



Q3 2022 Financial Report



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Highlights

- Continued strong growth across all markets.
- Gross sales¹⁾ grew 51% YoY to NOK 7,774m and gross profit increased by 55%.
- Adj. EBITDA grew by 57% to NOK 127m corresponding to a margin of 12.8%, slightly up from last year.
- International expansion efforts continue and markets outside the Nordics comprised 58% of gross profit for the last 12 months, up from 49% last year and 50% for the full year 2021.

Key figures

(NOK thousands)	Q3 2022	Q3 2021	Year to date	Year to date	Full year
	Unaudited	Unaudited	Q3 2022	Q3 2021	2021
			Unaudited	Unaudited	Restated
Gross Sales ¹⁾	7,774,457	5,147,231	28,619,503	18,740,983	26,438,331
Revenue ²⁾	1,180,902	750,406	3,521,215	2,401,613	3,533,831
Gross profit	992,549	641,771	3,050,909	2,088,330	3,039,747
EBITDA	122,174	60,404	588,482	401,350	590,973
Adjusted EBITDA	127,445	81,363	602,992	430,238	654,899
Operating profit/EBIT	49,607	19,055	373,069	284,145	416,431
Net income	(69,173)	(140,032)	16,757	39,949	253,947
Cash flow from operations	(496,967)	(543,829)	(376,013)	(314,930)	25,758
Adjusted EBITDA margin (%)	12.8%	12.7%	19.8%	20.6%	21.5%
Earnings per share (NOK)	(0.67)	(1.67)	0.10	0.28	2.58

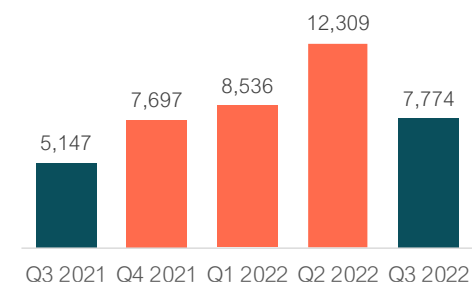
	Sept 30, 2022	Sept 30, 2021	Dec 31, 2021
Liquidity reserve	1,440,507	942,538	1,992,143
Leverage ratio (multiple)	2.5	(0.9)	1.8
Net working capital	25,199	(455,878)	(712,601)
Full time employees (FTE)	3,350	2,249	2,900

1) Gross Sales: presented historically as revenue, before change of accounting policy, see Note 3 for further information.

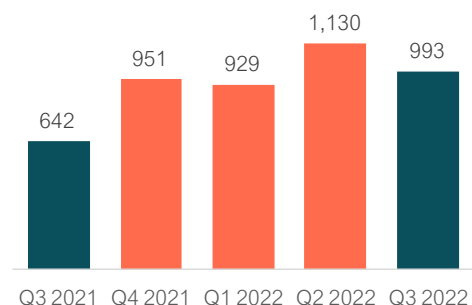
2) Revenue: restated with revenue from the Software & Cloud division recognized on a net basis, following change in accounting policy. See Note 3 for further information.

See last section for details on Alternative Performance Measures.

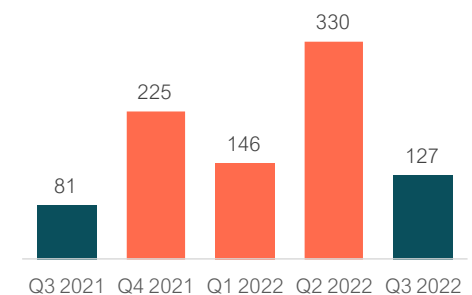
Gross Sales
NOK million



Gross Profit
NOK million



Adjusted EBITDA
NOK million



Business review

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

Crayon continued its positive development in the third quarter, with growth across market clusters and business areas. Gross profit grew by 55% year-over-year (YoY) to NOK 993m, while Adj. EBITDA ended at NOK 127m, up 57% YoY and corresponding to an Adj. EBITDA margin of 12.8% (12.7%).

The strong results were driven by continued organic growth particularly in Europe with an organic growth of 43%, as well as positive effects from the recent acquisition of Australia-based cloud and licensing specialist company, rhipe, which closed in early November 2021. Organic gross profit growth was 33% YoY.

Market Clusters

All market clusters increased YoY, with the strongest gross profit growth coming from APAC & MEA, with strong positive impact from the rhipe acquisition, which also positively affected profitability in the region.

The Nordics remains Crayon's largest market cluster and reported strong gross profit of NOK 374m (NOK 320m), up 18% YoY in Q3. Adj. EBITDA in the Nordics grew to NOK 106m (103m) for a margin of 28.3% (32.2%) YoY.

In Europe, gross profit was NOK 203m, up 43% YoY. Adj. EBITDA was NOK 2m (NOK 3m), corresponding to a margin of 0.9% (2.1%).

APAC & MEA underwent the strongest growth, owing to the acquisition of rhipe in Q4 2021. Gross profit in the quarter was NOK 302m, up 280% from NOK 79m in Q3 2021, with an Adj. EBITDA of NOK 66m, corresponding to a margin of 21.8% (-9.1%).

The US continued to grow and reported NOK 127m in gross profit for the quarter, up 16% YoY, driven by both Services and Software & Cloud. Adj. EBITDA came in at NOK -17m with a negative margin of -13% (7%).

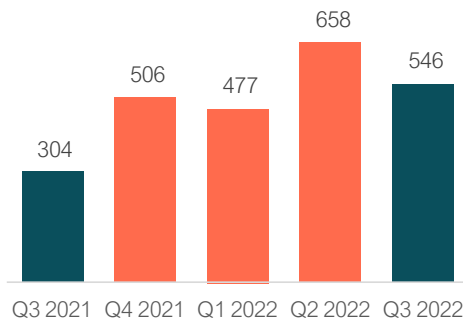
Business Areas

All business areas developed positively in the quarter, with Software & Cloud and Services growing 80% and 31% respectively.

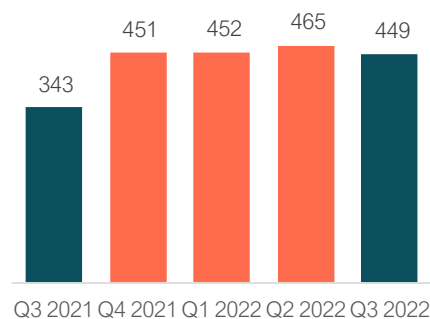
Software & Cloud Direct and Software & Cloud Channel were the main contributors to gross profit growth. Gross profit in Software & Cloud Channel grew 136% to NOK 222m (NOK 94m), with strong positive impact from the rhipe acquisition in November 2021. Software & Cloud Direct also delivered solid gross profit growth of 56% YoY. Profitability remains strong for the Software & Cloud division with an Adj. EBITDA of NOK 273 (NOK 118m), corresponding to a margin of 50% (39%).

