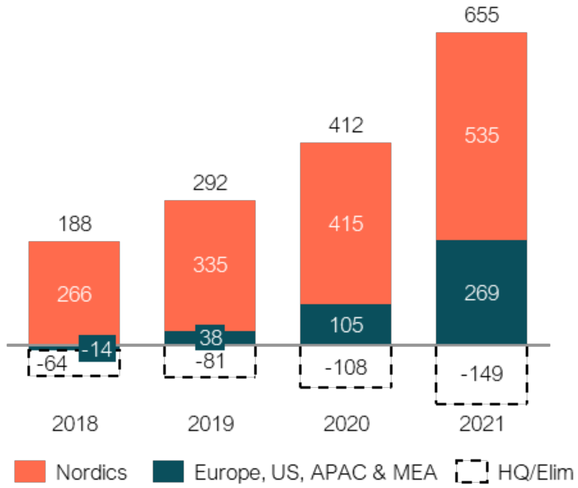
Gross Profit per Market Cluster

NOK million



Adj. EBITDA per Market Cluster

NOK million



Crayon has a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of December 31, 2021, factoring is improving accounts receivable of NOK 282.5m (2020: NOK 171.8).

Equity increased by NOK 1 054.8m from year-end 2020 primarily driven by net income of NOK 253.9m and a NOK 763.7m share issue completed in November 2021.

Cash flow

Cash flow from operations in Q4 2021 was NOK 340.7m, compared to NOK 975.4m in Q4 2020 mainly due changes in net income and net working capital.

The net cash position as of December 31, 2021 was NOK 1 216.6 (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 1 394.1m as of December 31, 2020.

The liquidity position of the group remains strong, with a total liquidity reserve as of December 31, 2021 of NOK 1 992m, compared to NOK 1 582m as of December 31, 2020. For more information on the definition of liquidity reserve, please see the 'Alternative Performance Measures' section in this report. See note 11 for updated information of liquidity risk.

Leverage

Net interest-bearing debt as of December 31, 2021 was NOK 1 195m, with a corresponding leverage ratio of 1.9x Adj. EBITDA[1]. The Group had significant headroom with regards to its bank covenants as of quarter end.

Employees

Our people are our greatest asset, and we strive to continuously attract, develop, and retain top talent, but even more importantly, we empower our employees to perform at the best of their abilities every day.

The average number of employees during 2021 was 2 318, compared to 1 727 during 2020, an increase of 34.2%. In the Software & Cloud business division, average employees increased by 173, representing 29.8% increase, while in the Services business division, it increased by 365 employees, representing 42.5%. Other employees increased by 53 YoY. At the date of this report, all of Crayon's employees are safe and remain productive. Crayon has taken measures to protect employees and support ongoing efforts to contain the COVID-19 pandemic in line with local and global health authority recommendations and relevant regulations. The transition to remote work has so far been seamless for our employees, customers, and business partners.

[1] On a LTM basis, excluding share-based compensation and other income and expenses and non-controlling interest. Also, adjusted for restricted cash of NOK 63.6m, including not registered shares issued. Current and non-current lease liabilities have been included in the calculation of the Net interest bearing debt.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended 31-Dec Un-audited 2021	Quarter ended 31-Dec Audited 2020	Year ended 31-Dec Un-audited 2021	Year ended 31-Dec Audited 2020
Operating revenue	6	7 697 348	5 632 309	26 438 331	19 599 455
Cost of sales		6 745 930	4 964 874	23 398 584	17 254 670
Gross profit		951 417	667 435	3 039 747	2 344 785
Payroll and related cost		619 749	470 427	2 067 845	1 685 629
Other operating expenses		107 008	59 848	317 004	246 254
Share based compensation		15 124	8 619	55 002	48 684
Other income and expenses		19 913	(17 610)	8 923	(17 196)
EBITDA		189 624	146 152	590 973	381 414
Adjustments		35 037	(8 992)	63 926	31 488
Adjusted EBITDA		224 661	137 160	654 899	412 902
Depreciation and amortisation	4	57 338	37 192	174 543	140 302
Operating (loss)/profit/EBIT		132 285	108 960	416 431	241 112
Share of (loss)/profit from associated companies		1 172	-	1 172	-
Interest expense		37 900	9 198	83 067	41 125
Other financial expense, net	5	(124 549)	(26 273)	29 090	6 336
Net (loss) income before tax		217 763	126 035	303 101	193 652
Income tax expense on ordinary result		3 766	31 352	49 155	66 821
Net (loss) income		213 997	94 683	253 947	126 831
Comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Currency translation		(671)	(53 905)	11 488	4 995
Total comprehensive income -net of tax		213 326	40 778	265 434	131 826
Allocation of net income					
Non-controlling interests		10 882	9 044	27 020	6 336
Owners of Crayon Group Holding ASA		203 115	85 639	226 926	120 495
Total net income (loss) allocated		213 997	94 683	253 947	126 831
Earnings (loss) per share (NOK per share)		2.31	1.05	2.58	1.48
Allocation of Total comprehensive income					
Non-controlling interests		11 046	10 148	27 525	5 680
Owners of Crayon Group Holding ASA		202 280	30 630	237 910	126 146
Total comprehensive income allocated		213 326	40 778	265 434	131 826

Crayon

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	31-Dec Un-audited 2021	31-Dec Audited 2020
ASSETS		
Non-current assets:		
Development Costs	98 165	88 756
Technology and software	99 487	18 515
Contracts	598 831	60 379
Software licenses (IP)	1 941	2 215
Goodwill	2 998 258	850 933
Deferred tax asset	81 201	35 458
Total intangible assets	**3 877 883**	**1 056 255**
Tangible assets		
Equipment	59 753	38 624
Right of use assets	114 958	120 051
Total tangible assets	**174 711**	**158 676**
Investment in associated companies	36 571	-
Total investment in associated companies	**36 571**	**-**
Other non-current receivables	68 574	39 962
Total financial assets	**68 574**	**39 962**
Total non-current assets	**4 157 739**	**1 254 893**
Current assets:		
Inventory	2 869	8 846
Total inventory	**2 869**	**8 846**
Accounts receivable	4 492 969	3 393 421
Other current receivables	1 421 421	263 347
Total receivable	**5 914 390**	**3 656 768**
Cash & cash equivalents	1 216 618	1 394 120
Total current assets	**7 133 877**	**5 059 733**
Total assets	**11 291 616**	**6 314 626**