Gross profit in the Services division grew by 31% to NOK 449m, growing across all markets. Adj. EBITDA came in at NOK 52m with a positive margin of 12%, which is a reduction from 15% in Q3 2021. The reduction in margins is driven by continued investments in new service capabilities, driven by the ramp-up time of new resources.

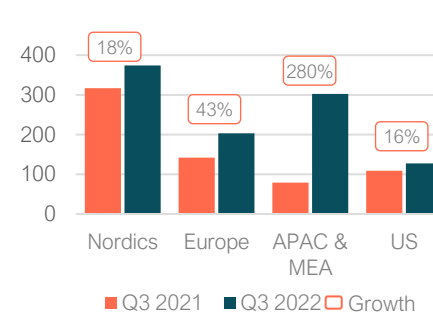
Software & Cloud Gross Profit
NOK million



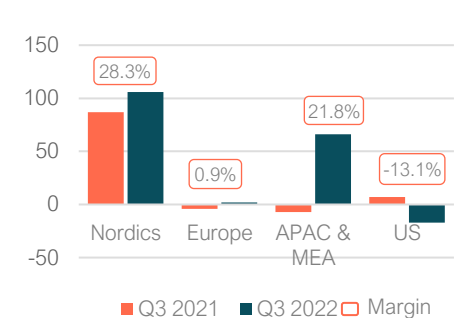
Services Gross Profit
NOK million



Gross Profit by Market Cluster
NOK million



Adj. EBITDA by Market Cluster
NOK million



Financial review

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

Revenue and gross profit

During 2022, revenue from the resale of software licenses within the Software & Cloud division is recognized on a net basis. See Note 3 for more details on changes in accounting policies.

Revenue in Q3 2022 increased by 57% YoY to NOK 1,181m, with a gross profit of NOK 993m, up from NOK 642m in Q3 2021. Gross profit growth is distributed across all market clusters, whereof APAC & MEA contribute with 280% YoY, including the acquisition of rhipe. Gross Sales grew by 51% YoY to reach NOK 7,775m in Q3, compared to NOK 5,147m in Q3 2021.

Adjusted EBITDA

Adjusted EBITDA amounted to NOK 127m compared to NOK 81m last year. APAC & MEA and the Nordics increase with NOK 71m and NOK 3m respectively. US reduced by NOK 26m compared to the same quarter last year and Europe and HQ were on the same level.

Net income

Depreciation and amortization increased by NOK 31m YoY in Q3, primarily driven by impact from the acquisition of rhipe.

Interest expenses increased by NOK 27m YoY in Q3, due to increase in rates and increase in net interest-bearing debt. Other financial expense, net decreased by NOK 18m, due to increased interest income in addition to currency impact from currency exchange rate changes for accounts receivables, accounts payables and cash. The Group also recognized a net profit from an associated company of NOK 7m, leaving total financial items at NOK -149m, about same level as last year. Net income before tax improved by NOK 28m to NOK -100m YoY, mainly due to higher sales and gross margin reduced by increased depreciation and amortization. Tax income for the quarter amounted to NOK 30m.

Net income for the quarter was NOK -69m, compared to NOK -140m last year. Earnings per share allocated to owners increased to NOK -0.67 from NOK -1.67 in Q3 2021.

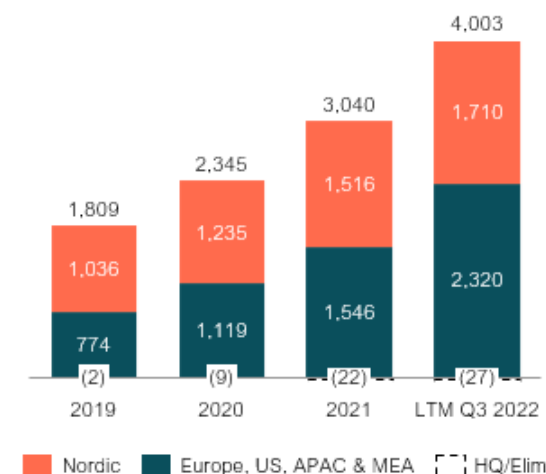
Balance sheet

As of September 30, 2022, Crayon had total assets of NOK 12,561m (NOK 7,972), primarily composed of accounts receivable NOK 5,407m (NOK 3,267m), other current receivables NOK 1,880m (NOK 604m), goodwill NOK 3,224m (NOK 927m) and cash & cash equivalents NOK 605m (NOK 2,578m). Total liabilities as of September 30, 2022, amounted to NOK 10,042m (NOK 6,723m) and consisted primarily of accounts payable NOK 5,187m (NOK 3,106m), lease liabilities NOK 403 (NOK 127m), other interest-bearing liabilities NOK 2,224m (NOK 2,187m). The total increase from last year and impacting all balance sheet items is mainly due to the ripe acquisition in addition to the organic growth.

Net working capital increased by NOK 481m YoY, mainly due to contributions from acquisition of rhipe and impact from depreciation of NOK against other currencies.

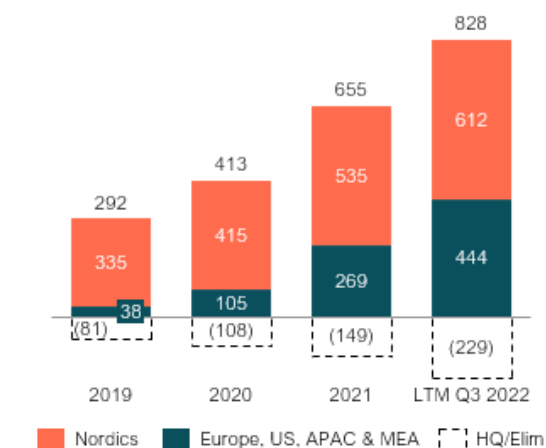
Gross Profit by Market Cluster

NOK million



Adj. EBITDA by Market Cluster

NOK million



Management is continuing its efforts to control working capital, particularly considering the growth in emerging markets with varying credit risks and payment cycles.

The provision for bad debt increased by NOK 41m compared to Q3 2021 from provisions for specific customers at risk, general provisions, and currency adjustments. Crayon continues to closely follow up the level and nature of the trade receivables to mitigate any recoverability risk.

Crayon has a large number of customers spread across several countries and industries and there is currently no specific concentration of credit risk with respect to accounts receivable, other than some units in the APAC & MEA region. See Note 11 for updated information on credit risk.

Crayon has non-recourse factoring agreements, which has been implemented for a set of customers in Norway and in Denmark. As of September 30, 2022, factoring reduced accounts receivable by NOK 206m (NOK 109m).

Equity increased by NOK 360m from year-end 2021, primarily driven by the gain on currency translation of NOK 330m due NOK weakening against other currencies, in addition to the year-to-date net income of NOK 17m. The equity share was 20% (16%).

Cash flow

Cash flow from operations in Q3 2022 was negative NOK 497m, compared to negative NOK 544m in Q3 2021, an improvement of NOK 47m YoY. Negative cash flow in Q3 relate to growth and seasonal variations in the business.

The net cash position as of September 30, 2022, was NOK 605m compared to NOK 796m as of September 30, 2021, and NOK 1,217m as of December 31, 2021. The cash balance is reported net of NOK 400m drawdown on the revolving credit facility ("RCF") and includes restricted cash of NOK 51m.

The liquidity position remained strong, with a total liquidity reserve of NOK 1,441m as of September 30, 2022 (NOK 943m) down from NOK 1,992m as of December 31, 2021. 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 September 30, 2022, was NOK 1,670m, with a corresponding leverage ratio of 2.5x Adj. EBITDA¹⁾, providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA¹⁾) as of the end of the quarter.

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 number of full-time employees on September 30, 2022, increased by 49% to 3,350 compared to 2,249 on September 30, 2021. In the Software & Cloud business division, full-time employees increased by 349, representing 49% increase, while in the Services business division, it increased by 574 employees, an increase of 48%. Other employees increased by 178 YoY.

The invasion of Ukraine by Russia in February 2022 introduced new risks to the health and safety of Crayon's employees in the region. Crayon has taken significant measures to ensure the safety and well-being of its employees and their families as well as to safeguard customers, partners, and society.

1) On an LTM basis, excluding share-based compensation and other income and expense. Also, including restricted cash and lease liabilities in the calculation of net interest-bearing debt.

Condensed Consolidated Statement of Income

(NOK thousands)	Note	Q3 2022		Year to date		Year to date		Full year	
		Unaudited	Unaudited	Q3 2022	Unaudited	Q3 2021	Unaudited	2021	Restated
Revenue ¹⁾	6	1,180,902	750,406	3,521,215	2,401,613	3,533,831			
Cost of sales		(188,354)	(108,635)	(470,306)	(313,283)	(494,083)			
Gross profit		992,549	641,771	3,050,909	2,088,330	3,039,747			
Payroll and related expenses		(700,429)	(486,103)	(2,026,574)	(1,448,096)	(2,067,845)			
Other operating expenses		(164,675)	(74,305)	(421,343)	(209,996)	(317,004)			
Share based compensation		(1,399)	(20,771)	(4,698)	(39,878)	(55,002)			
Other income and expenses		(3,873)	(188)	(9,813)	10,990	(8,923)			
EBITDA		122,174	60,404	588,482	401,350	590,973			
Adjustments		5,271	20,959	14,511	28,889	63,926			
Adjusted EBITDA		127,445	81,363	602,992	430,238	654,899			
Depreciation and amortization	4	(72,567)	(41,349)	(215,412)	(117,204)	(174,543)			
Operating profit/EBIT		49,607	19,055	373,069	284,145	416,431			
Share of profit (loss) from associated companies		6,896	-	6,204	-	(1,172)			
Interest expense		(52,850)	(25,364)	(136,072)	(45,167)	(83,067)			
Other financial expense, net	5	(103,154)	(121,428)	(219,088)	(153,640)	(29,090)			
Net income before tax		(99,502)	(127,738)	24,113	85,338	303,101			
Income tax expense on ordinary result		30,328	(12,294)	(7,357)	(45,389)	(49,155)			
Net income		(69,173)	(140,032)	16,757	39,949	253,947			
Comprehensive income									
Items that are or may be reclassified subsequently to profit or loss									
Currency translation		82,043	16,745	299,863	12,159	11,488			
Comprehensive income net of tax		12,869	(123,287)	316,619	52,108	265,434			
Allocation of net income									
Non-controlling interests		(9,245)	531	7,848	16,138	27,020			
Owners of Crayon Group Holding ASA		(59,928)	(140,563)	8,909	23,811	226,926			
Net income allocated		(69,173)	(140,032)	16,757	39,949	253,947			
Earnings per share (NOK)		(0.67)	(1.67)	0.10	0.28	2.58			
Allocation of comprehensive income									
Non-controlling interests		(6,275)	507	12,942	16,479	27,525			
Owners of Crayon Group Holding ASA		19,144	(123,794)	303,677	35,629	237,910			
Comprehensive income allocated		12,869	(123,287)	316,619	52,108	265,434			

1) Revenue restated as net based on revised accounting policy, for further information see Note 3
See Alternative Performance Measures section in the Note disclosure for definitions

Condensed Consolidated Balance Sheet Statement

(NOK thousands)	Note	30-Sep		31-Dec	(NOK thousands)	Note	30-Sep		31-Dec		
		Unaudited 2022	Unaudited 2021	Restated 2021			Unaudited 2022	Unaudited 2021	Restated 2021		
ASSETS					LIABILITIES AND SHAREHOLDERS' EQUITY						
<i>Non-current assets:</i>					<i>Shareholders' equity:</i>						
Intangible assets					Share capital						
Development Costs	8	108,628	92,680	98,165			89,286	83,979	88,072		
Technology and software	8	85,670	12,862	99,487			(10)	(10)	(10)		
Contracts	8	588,873	164,118	598,831			1,817,694	1,053,515	1,734,159		
Software licenses (IP)	8	1,808	1,971	1,941			1,906,969	1,137,484	1,822,221		
Goodwill	9	3,224,264	926,574	2,998,258			Retained earnings	568,477	92,364	299,285	
Deferred tax asset		99,616	50,267	81,201			Total equity attributable to parent company shareholders	2,475,446	1,229,848	2,121,506	
Total intangible assets		4,108,861	1,248,471	3,877,883			Non-controlling interests	43,442	19,047	36,440	
Tangible assets					Total shareholders' equity						
Equipment		80,920	43,137	59,753			2,518,888	1,248,895	2,157,946		
Right of use assets	12	390,503	118,812	114,958			<i>Non-current liabilities:</i>				
Total tangible assets		471,423	161,949	174,711			Interest-bearing liabilities	10	1,776,194	297,123	1,771,052
Investment in associated companies		42,775	36,015	36,571			Deferred tax liabilities		123,439	13,851	135,021
Other non-current receivables		42,489	70,110	68,574			Lease liabilities		343,040	96,151	87,164
Total financial assets		85,264	106,124	105,145			Other non-current liabilities		26,381	61,656	58,197
Total non-current assets		4,665,547	1,516,544	4,157,739			Total non-current liabilities		2,269,054	468,781	2,051,434
<i>Current assets:</i>					<i>Current liabilities:</i>						
Inventory		4,110	5,485	2,869			Accounts payable		5,186,992	3,106,045	4,813,772
Accounts receivable	11	5,406,573	3,267,435	4,492,969			Income taxes payable		65,300	64,360	58,171
Other current receivables		1,879,694	604,383	1,421,421			Public duties		546,116	330,073	458,898
Total receivables		7,286,266	3,871,819	5,914,390			Current lease liabilities		59,914	31,326	39,064
Short term deposits		-	1,782,000	-			Other current interest-bearing liabilities	10	447,608	1,889,950	413,311
Cash & cash equivalents	10	604,719	796,286	1,216,618			Other current liabilities		1,466,769	832,704	1,299,019
Total current assets		7,895,095	6,455,590	7,133,877			Total current liabilities		7,772,700	6,254,458	7,082,235
Total assets		12,560,642	7,972,134	11,291,616			Total liabilities		10,041,754	6,723,239	9,133,669
							Total equity and liabilities		12,560,642	7,972,134	11,291,616