(In thousands of NOK)	31-Dec Un-audited 2021	31-Dec Audited 2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity:		
Share capital	88 072	81 688
Own shares	(10)	(10)
Share premium	1 734 159	976 887
Sum paid-in equity	**1 822 221**	**1 058 565**
Retained Earnings		
Other Equity	299 285	41 276
Total retained earnings	**299 285**	**41 276**
Total equity attributable to parent company shareholders	**2 121 506**	**1 099 840**
Non-controlling interests	36 440	3 334
Total shareholders' equity	**2 157 946**	**1 103 174**
Long-term liabilities:		
Bond loan	1 771 052	295 215
Deferred tax liabilities	135 021	21 505
Lease liabilities	87 164	95 340
Other non-current liabilities	58 197	47 503
Total long-term liabilities	**2 051 434**	**459 562**
Current liabilities:		
Accounts payable	4 813 772	3 560 040
Income taxes payable	58 171	49 812
Public duties	458 898	250 918
Current lease liabilities	39 064	31 230
Other current interest bearing debt	413 311	75 884
Other current liabilities	1 299 019	784 004
Total current liabilities	**7 082 235**	**4 751 889**
Total liabilities	**9 133 669**	**5 211 452**
Total equity and liabilities	**11 291 616**	**6 314 626**

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 31-Dec Un-audited 2021	Quarter ended 31-Dec Audited 2020	Year ended 31-Dec Un-audited 2021	Year ended 31-Dec Audited 2020
Cash flows from operating activities:				
Net (loss) income before tax	217 763	126 035	303 101	193 652
Taxes paid	(19 774)	(13 798)	(72 103)	(34 504)
Depreciation, amortisation and impairment	57 338	37 192	174 543	140 302
Net interest expense	30 554	8 168	69 119	32 675
Changes in inventory, accounts receivable/payable	367 737	447 258	43 088	364 059
Changes in other current accounts	(312 931)	370 555	(491 990)	245 446
Net cash flow from operating activities	**340 688**	**975 411**	**25 758**	**941 630**
Cash flows from investing activities:				
Payment for capitalised assets	(29 528)	(28 746)	(82 807)	(81 362)
Acquisition of subsidiaries - (net of cash acquired) and associated companies	(2 319 310)	1	(2 477 900)	(4 616)
Other business combinations	-	-	-	(8 000)
Net cash flow from investing activities	**(2 348 838)**	**(28 745)**	**(2 560 707)**	**(93 978)**
Cash flow from financing activities:				
Net interest paid to credit institutions and interest to bond loan	(25 682)	(6 349)	(42 057)	(43 899)
Share issues	685 892	38 489	685 892	335 130
Share capital increase not registered	-	24 672	-	24 672
Acquisition/disposal of non-controlling interest	256	(412)	(4 964)	8 497
Proceeds from issuance of interest bearing debt	1 800 000	-	1 800 000	33 922
Repayment of interest bearing debt	(14 947)	(11 208)	(53 385)	(42 863)
Other Financial items	(10 000)	(2 363)	(10 000)	(3 762)
Net cash flow from financing activities	**2 435 519**	**42 829**	**2 375 485**	**311 697**
Net increase (decrease) in cash and cash equivalents	**427 369**	**989 494**	**(159 463)**	**1 159 349**
Cash and cash equivalents at beginning of period	796 286	412 794	1 394 120	238 817
Currency translation	(7 037)	(8 169)	(18 038)	(4 046)
Cash and cash equivalents at end of period	**1 216 618**	**1 394 120**	**1 216 618**	**1 394 120**

Crayon

Condensed Consolidated Statement of Changes in Shareholder’s Equity

December 31, 2020	Attributable to equity holders of Crayon Group Holding ASA						
(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
Adjustment [1]	-	-	-	(33)	(33)	0	(33)
Net (loss) income	-	-	-	120 495	120 495	6 336	126 831
Currency translation	-	-	-	5 651	5 651	(656)	4 995
Total comprehensive income	-	-	-	126 146	126 146	5 680	131 826
Share repurchase (net)				-	-	-	-
Share issues	5 063	-	330 066	-	335 130	-	335 130
Capital increase expenses	-	-	24 672	-	24 672	-	24 672
Share based compensation	-	-	-	18 613	18 613	761	19 374
Transactions with non-controlling interests	-	-	-	1 841	1 841	4 951	6 793
Transactions with owners	5 063	-	354 738	20 454	380 256	5 712	385 968
Balance as of end of period	81 688	(10)	976 887	41 276	1 099 841	3 334	1 103 174

December 31, 2021	Attributable to equity holders of Crayon Group Holding ASA						
(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2021	81 688	(10)	976 887	41 276	1 099 841	3 334	1 103 174
Adjustment [1]	-	-	-	83	83	0	83
Net (loss) income	-	-	-	226 926	226 926	27 020	253 947
Currency translation	-	-	-	10 983	10 983	504	11 488
Total comprehensive income	-	-	-	237 910	237 910	27 525	265 434
Share repurchase (net)	-	-	-	-	-	-	-
Share issues	6 384	-	757 272	-	763 656	-	763 656
Share based compensation	-	-	-	33 443	33 443	2 146	35 589
Transactions with non-controlling interests	-	-	-	(13 426)	(13 426)	3 436	(9 990)
Transactions with owners	6 384	-	757 272	20 017	783 673	5 582	789 255
Balance as of end of period	88 072	(10)	1 734 159	299 285	2 121 506	36 440	2 157 947

[1] Mainly adjustment to opening balance

Currency translation in Q4 2021 includes also fair value of cashflow hedging.