Condensed Consolidated Statement of Cash Flows

(NOK thousands)	Q3 2022	Q3 2021	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
	Unaudited	Unaudited	Unaudited	Unaudited	Restated
Cash flows from operating activities:					
Net income before tax	(99,502)	(127,738)	24,113	85,338	303,101
Taxes paid	(20,993)	(27,082)	(93,156)	(52,330)	(72,103)
Depreciation, amortization and impairment	72,567	41,349	215,412	117,204	174,543
Net interest expense	40,821	22,775	109,128	38,565	69,119
Changes in inventory, accounts receivable/payable	(595,564)	(280,354)	(541,625)	(324,649)	43,088
Changes in other current accounts	105,704	(172,780)	(89,886)	(179,059)	(491,990)
Net cash flow from operating activities	(496,967)	(543,829)	(376,013)	(314,930)	25,758
Cash flows from investing activities:					
Payment for capitalized assets	(35,023)	(18,230)	(94,340)	(53,279)	(82,807)
Acquisition of subsidiaries - (net of cash acquired) and associated companies	(11,347)	(36,015)	(20,747)	(158,590)	(2,477,900)
Net cash flow from investing activities	(46,370)	(54,245)	(115,087)	(211,869)	(2,560,707)
Cash flows from financing activities:					
Net interest paid on interest-bearing liabilities	(41,212)	(3,718)	(104,567)	(16,375)	(42,057)
Share issues	-	-	72,690	-	685,892
Acquisition/disposal of non-controlling interests	-	(1,405)	(41,745)	(5,220)	(4,964)
Proceeds from issuance of interest bearing liabilities	-	-	-	-	1,800,000
Repayment of interest-bearing liabilities	(9,967)	(12,995)	(39,889)	(38,438)	(53,385)
Other financial items	-	-	-	-	(10,000)
Net cash flow from financing activities	(51,179)	(18,118)	(113,511)	(60,033)	2,375,485
Net increase (decrease) in cash and cash equivalents	(594,516)	(616,192)	(604,611)	(586,832)	(159,464)
Cash and cash equivalents at beginning of period	1,213,014	1,414,619	1,216,618	1,394,120	1,394,120
Currency translation	(13,779)	(2,142)	(7,288)	(11,001)	(18,038)
Cash and cash equivalents at end of period	604,719	796,286	604,719	796,286	1,216,618

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

September 30, 2021

Attributable to equity holders of Crayon Group Holding ASA

(NOK thousands)	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 income	-	-	-	23,811	23,811	16,138	39,949
Currency translation	-	-	-	11,818	11,818	341	12,159
Total comprehensive income	-	-	-	35,629	35,629	16,479	52,108
Share issues	2,291	-	76,628	-	78,919	-	78,919
Share-based compensation	-	-	-	22,745	22,745	1,190	23,935
Transactions with non-controlling interests	-	-	-	(7,369)	(7,369)	(1,955)	(9,324)
Transactions with owners	2,291	-	76,628	15,376	94,295	(765)	93,530
Balance as of end of period	83,979	(10)	1,053,515	92,364	1,229,848	19,048	1,248,896

September 30, 2022

Attributable to equity holders of Crayon Group Holding ASA

(NOK thousands)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	88,072	(10)	1,734,159	299,285	2,121,506	36,440	2,157,946
Net income	-	-	-	8,909	8,909	7,848	16,757
Currency translation	-	-	-	294,769	294,769	5,094	299,863
Total comprehensive income	-	-	-	303,677	303,677	12,942	316,619
Share issues	1,214	-	83,535	-	84,748	-	84,748
Share-based compensation	-	-	-	20,782	20,782	1,513	22,295
Transactions with non-controlling interests	-	-	-	(55,267)	(55,267)	(7,454)	(62,721)
Transactions with owners	1,214	-	83,535	(34,485)	50,263	(5,940)	44,323
Balance as of end of period	89,286	(10)	1,817,694	568,477	2,475,447	43,442	2,518,888

¹⁾Mainly adjustment to opening balance

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at September 30, 2022, for publication on October 25, 2022. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA is a public limited company registered in Norway. The company's headquarters are located at Gullhaug Torg 5, 0484 Oslo, Norway. Crayon Group Holding ASA is listed on Oslo Stock Exchange (Oslo Børs) under the ticker "CRAYN".

Crayon specializes in supporting customers across all industry sectors with complex local, regional and global IT estates. Crayon helps clients specify, plan, deploy, manage and optimize technology ecosystems.

Crayon had 3,350 full time employees across 44 countries at the end of the period.

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 2021, which has been prepared according to IFRS as adopted by EU. The report has not been audited.

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 2021, except for those following the change in accounting policy described in Note 3.

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, 2021, except for the change in accounting policy due to IFRS 15 principal vs agent IASB Interpretation Committee agenda decision described below.

New standards, amendments to standards, and interpretations that have been published, but not effective as of December 31, 2021, have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

Change in accounting policy due to IFRS 15-principal vs agent IASB Interpretation Committee agenda decision

With reference to Note 2 in the 2021 annual report and Note 3 in the Q1 2022 report.

May 2022, the IFRS Interpretation Committee (IFRIC) formally published the final agenda decision providing guidance to principal versus agent-assessment under IFRS 15 for Software Resellers. The new guidance provided by the IFRIC clarifies that the software reseller pre-sales advice (while important) is not an implicit promise in a contract with a customer. At the time of entering into a contract with the customer, the reseller has already provided the advice. There is no further advice to be provided by the reseller and the advice already provided will not be transferred to the customer after contract inception. Accordingly, the IFRIC concluded that, at the time of entering into a contract with a customer, there is no valid expectation of the customer that the reseller will transfer a good or service to the customer other than the software licenses.