Notes

Note 1 – Corporate information

The Board of Directors approved the condensed interim financial statements for the twelve months period ended December 31, 2021 for publication on February 15, 2021. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA (“Crayon”) is a public limited company registered in Norway. The Company is a leading IT advisory firm in software and digital transformation services. Crayon optimizes its clients' return on investment (“ROI”) from complex software technology investments by combining extensive experience within volume software licensing optimization, digital engineering, and predictive analytics. Headquartered in Oslo, Norway, the company has approximately 2 318 employees in 51 offices worldwide.

Note 2 – Basis of preparation

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 “Interim Financial Reporting”. The condensed interim financial statements do not include all information and disclosures required in the annual financial statement and should be read in accordance with the Group’s Annual Report for 2020, which has been prepared according to IFRS as adopted by EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the company based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2020.

The annual report for 2020 provides a description of the uncertainties and potential business impact from the COVID-19 pandemic outbreak. The Business Review section of this report describes updated information of the COVID-19 situation and how Crayon can be impacted. The extraordinary situation and risk which the COVID-19 pandemic represents affects estimates and judgments of future outlook, and thus significant estimates and judgments applied in these interim financial statements. See note 9 and 11 for further information related to potential risk of impairment of goodwill and increased credit risk affecting provisions for bad debt.

Note 3 – Significant accounting principles

The accounting policies applied in the preparation of the consolidated interim financial statement are consistent with those applied in the preparation of the annual IFRS financial statement for the year ended December 31, 2020.
New standards, amendments to standards, and interpretations that have been published, but not effective as of December 31, 2020, have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

In November 2021, the IASB Interpretation Committee (IC) released a tentative agenda decision related to principal versus agent-assessment under IFRS 15 for Software Resellers. The theme and fact pattern described in the tentative decision is relevant for Crayon's sale of licenses.

A final agenda decision is not expected before the second quarter of 2022, after which Crayon will make a final evaluation of the considerations and its impact on the Group’s accounting policy.

Earlier assessments have concluded that Crayon acts as a principal in most transactions and contracts where Crayon acts as a reseller of licenses. If an updated assessment after a final agenda decision concludes that Crayon acts as an agent in these transactions, Crayon expects this to result in a shift from gross to net presentation of the majority of revenue in the Software & Cloud division. A potential change is not expected to have any impact on gross profit or earnings before interest, taxes, depreciation and amortization (EBITDA).

Note 4 – Depreciation, amortization

Depreciation and amortization consist of the following:

	Quarter ended 31-Dec		Year ended 31-Dec	
(In thousands of NOK)	2021	2020	2021	2020
Depreciation	20 520	14 514	68 923	54 078
Amortisation of intangibles	36 818	22 677	105 620	86 224
Total	57 338	37 192	174 543	140 302

See note 8 for breakdown of intangible assets. See note 12 for more information on Right-of-use-assets.

Note 5 – Other financial income and expenses

Other financial income and expenses, consists of the following:

(In thousands of NOK)	Quarter ended 31-Dec 2021	Quarter ended 31-Dec 2020	Year ended 31-Dec 2021	Year ended 31-Dec 2020
Interest income	7 346	1 029	13 948	8 449
Other financial income	475 433	134 705	1 237 608	478 259
Other financial expenses	(359 401)	(109 462)	(1 281 818)	(493 044)
Other total financial income / (Expense)	123 378	26 273	(30 262)	(6 336)

Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Income 1.1-31.12 foreign currency is presented net.

Note 6 – Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in functional operating segments and geographical market clusters to the Board of Directors (the Group's chief operating decision makers). While Crayon uses all three measures to analyze performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance.

The operating units that form a natural reporting segment are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin/Eliminations (Admin & Shared services and Eliminations). (Further information is found in note 2 in the Annual report for 2020).

- Software & Cloud Direct is Crayon's license offering from software vendors (e.g., Microsoft, Adobe, Symantec, Citrix, Vmware, Oracle, IBM and others). The emphasis is towards standard software, which customers consistently use year after year, and which plays a key role in their technological platforms and critical commercial processes.
- Software & Cloud Channel is Crayon's offering towards hosters, system integrators and ISVs, which includes license advisory/optimization, software license sales and access to Crayons proprietary tools and IP.
- Software & Cloud Economics services include processes and tools for enabling clients to build in-house Software Asset Management (SAM) capabilities, license spend optimization, and support for clients in vendor audits.
- Consulting consists of Cloud Consulting and Solution Consulting services related to infrastructure consulting, cloud migration and deployment, bespoke software deployment and follow-up of applications.
- Admin & Shared services includes administrative income and costs, corporate administrative costs (excluding other income and expenses), unallocated global shared costs and eliminations.
- The market clusters are composed of operating countries in the different geographical areas. The Nordics is composed of Norway, Sweden, Denmark, Finland, Iceland and Ice Distribution. Europe is composed of Austria, Switzerland, Germany, Netherlands, Spain, France, Portugal, UK, Bulgaria, Macedonia, Serbia, Russia, Czech, Ukraine, Poland and Latvia. APAC & MEA is composed of India, Malaysia, Philippines, Singapore, Middle East, Sri Lanka, Mauritius, Australia and South Africa. US represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. HQ & Eliminations includes corporate admin costs (excluding other income and expenses), unallocated global shared cost and eliminations.

Operating revenue from the operating segments Software & Cloud Economics and Consulting are recognized over time as explained under IFRS accounting principles in note 2. Operating revenue from the operating segments Software & Cloud Direct and Software & Cloud Channel are recognized point in time for software licenses and over time for cloud licenses, see note 2 for additional information.