Based on a control assessment of the standard software license as the promised goods rather than a combination with an implied promise of providing a service, arising from the new guidance, Crayon has decided to reassess whether the group acts as a principal or an agent for transactions under the software and cloud division. Management concluded that Crayon does not control the software licenses from the software provider before they are transferred to the customer and therefore acts as an agent on the software and cloud licenses business. Consequently, the Group has revised its accounting policy for the software and cloud licenses business and is from Q1 2022 accounting for this as agent and recognizes revenue net of related costs. Incentives and rebates from vendors previously recognized as a reduction in cost of sales will be recognized as revenue. Principal vs. agent assessments depend on the specific facts and circumstances and can be very complex and judgmental. Assessment of any further indirect effects of this change on the accounting policy is still ongoing.

Prior period(s) have been restated according to IAS 8. The adjusted amounts for current and comparative periods are presented in the table below. Gross profit, EBITDA, Operating profit, Net income, Balance sheet, Equity and Cash Flow statements are currently unchanged.

Results of change in accounting policy

(NOK thousands)	Q3 2021			Year to date Q3 2021			Full year 2021			Full year 2020
	Reported	Adjustments	Restated	Reported	Adjustments	Restated	Reported	Adjustments	Restated	Restated
Revenue	5,147,231	(4,396,824)	750,406	18,740,983	(16,339,370)	2,401,613	26,438,331	(22,904,501)	3,533,831	2,688,349
Cost of sales	(4,505,460)	4,396,824	(108,635)	(16,652,654)	16,339,370	(313,283)	(23,398,584)	22,904,501	(494,083)	(343,564)
Gross profit	641,771	-	641,771	2,088,330	-	2,088,330	3,039,747	-	3,039,747	2,344,785
EBITDA	60,404		60,404	401,350		401,350	590,973		590,973	381,414
Adjusted EBITDA	81,363		81,363	430,238		430,238	654,899		654,899	412,902
Operating profit/EBIT	19,055		19,055	284,145		284,145	416,431		416,431	241,112
Net income before tax	(127,738)		(127,738)	85,338		85,338	303,101		303,101	193,654
Net income	(140,032)		(140,032)	39,949		39,949	253,947		253,947	126,831

Segment Information September 30, 2021 – RESTATED

(NOK thousands)	Q3 2021						Year to date Q3 2021					
	Software & Cloud			Services			Software & Cloud			Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	1,021,261	452,840	30,358	271,159	888	1,776,506	4,709,729	1,301,230	100,721	829,587	1,692	6,942,959
Europe	1,098,348	334,609	35,005	23,361	727	1,492,050	3,882,484	931,064	102,330	68,586	1,497	4,985,961
APAC & MEA	842,624	393,402	15,506	41,668	789	1,293,990	3,056,259	1,097,724	47,355	100,272	1,950	4,303,559
US	230,820	373,171	69,255	13,443	244	686,934	1,506,589	1,024,116	192,829	45,382	642	2,769,558
HQ	-	-	-	162	16,379	16,541	-	-	-	848	47,439	48,287
Eliminations	-	-	-	-	(118,791)	(118,791)	-	-	-	-	(309,340)	(309,340)
Revenue Reported	3,193,053	1,554,023	150,124	349,793	(99,764)	5,147,230	13,155,061	4,354,135	443,234	1,044,674	(256,120)	18,740,984
Adjustment	(2,983,956)	(1,459,584)	-	-	46,716	(4,396,824)	(12,370,700)	(4,086,055)	-	-	117,385	(16,339,371)
Revenue Restated	209,097	94,439	150,124	349,793	(53,048)	750,406	784,361	268,079	443,234	1,044,674	(138,735)	2,401,613
Gross profit												
Nordics	83,293	38,270	26,424	170,867	1,188	320,041	346,292	112,433	87,103	529,934	1,794	1,077,556
Europe	66,858	23,836	29,676	21,058	737	142,164	223,501	69,313	84,499	61,351	1,929	440,593
APAC & MEA	27,511	24,315	10,494	15,427	1,670	79,418	136,416	65,273	28,568	47,643	3,661	281,559
US	31,435	7,902	63,088	6,324	244	108,993	78,153	20,945	172,472	31,635	642	303,846
HQ	-	116	-	14	16,525	16,655	-	116	-	(79)	48,141	48,178
Eliminations	-	-	-	-	(25,499)	(25,499)	-	-	-	-	(63,403)	(63,403)
Gross Profit Reported	209,097	94,439	129,682	213,689	(5,135)	641,771	784,361	268,079	372,642	670,484	(7,237)	2,088,330
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit Restated	209,097	94,439	129,682	213,689	(5,135)	641,771	784,361	268,079	372,642	670,484	(7,237)	2,088,330

Note 4 – Depreciation and amortization

Depreciation and amortization consist of the following:

(NOK thousands)	Year to date		Year to date		Full year
	Q3 2022	Q3 2021	Q3 2022	Q3 2021	2021
Depreciation	23,500	16,696	73,417	48,402	68,923
Amortisation of intangibles	49,067	24,653	141,996	68,802	105,620
Total	72,567	41,349	215,412	117,204	174,543

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:

(NOK thousands)	Year to date		Year to date		Full year
	Q3 2022	Q3 2021	Q3 2022	Q3 2021	2021
Interest income	12,029	2,589	26,944	6,602	13,948
Other financial income	1,100,252	360,332	1,992,481	762,175	1,238,779
Other financial expenses	(1,215,435)	(484,349)	(2,238,514)	(922,417)	(1,281,818)
Other total financial income / (expense)	(103,154)	(121,428)	(219,089)	(153,640)	(29,090)

Note 6 – Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in 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 reporting segment are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin & Shared services. Further information is found in Note 2 in the Annual report for 2021.

- **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 independent software vendors (ISV) 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 operations in the different geographical areas. Crayon operates with five geographical areas: Nordics, Europe, APAC & MEA and US in addition to HQ & Eliminations. 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. Operating revenue from the operating segments Software & Cloud Direct and Software & Cloud Channel are recognized at a point in time for software licenses and over time for cloud licenses.