(In thousands of NOK) Adjusted EBITDA per Operating Segment	Quarter ended 31-Dec 2021	Quarter ended 31-Dec 2020	Year ended 31-Dec 2021	Year ended 31-Dec 2020
- Software & Cloud Direct	182 687	125 710	550 549	406 795
- Software & Cloud Channel	94 893	41 819	249 649	136 718
Total Adjusted EBITDA - Software & Cloud	277 580	167 528	800 198	543 514
- Software & Cloud Economics	34 611	22 586	84 329	42 056
- Consulting	53 708	26 091	169 075	99 450
Total Adjusted EBITDA - Services	88 319	48 677	253 404	141 507
Admin & shared services	(141 238)	(79 045)	(398 702)	(272 118)
Total Adjusted EBITDA	224 661	137 160	654 899	412 902

(In thousands of NOK) Adjusted EBITDA per Market Cluster	Quarter ended 31-Dec 2021	Quarter ended 31-Dec 2020	Year ended 31-Dec 2021	Year ended 31-Dec 2020
- Nordics	152 712	110 358	534 941	415 167
- Europe	60 300	30 753	117 933	55 285
- APAC & MEA	56 807	16 033	115 155	46 441
- US	10 736	9 137	36 364	3 694
- HQ	(55 894)	(29 121)	(149 495)	(107 685)
Total Adjusted EBITDA	224 661	137 160	654 899	412 902

Segment information December 31, 2021, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	2 069 772	509 446	40 723	360 800	1 651	2 982 392
Europe	1 416 559	344 973	44 347	42 243	1 783	1 849 906
APAC & MEA	1 177 423	956 602	46 109	84 440	1 839	2 266 413
US	316 695	360 583	74 568	17 451	330	769 627
HQ	-0	-	-	164	16 989	17 153
Eliminations	-	-	-	-	(188 143)	(188 143)
Operating revenue	4 980 449	2 171 604	205 748	505 099	(165 551)	7 697 348
Gross profit						
Nordics	148 156	40 977	31 440	216 356	1 826	438 755
Europe	99 309	25 475	39 627	29 859	2 114	196 385
APAC & MEA	55 822	101 304	17 434	34 673	834	210 067
US	22 046	9 762	68 449	12 779	330	113 366
HQ	-0	-	-	61	17 114	17 174
Eliminations	-	-	-	-	(24 330)	(24 330)
Gross profit	325 334	177 518	156 950	293 728	-2 112	951 417
Operating expenses	142 647	82 625	122 339	240 020	174 163	761 794
EBITDA	182 687	94 893	34 611	53 708	(176 275)	189 624
Depreciation and Amortisation						57 338
Net financial income and expenses						(85 478)
Net income before tax						217 763
Adjustments	-	-	-	-	35 037	35 037
Adjusted EBITDA	182 687	94 893	34 611	53 708	(141 238)	224 661

Segment information December 31, 2021

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	6 779 500	1 810 677	141 444	1 190 387	3 343	9 925 351
Europe	5 299 043	1 276 037	146 677	110 829	3 280	6 835 866
APAC & MEA	4 233 682	2 054 326	93 464	184 712	3 789	6 569 972
US	1 823 285	1 384 699	267 397	62 833	972	3 539 185
HQ	-0	-	-	1 012	64 428	65 440
Eliminations	-	-	-	-	(497 483)	(497 483)
Operating revenue	18 135 510	6 525 739	648 982	1 549 772	(421 672)	26 438 331
Gross profit						
Nordics	494 448	153 409	118 543	746 289	3 620	1 516 311
Europe	322 810	94 788	124 127	91 210	4 043	636 978
APAC & MEA	192 238	166 577	46 001	82 316	4 495	491 626
US	100 199	30 707	240 921	44 414	972	417 213
HQ	-0	116	-	(18)	65 255	65 353
Eliminations	-	-	-	-	(87 733)	(87 733)
Gross profit	1 109 695	445 598	529 592	964 212	(9 349)	3 039 747
Operating expenses	559 146	195 948	445 263	795 137	453 279	2 448 774
EBITDA	550 549	249 649	84 329	169 075	(462 628)	590 973
Depreciation and Amortisation						174 543
Net financial income and expenses						113 329
Net income before tax						303 101
Adjustments	-	-	-	-	63 926	63 926
Adjusted EBITDA	550 549	249 649	84 329	169 075	(398 703)	654 899

Segment information December 31, 2020, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	1 754 739	409 024	38 865	241 442	1 958	2 446 029
Europe	1 088 488	302 355	43 479	23 258	-13 534	1 444 047
APAC & MEA	764 073	327 471	13 680	26 908	1 444	1 133 577
US	300 328	345 836	60 382	10 489	228	717 263
HQ	-	(0)	0	50	13 220	13 269
Eliminations	-	-	-	-	(121 877)	(121 877)
Operating revenue	3 907 629	1 384 687	156 406	302 147	(118 560)	5 632 309
Gross profit						
Nordics	136 945	36 590	29 843	143 785	1 049	348 211
Europe	78 921	23 608	32 170	15 214	1 013	150 926
APAC & MEA	31 651	19 644	11 648	16 839	1 642	81 425
US	19 838	7 247	52 039	9 092	315	88 531
HQ	-	2 293	0	-247	13 148	15 195
Eliminations	-	-	-	-	(16 853)	(16 853)
Gross profit	267 356	89 382	125 700	184 684	314	667 435
Operating expenses	141 646	47 563	103 114	158 593	70 368	521 284
EBITDA	125 710	41 819	22 586	26 091	(70 054)	146 151
Depreciation and Amortisation						37 192
Net financial income and expenses						(17 075)
Net income before tax						126 035
Adjustments	-	-	-	-	-8 991	-8 991
Adjusted EBITDA	125 710	41 819	22 586	26 091	(79 045)	137 160

Segment information December 31, 2020

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	5 210 278	1 594 795	139 446	861 514	13 899	7 819 932
Europe	3 550 239	1 028 488	120 769	72 654	2 270	4 774 420
APAC & MEA	2 728 601	1 387 815	47 340	84 285	4 796	4 252 838
US	1 443 537	1 370 529	219 231	23 725	759	3 057 780
HQ	-	62	-	53	53 915	54 029
Eliminations	-	-	-	-	(359 544)	(359 544)
Operating revenue	12 932 655	5 381 689	526 785	1 042 231	(283 905)	19 599 455
Gross profit						
Nordics	443 534	139 087	109 256	538 966	4 614	1 235 457
Europe	264 465	78 288	102 257	47 815	3 663	496 488
APAC & MEA	132 603	76 903	36 061	51 473	6 661	303 700
US	71 203	26 245	202 254	17 796	985	318 483
HQ	-	4 688	353	-533	58 405	62 913
Eliminations	-	-	-	-	(72 257)	(72 257)
Gross profit	911 805	325 211	450 181	655 516	2 071	2 344 785
Operating expenses	505 010	188 493	408 124	556 066	305 678	1 963 371
EBITDA	406 795	136 718	42 056	99 450	(303 607)	381 413
Depreciation and Amortisation						140 302
Net financial income and expenses						47 460
Net income before tax						193 651
Adjustments	-	-	-	-	31 488	31 488
Adjusted EBITDA	406 795	136 718	42 056	99 450	(272 119)	412 902

Note 7 – Share options

Share options

There are two share option programs, one granted in relation to the IPO (IPO Share incentive scheme) and one share-based incentive scheme implemented in 2020 to general managers and executive management (Management share option program). In 2021 also a share grant program is implemented for general managers (General manager share grant program). The management share option program and share grant program include both employment and performance vesting conditions. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options and share grant is calculated at grant date and expensed over the vesting period.
During Q4 2021, 75 000 options related to the IPO Share incentive scheme were exercised. Share price at date of exercise was NOK 183.50. Exercise of options do not affect the option cost recognized.

Employee share purchase program (ESPP)

There are two employee share purchase programs, where all employees in the Company and its subsidiaries in which an offer could be lawfully made, have been offered to participate. First offer given in conjunction with Share incentive scheme (ESPP 2019) and a second offer in Q4 2020 (ESPP 2020). The subscription price was equal to 3-month average share price at the start of the subscription period with a 20% discount. The employees have been offered to subscribe for amounts between NOK 10,000 to NOK 100,000 (all amounts including the 20% discount). In aggregate, 407 and 533 employees participated in the ESPP 2019 and ESPP 2020, respectively. Additional bonus shares will be granted to employees participating in the ESPP and remaining employed by Crayon by the end of the lock-up period. One bonus share will then be granted for every third share subscribed for under the program. The bonus shares vest over two years. The fair value of the bonus shares is calculated at grant date and expensed over the vesting period.

During Q4 2021, the bonus shares related to the ESPP 2019 program were released. A total of 333 321 bonus shares were released to employees participating in the program. Share price at date of release was NOK 183.50. Release of bonus shares do not affect the option cost recognized.

Fair value

The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price/subscription price, the term of the option/lock-up, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share and risk-free interest. For the IPO Share incentive scheme, the expected volatility is based on historical volatility for a selection of comparable listed companies. For the remaining programs, the expected volatility is based on historical volatility for listed Crayon shares from 8 November 2017 up until the grant date. Risk free interest is based on treasury bond with same maturity as the option program. The variables used are displayed in the table below.

	IPO Share incentive scheme	Management share option program	General manager share grant program	ESPP 2019	ESPP 2020
Number of share options allotted	1.92 m options	1.70 m options			
Exercise price	NOK 15.50	NOK 53.60			
Term of the option	5 years	5 years			
Share price at grant date	NOK 15.50	NOK 53.60	NOK 118.40	NOK 52.00	NOK 112.40
Numbers of shares allotted			101 k shares (estimate)	1.23 m shares	0.5 m shares
Subscription price			-	NOK 30.00	NOK 85.90
Lock-up period			0 - 2 years	2 years	2 years

Cost related to share-based compensation, as displayed in the table below, includes employee social security tax.

	Quarter ended 31-Dec		Year ended 31-Dec	
(In thousands of NOK)	2021	2020	2021	2020
Share incentive scheme (IPO)	1 368	(5 552)	4 488	21 648
Employee share purchase program 2019 and 2020	(2 008)	2 530	12 320	10 369
Management share options program 2020 and 2021	15 764	11 641	38 194	16 667
Share based compensation	15 124	8 619	55 002	48 684

Note 8 – Other intangible assets

2021	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	8 769	316 823	401 684	67 741	795 017
Additions from business combinations		266	39 400	111 421	151 086
Additions	-	57 960	543 164	32 201	633 325
FX translation	(9)	11 081	1 953	-2 778	10 248
Aquisitition cost at the end of the period	**8 760**	**386 130**	**986 201**	**208 585**	**1 589 675**
Amortisation and impairment 01.01	6 554	228 067	341 305	49 226	625 152
Amortisation from business combinations		194	10 220	50 065	60 479
Amortisation	265	59 704	35 844	9 807	105 620
Impairment	-		-	-	-
Accumulated amortisation and impairment	**6 819**	**287 965**	**387 369**	**109 098**	**791 251**
Net value at the end of the period	**1 941**	**98 165**	**598 831**	**99 487**	**798 424**
Amortisation period	0-5 years	3-10 years	5-20 years	3-10 years	
Amortisation method	Linear	Linear	Linear	Linear	

The company recognizes intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the company and the assets acquisition cost can be measured reliably. Total amortization of intangibles year to date December 31, 2021 amounts to NOK 105.6m. Of this, NOK 39.7m relates to amortization of intangible assets identified as part of purchase price allocation from acquisitions.

Intangible assets with a limited useful life are measured at their acquisition cost, minus accumulated amortization and impairments. Amortization is recognized linearly over the estimated useful life. Amortization period and method are reviewed annually. Intangible assets with an indefinite useful economic life are not amortized but are tested annually for impairment. See note 9 for additional information of impairment assessment on December 31, 2021.