(NOK thousands)	Year to date		Year to date	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Adj EBITDA - Operating Segment				
- Software & Cloud Direct	148,280	65,171	558,584	367,862
- Software & Cloud Channel	124,453	52,684	348,634	154,756
Total Adj EBITDA - Software & Cloud	272,733	117,855	907,218	522,618
- Software & Cloud Economics	18,171	18,816	54,425	49,718
- Consulting	34,213	31,461	132,395	115,367
Total Adj EBITDA - Services	52,384	50,277	186,820	165,084
Admin & shared services	(197,672)	(86,771)	(491,046)	(257,464)
Total Adjusted EBITDA	127,445	81,363	602,992	430,238

(NOK thousands)	Year to date		Year to date	
	Q3 2022	Q3 2021	Q3 2022	Q3 2021
Adj EBITDA per Market Cluster				
- Nordics	105,746	102,899	425,387	382,229
- Europe	1,892	2,922	71,261	57,633
- APAC & MEA	65,735	(5,220)	208,970	58,349
- US	(16,561)	9,640	16,095	25,629
- HQ	(29,367)	(28,878)	(118,722)	(93,602)
Total Adjusted EBITDA	127,445	81,363	602,992	430,238

Segment information Sept 30, 2022

(NOK thousands)	Q3 2022						Year to date Q3 2022					
	Software & Cloud			Services			Software & Cloud			Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	107,197	46,089	35,258	285,608	1,023	475,175	404,448	139,001	116,076	952,149	14,800	1,626,473
Europe	97,772	33,065	50,710	67,972	1,385	250,904	293,713	89,881	127,365	187,241	3,048	701,248
APAC & MEA	81,955	132,859	19,114	132,115	5,195	371,238	221,773	389,770	60,749	368,246	10,188	1,050,725
US	38,310	10,562	68,579	13,402	(755)	130,098	112,830	31,644	203,612	41,134	(537)	388,682
HQ	-	-	-	(115)	25,954	25,839	-	(53)	-	313	76,302	76,562
Eliminations	-	-	-	-	(72,353)	(72,353)	-	-	-	-	(322,475)	(322,475)
Revenue	325,235	222,575	173,660	498,982	(39,550)	1,180,902	1,032,764	650,243	507,801	1,549,083	(218,675)	3,521,215
Gross profit												
Nordics	107,197	46,089	32,080	187,333	1,000	373,699	404,448	139,001	98,174	621,947	5,138	1,268,709
Europe	97,772	33,065	40,973	29,250	1,721	202,781	293,713	89,881	105,556	89,428	3,229	581,808
APAC & MEA	81,955	132,859	12,302	69,493	5,459	302,068	221,773	389,770	36,959	186,854	10,320	845,675
US	38,310	10,562	69,571	8,127	101	126,673	112,830	31,644	199,784	27,625	245	372,128
HQ	-	-	-	(216)	25,889	25,673	-	(53)	-	(25)	76,299	76,221
Eliminations	-	-	-	-	(38,345)	(38,345)	-	-	-	-	(93,631)	(93,631)
Gross profit	325,235	222,575	154,926	293,986	(4,174)	992,549	1,032,764	650,243	440,473	925,829	1,600	3,050,909
Operating expenses	(176,956)	(98,122)	(136,755)	(259,773)	(198,769)	(870,375)	(474,180)	(301,608)	(386,048)	(793,434)	(507,156)	(2,462,427)
EBITDA	148,280	124,453	18,171	34,213	(202,943)	122,174	558,584	348,634	54,425	132,395	(505,556)	588,482
Depreciation and Amortization						(72,567)						(215,412)
Share of results from associates						6,896						6,204
Net financial income and expenses						(156,004)						(355,160)
Net Income before tax						(99,502)						24,113
Adjustments					5,271	5,271				14,510		14,510
Adjusted EBITDA	148,280	124,453	18,171	34,213	(197,672)	127,445	558,584	348,634	54,425	132,395	(491,046)	602,992

Segment information Sept 30, 2021

(NOK thousands)	Q3 2021						Year to date Q3 2021					
	Software & Cloud			Services			Software & Cloud			Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	83,293	38,270	30,358	271,159	888	423,968	346,292	112,433	100,721	829,587	1,692	1,390,725
Europe	66,858	23,836	35,005	23,361	727	149,787	223,501	69,313	102,330	68,586	1,899	465,628
APAC & MEA	27,511	24,315	15,506	41,668	789	109,790	136,416	65,273	47,355	100,272	1,950	351,264
US	31,435	7,902	69,255	13,443	244	122,280	78,153	20,945	192,829	45,382	642	337,950
HQ	-	116	-	162	16,379	16,657	-	116	-	848	47,439	48,403
Eliminations	-	-	-	-	(72,075)	(72,075)	-	-	-	-	(192,356)	(192,356)
Revenue	209,097	94,439	150,124	349,793	(53,048)	750,406	784,361	268,079	443,234	1,044,674	(138,735)	2,401,613
Gross profit												
Nordics	83,293	38,270	26,424	170,867	1,188	320,041	346,292	112,433	87,103	529,934	1,794	1,077,556
Europe	66,858	23,836	29,676	21,058	737	142,164	223,501	69,313	84,499	61,351	1,929	440,593
APAC & MEA	27,511	24,315	10,494	15,427	1,670	79,418	136,416	65,273	28,568	47,643	3,661	281,559
US	31,435	7,902	63,088	6,324	244	108,993	78,153	20,945	172,472	31,635	642	303,846
HQ	-	116	-	14	16,525	16,655	-	116	-	(79)	48,141	48,178
Eliminations	-	-	-	-	(25,499)	(25,499)	-	-	-	-	(63,403)	(63,403)
Gross profit	209,097	94,439	129,682	213,689	(5,135)	641,771	784,361	268,079	372,642	670,484	(7,237)	2,088,330
Operating expenses	(143,426)	(41,754)	(110,865)	(182,228)	(102,594)	(581,367)	(416,499)	(113,323)	(322,924)	(555,118)	(279,116)	(1,686,980)
EBITDA	65,671	52,685	18,817	31,461	(107,729)	60,404	367,862	154,756	49,718	115,366	(286,353)	401,350
Depreciation and Amortization						(41,349)						(117,204)
Share of results from associates						-						-
Net financial income and expenses						(146,792)						(198,807)
Net Income before tax						(127,737)						85,338
Adjustments					20,959	20,959				28,889		28,889
Adjusted EBITDA	65,671	52,685	18,817	31,461	(86,770)	81,363	367,862	154,756	49,718	115,366	(257,464)	430,238

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). A share grant program has been implemented for general managers in 2021 and 2022 (General manager share grant program). The management share option program and share grant program include both employment and performance vesting conditions. July 2022, CTO was awarded 100,000 options with strike price NOK 125.20 (CTO options 2022). The options will vest in three tranches, with 1/3 vesting annually. Vesting of the options are subject to employment 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.

Q2 2022, 250 000 options from the IPO Share incentive scheme and 92 332 options from Management share option program were exercised.

Employee share purchase program (ESPP)

In the employee share purchase program, 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). Latest offer was given in Q2 2022 (ESPP 2022). 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. In Q2 2022, 913 employees participated in the ESPP 2022 and a total of 542 498 shares were subscribed for. Board of directors and executive management subscribed for approximately 17 000 and 7 000 shares, 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. Bonus shares related to ESPP 2019-program vested in Q4 2021.