The company divides its Intangible assets into the following categories in the balance sheet:

Technology and software:
According to IFRS 3, the Group has assessed if there are any identifiable intangible assets separable from Goodwill arising on business combinations. The Group has determined that intangible assets arising from the business combinations of Anglepoint and FAST meet the recognition requirements under IAS 38 as separately identifiable intangible assets. In the case of FAST, a set of technology and software, primarily used in a subscription service to customers who need both Software & Cloud Economics (previous SAM) and IT compliance services, was capitalized. This technology and software are expected to generate future economic benefits to the Group. In the case of the business combination with Anglepoint, the Group capitalized software and technology developed internally by Anglepoint. All qualifying intangible assets acquired during business combinations are recognized in the balance sheet at fair value at the time of acquisition. Technology, Software and R&D arising from business combinations are amortized linearly over the estimated useful life. The group has also determined that that technology arising from rhipe business combination meet the recognition criteria under IAS 38. See note 15 below.

In addition to intangible assets recognized as part of business combinations, the Group also capitalizes expenses related to development activities if the product or process is technically feasible, and the Group has adequate resources to complete the development. Expenses capitalized include material cost, direct wage costs and a share of directly attributable overhead costs. Capitalized development costs are depreciated linearly over the estimated useful life.

Software licenses (IP):
Software Licenses (IP) relates to intangible assets recognized in relation to Genova and from the acquisition of Navicle. Genova is part of Esito's developed software (with an indefinite lifetime), The IP allocated for Navicle is also used as an internal tool to serve its customer base and is expected to generate future economic benefits for the Group. This IP tool is amortized on straight line basis over the estimated useful lifetime.

Contracts:
Per IFRS 3, the Group has assessed if there are any identifiable intangible assets separable from Goodwill arising from business combinations. The Group has determined that the contractual customer relationships identified in the business combinations of Anglepoint, Inmeta, FAST, Again, Sequint, Techstep, Winc Sensa and rhipe meet the recognition requirements under IAS 38 as separately identifiable intangible assets. These contractual relationships are all expected to generate future economic benefits to the Group.

Contractual customer relationships acquired in business combinations are recognized in the balance sheet at fair value at the time of acquisition. The contractual customer relationships have limited useful life and are stated at acquisition cost minus accumulated amortization. Linear amortization is carried over expected useful life.

Note 9 – Goodwill

Goodwill arising on business combinations is initially measured at cost, being the excess of the cost of an acquisition over the net identifiable assets and liabilities assumed at the date of acquisition and relates to the future economic benefits arising from assets which are not capable of being identified and separately recognized. Following initial recognition, Goodwill is measured at cost less accumulated impairment losses. Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

(In thousands of NOK)	**Goodwill**
Aquisition cost at 01.01	960 450
Additions	2 132 243
Currency translation	15 081
Aquisition cost at the end of the period	**3 107 775**
Impairment at 01.01	109 517
Impairment during the period	-
Accumulated Impairment at the end of the period	**109 517**
Net book value at the end of the period	**2 998 258**

2021 additions relate to goodwill from Sensa acquisition (Q2 report; note 16) of NOK 78m and NOK 2 055m from rhipe acquisition.

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. When assessing impairment, assets are grouped into cash generating units (CGU's), the lowest levels at which it is possible to distinguish between cash flows.

Impairment of goodwill is tested by comparing the carrying value of goodwill for each CGU to the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The impairment assessment is built on a discounted cashflow model (DCF), with the model assumptions relating to WACC and CAGR.

Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). As a general principle, the Group pre-tax WACC is used for most CGUs in the model applying the US interest rate. However, when there are material differences in the local market where the CGU operates (e.g., the interest risk, or the general market conditions), the WACC is adjusted accordingly. For 2021, pre-tax WACC used is 9,11% (2020: 8,82%).

No impairment indication is identified as a result of the yearly impairment test performed as per 31.12.2021, on the identified CGU's related to goodwill.

Sensitivity analysis has been prepared at YE 2021. The value in use for each CGU is still significantly higher than the carrying amount of tested goodwill and intangible assets with indefinite useful lives, except for Crayon UK which was partially impaired during 2019 and Crayon SG. The calculation is most sensitive to changes in EBITDA and Gross profit (GP) margins. Reductions in both EBITDA and GP margins by 15 percent will only indicate impairment losses for Kryptos Tech (IN) and for Crayon SG of about NOK 5m and NOK 2.8 respectively.

Note 10 – Debt

In November 2019, the company successfully completed the issuance of a NOK 300m senior unsecured bond, with a NOK 600m borrowing limit. The bonds have a floating coupon rate of 3 months NIBOR + 350 bps. p.a. (CRAYON 03). Any outstanding bond will be repaid in full at maturity date. The bond was listed on the Oslo Stock Exchange April 3, 2020.

The net proceeds from the bond issue were used to refinance CRAYON02 in November 2019, with a total principal of NOK 450m at a coupon of 3 months NIBOR +550bps. p.a.

In accordance with IFRS 9, the transactional costs (NOK ~ 7m) related to the bond issue, which was settled on November 22, 2019 are accretion expensed (i.e., added back) over the lifetime of the bond, thus reaching NOK 300m nominal value at maturity in Q4 2022.

On July 1, 2021 Crayon issued a NOK 1 800m 4-year senior unsecured floating rate bond issue with a coupon of 3 months NIBOR + 375bps. This was settled July 15, 2021 and is presented as non-current interest-bearing debt.

Considering the refinancing mentioned above, the group also increased its revolving credit facility from NOK 350m to NOK 1000m in October 2021.Transaction costs of NOK ~29m related to the bond issue and RCF are amortized over the lifetime of the loans.

Net interest-bearing debt means senior debt to credit institutions and other interest-bearing debt less freely available cash. Net interest-bearing debt is not adjusted for normalized working capital.