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	CTO options 2022	General manager share grant program 2021	General manager share grant program 2022	ESPP 2019	ESPP 2020	ESPP 2022
Number of share options allotted	1.92 m options	1.70 m options	0.1 m options	-	-	-	-	-
Exercise price	NOK 15.50	NOK 53.60	NOK 125.20	-	-	-	-	-
Term of the option	5 years	5 years	5 years	-	-	-	-	-
Share price at grant date	NOK 15.50	NOK 53.60	NOK 125.20	NOK 118.40	NOK 166.40	NOK 52.00	NOK 112.40	NOK 126.70
Numbers of shares allotted	-	-	-	69 k shares	86 k shares (estimate)	1.23 m shares	0.5 m shares	0.5 m shares
Subscription price	-	-	-	-	-	NOK 30.00	NOK 85.90	NOK 117.70
Lock-up period	-	-	-	0 - 2 years	0 - 2 years	2 years	2 years	2 years

Cost related to share-based compensation, as displayed in the table below, includes employee social security tax. Negative amounts are related to reversal of accrued employee social security tax as a consequence of reduction in share price during the quarter.

(NOK thousands)	Q3 2022	Q3 2021	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Share incentive scheme (IPO)	(566)	2,455	(3,415)	3,119	4,488
Employee share purchase program 2019-2022	3,515	5,783	7,453	14,329	12,320
Management share options program 2020-2022	(1,550)	12,533	660	22,430	38,194
Share based compensation	1,399	20,771	4,698	39,878	55,002

Note 8 – Intangible assets

(NOK thousands)	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Acquisition cost 01.01	8,760	386,130	986,201	208,585	1,589,675
Additions	-	54,183	-	-	54,183
FX translation	73	13,651	51,302	9,343	74,369
Acquisition cost at the end of the period	8,833	453,964	1,037,503	217,927	1,718,228
Amortisation and impairment 01.01	6,820	287,965	387,370	109,098	791,252
Amortisation	205	57,371	61,260	23,159	141,996
Impairment	-	-	-	-	-
Accumulated amortisation and impairment	7,025	345,336	448,629	132,257	933,247
Net value at the end of the period	1,808	108,628	588,873	85,670	784,980
Amortisation period	3-7 years	3-10 years	5-20 years	3-10 years	
Amortisation method	Linear	Linear	Linear	Linear	

The company recognizes intangible assets if it is likely that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets with a limited useful life are measured at cost less accumulated amortization and impairments. Amortization is recognized on a straight-line basis over the estimated useful life. Amortization period is reviewed annually. See Note 9 for additional information of impairment assessment on December 31, 2021.

Amortization of intangible assets identified as part of purchase price allocation from acquisitions amount to NOK 78m year to date.

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

Software licenses (IP):

Intangible assets from historical acquisitions.

Development cost:

Crayon capitalizes expenses related to development activities according to IAS 38. Expenses capitalized include material cost, direct wage costs and a share of directly attributable overhead costs. Capitalized development costs are depreciated on a straight-line basis over the estimated useful life.

Contracts:

The intangible asset value related to contractual customers are mainly from the acquisitions of Sensa and rhipe. These assets are amortized on a straight-line basis over the estimated useful lifetime.

Technology and software:

Technology and software include intangible assets arising from the business combinations of Anglepoint, FAST and rhipe. FAST comprise a set of technology and software, primarily used in subscription services to customers who need both Software & Cloud Economics (previous SAM) and IT compliance services. Anglepoint contain capitalized software and technology

developed internally by Anglepoint. Intangible assets from the rhipe acquisition are related to an internally developed subscription management platform used in the licensing business, and an enterprise grade File Encryption SaaS acquired in August 2019.

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 (including intangible 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 is presented below:

(NOK thousands)	Goodwill
Aquisition cost at 01.01	3,094,624
Additions	5,744
Currency translation	233,414
Aquisition cost at the end of the period	3,333,781
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	3,224,264

During Q3 2022 the operations in Finland completed a transaction at an estimated net settlement of NOK 12m, financed by cash and earn-out payments. The acquisition resulted in an estimated goodwill of NOK 5.7m. The purchase price allocation is not final.

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), normally per business area, being the lowest levels of cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 management assumptions relating to WACC and CAGR. As a general principle, the Group pre-tax WACC is used for most CGUs in the model. 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 was 9.11% (2020: 8.82%).

Crayon assesses indication of impairment at each reporting period. On September 30, 2022, no impairment indication has been identified.

For more information on sensitivity analysis see Note 9 in the 2021 consolidated financial statements.

Note 10 – Interest-bearing debt

Interest-bearing debt is recognized at amortized cost.

In November 2019, the company issued a NOK 300m senior unsecured bond, with a NOK 600m borrowing limit. The bond has a floating coupon rate of 3 months NIBOR + 350 bps p.a. Maturity date is November 21, 2022. The bond is listed on the Oslo Stock Exchange (CRAYON 03).

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 + 375 bps. This was settled July 15. The bond is listed on the Oslo Stock Exchange (CRAYON 04).

The group have revolving credit facility (RCF) of NOK 1,000m, of which NOK 400m was utilized on September 30, 2022. The facilities mature on April 15, 2025. The outstanding liability is presented net of cash.

Transaction costs of NOK 29m related to the NOK 1,800m bond and the RCF are carried at amortized cost.

Net interest-bearing debt means senior debt to credit institutions and other interest-bearing debt including leasing less freely available cash.

(NOK thousands)	Q3 2022	Q3 2021	Full year 2021
Interest-bearing liabilities	1,776,194	300,000	1,771,052
Lease liabilities	343,040	96,151	87,164
Current lease liabilities	59,914	31,326	39,064
Other current interest-bearing liabilities	447,608	1,889,950	413,311
Short term deposits	-	(1,782,000)	-
Cash & cash equivalents	(604,719)	(796,286)	(1,216,618)
Restricted cash	51,151	63,624	72,261
Net interest bearing debt	2,073,189	(197,235)	1,166,233

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 2021 annual report, Note 19.

On April 26, 2022, Crayon announced its decision to cease operations in Russia due to the war in Ukraine. The company will support its customers and employees with the transition. The decision is not expected to have material impact on Crayon's global operations or overall outlook and growth prospects. On September 30, 2022, the remaining net investment including internal loans, were reclassified to assets held for sale, refer to Note 15 for further information. Operations in Ukraine are progressing as planned with limited financial risk for the group.

Market risk

Cash flow interest risk

The Group's interest rate risk arises from non-current borrowings at floating rate (cash flow interest rate risk). The Group is mainly sensitive for changes in NIBOR having impact on the 1,800m and 300m bonds and the revolving credit facilities net of cash. The interest position is not hedged. See note 10 for further information.