	Year ended 31-Dec	
(In thousands of NOK)	2021	2020
Bond loan, other non-current liabilities	1 800 000	302 283
Lease liabilities	87 164	95 340
Current lease liabilities	39 064	31 230
Other current interest bearing debt	413 311	75 884
Cash & cash equivalents	(1 216 618)	(1 394 120)
Restricted cash	72 261	93 676
Net interest bearing debt	1 195 182	(795 707)

Note 11 – Financial Risk

Crayon Group is exposed to a number of risks, including foreign exchange risk, Interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the group manages these risks, please see the 2020 annual report 20, note 19.

The COVID-19 pandemic has been considered a significant event with an uncertain economic impact with potential adverse effect on markets and economic environments in which Crayon operates, affecting financial risk considerations. As described in the business outlook section of this report, the software reseller and software consulting industries are so far less impacted by the COVID-19 pandemic than other industries.

Liquidity risk

The risk to future revenue from customers not renewing software licenses is inherently seen as low due to the nature of the licenses sold, as software licenses are crucial for IT infrastructure and customers are expected to priorities and maintain IT spending through the COVID-19 pandemic.

The liquidity risk assessment described in the annual report for 2020 is unchanged. Management believes that satisfactory mitigating actions are implemented.

Market risk

Foreign exchange risk

Crayon has revenues and operating costs in various currencies. The prices of sale of goods are to a large extent determined in international markets, primarily denominated in US Dollar and Euro. This is partly offset by purchases denominated in the same currencies. Crayon aims to establish natural hedging positions if this is possible and economically viable. Financial derivatives are then used to hedge the remaining net currency risk exposures. Larger transactions involving currency exposure are hedged by means of currency forwards.

Credit risk

On December 31, 2021, payments from customers are not significantly impacted by the COVID-19 pandemic. DSO (Days of Sales Outstanding) as of December 2021 is down 2 days compared to December last year.

Approximately 45% of revenues come from public sector customers and a majority of the remaining revenue is from large corporate customers with satisfactory credit ratings. These customers are likely to maintain spending on IT infrastructure during the COVID-19 pandemic and any following economic downturn. Below 2% of accounts receivables to private sector customers on December 31, 2021 are considered as high-risk industries such as travel and transport of personnel, accommodation, hospitality and leisure.

Management considers the market cluster APAC & MEA with the highest risk when it comes to COVID-19 potential impact. Governments have imposed lock-down, increasing counterparty risk as financial and business processes are disrupted. These market clusters are more reliant on manual process, i.e., payments, than Europe and the Nordic region. Crayon monitors the development in the region closely and continuously reviews provisions for bad debt.

Overall Crayon considers the financial risk as moderate, but by applying mitigating actions and proactive measures this is reduced to low. The currency and interest rate risk assessments described in the annual report for 2020 covers any adverse effects from the COVID-19 pandemic. The impact of net accounting losses on receivables was NOK 26.8m compared to last year (NOK 36.6m).

Crayon present losses on accounts receivables as operating expenses. The impact of accounts receivables is presented below.

Allowance for doubtful accounts in the balance sheet

	Year ended 31-Dec	Year ended 31-Dec
(In thousands of NOK)	2021	2020
Opening balance 01.01	52 492	30 113
Currency translation	16 386	(2 575)
Net reversal/ allowance	16 744	24 954
Closing balance	**85 622**	**52 492**

Profit or loss effect of bad debt

	Year ended 31-Dec	Year ended 31-Dec
(In thousands of NOK)	2021	2020
Realised losses	10 042	11 676
Allowance for doubtful accounts	16 744	24 954
Net accounting losses on receivables	**26 786**	**36 630**

	Quarter ended 31-Dec		Year ended 31-Dec	
(In thousands of NOK)	2021	2020	2021	2020
Opening balance 01.01	52 492	30 113	52 492	30 113
Currency translation	36 580	16 889	16 386	(2 575)
Net reversal/ allowance	-3 450	5 490	16 744	24 954
Closing balance	85 622	52 492	85 622	52 492

Profit or loss effect of bad debt

	Quarter ended 31-Dec		Year ended 31-Dec	
(In thousands of NOK)	2021	2020	2021	2020
Realised losses	4 896	1 011	10 042	11 676
Allowance for doubtful accounts	-3 450	5 490	16 744	24 954
Net accounting losses on receivables	1 446	6 501	26 786	36 630

Note 12 – Right-of-use assets and lease liabilities

(In thousands of NOK)	**Right-of-use assets**
Acquisition cost at 01.01	177 395
Additions from business combinations	29 087
Additions	31 450
Currency translation	3 412
Acquisition cost at the end of the period	**241 344**
Depreciation at 01.01	61 944
Depreciation from business combinations	19 843
Depreciation during the period	44 599
Accumulated depreciation at the end of the period	**126 386**
Net book value at the end of the period	**114 958**
Depreciation period	1-12 years
Depreciation method	Linear

Future cash outflows related to lease agreements not reflected in the measurements of lease liabilities amount to NOK 374m. Cash outflows are related to signed lease agreements where the leases are not yet commenced and relates to a period of 5 to 10 years starting 2022.

Note 13 – Seasonality of operations

The group's result of operations and cash flows has varied, and are expected to continue to vary, from quarter to quarter and period to period. These fluctuations have resulted from a variety of factors including contractual renewals being skewed towards Q2 and Q4, year-end campaigns by key vendors (Microsoft's fiscal year ends 30 June, Oracle fiscal year ends May 31) and the number of working days in a quarter resulting in shorter production periods for consultants.

Note 14 – Reclassification

Net VAT has historically been reported as Public duties. This is changed from Q2 2021 and is presented gross in Public duties and in Other receivables. Last year's numbers are not restated but are made comparable in this note.