Foreign exchange risk

Crayon has revenues and operating costs in various currencies. The prices of sale of licenses and services are to a large extent determined in international markets, primarily denominated in US Dollar (USD), Euro (EUR) and Australian Dollar (AUD) in addition to Norwegian kroner (NOK). This foreign currency risk is only partly offset by purchases denominated in the same currencies. By having operational units in different functional currencies, the Group is exposed to currency translation risks related to subsidiaries Crayon aims to establish natural hedging positions if this is possible and economically viable. Financial derivatives can be used to hedge the remaining net currency risk exposures. Larger transactions involving currency exposure are hedged by means of currency forwards.

Liquidity risk

The cash flow from operating activities is impacted by a number of factors including changes in working capital, and this is managed primarily at operational level by the individual companies. Local regulations, taxes and other can limit availability to local cash. The Group Treasury Department plan, follow up and monitor the global liquidity flows and availability. The Group has significant liquidity reserves available both through bank deposits multicurrency cash-pool and credit facilities and the liquidity risk is therefore deemed to be low.

Credit risk

The Group is exposed to credit risk from its operational activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group have deposits with sound financial institutions.

The Group continues to intensify collection efforts over accounts receivables as a precaution against risk brought about by increased operations in new markets outside the core Nordic region.

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

Allowance for doubtful accounts in the balance sheet

(NOK thousands)	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Opening balance 01.01	85,622	52,492	52,492
Currency translation	9,420	1,058	16,386
Net reversal/ allowance	19,372	20,194	16,744
Closing balance	114,414	73,744	85,622

Profit or loss effect of bad debt

(NOK thousands)	Q3 2022	Q3 2021	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Realized losses	1,908	2,426	20,264	5,147	10,042
Allowance for doubtful accounts	17,357	10,298	19,372	20,194	16,744
Net accounting losses on receivables	19,265	12,724	39,636	25,341	26,786

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

<u>(NOK thousands)</u>	<u>Right-of-use assets</u>
Acquisition cost at 01.01	237,932
Additions from business combinations	-
Additions	301,078
Disposals	(75)
Currency translation	20,835
Acquisition cost at the end of the period	559,771
Depreciation at 01.01	126,386
Depreciation from business combinations	-
Depreciation during the period	42,957
Disposals	(75)
Accumulated depreciation at the end of the period	169,268
Net book value at the end of the period	390,503
Depreciation period	1-10 years
Depreciation method	Linear

Future cash outflows related to lease agreements not reflected in the measurements of lease liabilities amount to NOK 9.4m. Cash outflows are related to signed lease agreements where the leases are not yet commenced and relates to a period of 3 to 5 years starting during 2022.

The significant addition in right-of-use assets is mainly explained by the new headquarters in Nydalen (Oslo) and a new office in Sydney.

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 June 30, Oracle fiscal year ends May 31) and the number of working days in a quarter resulting in shorter production periods for consultants.

Note 14 – 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

Crayon has entered currency forward derivatives to hedge currency fluctuations of future firm commitments. The currency forwards are designated as hedging instruments in cash flow hedges. Hence changes in fair value are recognized under other comprehensive income (OCI). Total unrealized gains recognized in Q3 2022 under OCI amounts to NOK 0.4m. There is no ineffectiveness to be recognized. There are not active designated fair value hedges as of Q3 2022.

Note 15 – Assets held for sale

Upon the decision made by the Board of Directors in April to cease operations in Russia and following a process to dispose off the subsidiary, the net assets were reclassified to assets held for sale. Assets held for sale is recognized at expected fair value of internal loans and shares in the subsidiary and is classified as part of other receivables. The net book value of NOK 32.5m is expected to be recovered.

Note 16 – Events after the balance sheet date

No significant events to report after the balance sheet date.

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). Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. The Group believes that APMs such as adjusted EBITDA are commonly reported by companies in the markets in which Crayon compete and are widely used by investors in comparing performance on a consistent basis without regard to factors such as other share-based payments and other income and expenses, which can vary significantly from period to period, especially due to M&A transactions and reorganizations. Crayon discloses the APMs to permit a more complete and comprehensive analysis of its underlying operating performance relative to other companies and across periods. Because companies may calculate gross profit, adjusted EBITDA, other income and expenses, net working capital and liquidity reserve differently, the Company's presentation of these APMs may not be comparable to similar titled measures used by other companies.

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, impairment and amortization
- **Adjusted EBITDA:** EBITDA excluding share-based compensation and other income and expenses.
- **Adjusted EBITDA margin:** Adjusted EBITDA / Gross profit
- **EBIT:** Earnings before interest expense, other financial items, and income taxes
- **LTM:** Last twelve months

(NOK thousands)	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
EBITDA	588,482	401,350	590,973
<i>Adjustments:</i>			
Share based compensation	4,698	39,878	55,002
Other income and expenses	9,813	(10,990)	8,923
Adjusted EBITDA	602,992	430,238	654,899

Other income and expenses: Specifications of items defined as adjustments. Other personnel costs are mainly related to redundancy costs in rhipe for Q1 2022, as well as payout to former CEO in Crayon Group for prior periods. See table below.

(NOK thousands)	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Business development expenses and legal structuring	(4,156)	212	(20,148)
Forgivable loan (US)	-	13,516	13,963
Other personell costs	(5,657)	(2,738)	(2,738)
Other income and (expenses)	(9,813)	10,990	(8,923)

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.

(NOK thousands)	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Inventory	4,110	5,485	2,869
Accounts receivable	5,406,573	3,267,435	4,492,969
Other current receivables	1,879,694	604,383	1,421,421
Income taxes payable	(65,300)	(64,360)	(58,171)
Accounts payable	(5,186,992)	(3,106,045)	(4,813,772)
Public duties	(546,116)	(330,073)	(458,898)
Other current liabilities	(1,466,769)	(832,704)	(1,299,019)
Net working capital	25,199	(455,878)	(712,601)

Leverage ratio: Net interest-bearing debt (Note 10), divided by LTM adjusted EBITDA

Free available cash: Cash and cash equivalents less restricted cash.

Liquidity reserve: Free available cash and available credit facilities in each company where Crayon operates. The liquidity reserve does not consider any restrictions on cross border cash transfers.

Restricted cash: The amount consists of employee taxes withheld and cash as collateral for bank guarantees.

(NOK thousands)	Year to date Q3 2022	Year to date Q3 2021	Full year 2021
Cash & cash equivalents	604,719	796,286	1,216,618
Restricted cash	(51,151)	(63,624)	(72,261)
Free available cash	553,568	732,662	1,144,357
Available credit facility	886,939	209,876	847,786
Liquidity reserve	1,440,507	942,538	1,992,143

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