	As reported Q4 2020	Comparable Q4 2020	Change
Other current receivables	263 347	399 366	136 019
Public duties	250 918	386 937	136 019

Note 15 – Business combination

On November 3, 2021 Crayon acquired 100% of the voting shares in Rhipe Limited (rhipe). rhipe is a leading distributor of cloud solutions and services, providing partners with business advisory and deep domain technical expertise to thrive in the growing cloud market. rhipe distributes and aggregates subscription licensing models for Service Providers from many of the world's leading software vendors including Microsoft, VMware, Red Hat, Citrix, Veeam, Trend Micro, Sinefa and DocuSign. rhipe employs about 600 staff across 10 countries. This acquisition is very synergistic as it combines Crayon's business models empowering Crayon to help customers and partners solve their business needs with more solutions and services.

The total consideration amounted to AUD 387m (NOK 2 450m), excluding the loss attributable to the hedge risk, and was settled in cash.

The following table summarizes the recognized amounts acquired, and liabilities assumed at the date of acquisition (preliminary purchase price allocation):

NOK million	Fair Value
Customer relationship	446
Technology and software	97
Deferred tax assets	23
Other intangibles	11
Tangible assets	16
Accounts receivable	364
Other receivable	33
Cash & cash equivalents	215
Total assets	**1 205**
Other non current liabilities	-95
Deferred tax liablities	-122
Current liabilities	-517
Total liabilities	**-734**
Total identifiable net assets acquired at fair value	**471**
Goodwill	2 055
Total consideration (cash)*	**2 527**
Paid in cash	-2 527
Cash received	215
Net (decrease) / increase in cash	**-2 312**

**Includes the loss attributable to the hedged risk (NOK 76.4m)*

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Customer relationships are identified as intangible assets which fulfil the recognition criteria under IAS 38. The goodwill comprises the value associated with the skills and know-how of rhipe's employees, new customers and potential extensions of existing relationships. Transaction costs of approximately NOK 19m are recognized as other operating expenses.

From the date of acquisition, rhipe contributed NOK 537m of revenue, NOK 92m gross profit, NOK 22m adjusted EBITDA and NOK 6m profit before tax to continuing operations of the Group. If the acquisition had taken place at the beginning of the year, the contribution from rhipe would have been NOK 2 906m in revenue, NOK 500m in gross profit, NOK 129m in adjusted EBITDA and NOK 22m in profit before tax.

Note 16 – Hedge accounting

According to the group's policy derivatives can be designated as hedging instruments for fair value hedges and cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Realized effects are recognized through statement of profit or loss, in the same line as the hedged objects.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges, are recognized in the statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

During 2021 Crayon entered a currency forward derivative to hedge the currency fluctuations of a future firm commitment. The currency forward is designated as a hedging instrument in a cash flow hedge. Hence changes in its fair value are from the same date, recognized under other comprehensive income (OCI). Currency forward realized gain or loss will be reclassified to statement of profit and loss in the same line as the hedged object. Total unrealized losses recognized in 2021 recognized under OCI amounts to NOK 1.7m. There is no ineffectiveness to be recognized.

During 2021 Crayon also entered another currency forward contract (AUD 350m) for an unrecognized firm commitment to acquire 100% of the shares in rhipe. The currency forward in this case has been designated as a fair value hedge where unrealized changes in fair value of the currency forward have been recognized in the statement of profit and loss. Since separately identifiable assets acquired and liabilities assumed must be recognized on initial consolidation at fair value in the consolidated financial statements of Crayon, the loss attributable to the hedged risk (NOK 76.4m) has been included as part of the consideration paid. There is no ineffectiveness recognized.

Note 17 – Events after the balance sheet date

On January 11, 2022 the NOK 1 800m senior unsecured bonds issued on July 1, 2021, were admitted to trading on the Oslo Stock Exchange. A prospectus prepared in connection with the listing was published on January 10, 2022 and is available at www.crayon.com/investor-relations.

Alternative Performance Measures

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of Crayon's performance, the company has presented several alternative performance measures (APMs). An APM is defined by ESMA guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the relevant accounting rules (IFRS).

Crayon uses the following APM's:

- **Gross profit:** Operating Revenue less materials and supplies
- **EBITDA:** Earnings before interest expense, other financial items, income taxes, depreciation, and amortization
- **Adjusted EBITDA:** EBITDA excluding share-based compensation and other income and expenses.
- **EBIT:** Earnings before interest expense, other financial items, and income taxes

	Year ended 31-Dec	
(In thousands of NOK)	2021	2020
EBITDA	590 973	381 414
Other Income and Expenses	63 926	31 488
Adjusted EBITDA	**654 899**	**412 902**

Other Income and expenses: Specifications of items defined as adjustments. Other personnel costs are related to former CEO. See table below.

	Year ended 31-Dec	Year ended 31-Dec
(In thousands of NOK)	2021	2020
Business development expenses and legal structuring	19 701	416
Forgivable loan (US)	(13 516)	(17 612)
Share based compensation	55 002	48 684
Other personell costs	2 738	-
Other income and expenses	**63 925**	**31 488**

Net Working Capital: Non- interest-bearing current assets less non- interest-bearing current liabilities. Net Working Capital gives a measure of the funding required by the operations of the business.

	Year ended 31-Dec	Year ended 31-Dec
(In thousands of NOK)	2021	2020
Inventory	2 869	8 846
Accounts receivable	4 492 969	3 393 421
Other current receivables	1 421 421	263 347
Income taxes payable	(58 171)	(49 812)
Accounts payable	(4 813 772)	(3 560 040)
Public duties	(458 898)	(250 918)
Other current liabilities	(1 299 019)	(784 004)
Net working capital	**(712 601)**	**(979 161)**

Free available cash: Cash and cash equivalents less restricted cash.
Liquidity reserve: Freely available cash and credit facilities.
Restricted cash: The amount consists of employee taxes withheld and balance on a client account due to not registered share issue.

	Year ended 31-Dec	Year ended 31-Dec
(In thousands of NOK)	2021	2020
Cash & cash equivalents	1 216 618	1 394 120
Restricted cash	(72 261)	(93 676)
Free available cash	1 144 357	1 300 444
Available credit facility	847 786	281 869
Liquidity reserve	**1 992 143**	**1 582 313**

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