Q1 2023 Financial Report

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Highlights

- Entering the year with strong growth and improved profitability.
- Market demand remains resilient.
- Gross profit increased 31% to NOK 1,258m mainly driven by Nordics and Europe delivering 26% and 53% respectively.
- Software and Cloud Direct continues its strong performance with 50% gross profit growth.
- Adj. EBITDA grew by 50% to NOK 185m corresponding to a margin of 14.7%.
- Channel business continue to scale, and margin ended at 59%, up from 50% in Q1 2022.
- Cashflow from operations was NOK 69m, driven by positive net working capital changes.

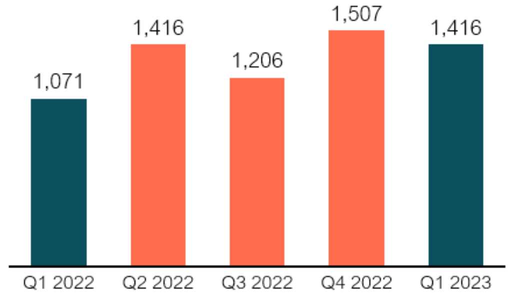
Key figures

(NOK millions)	Q1 2023 Unaudited	Q1 2022 Restated Unaudited	Full year 2022 Audited
Revenue	1,416	1,071	5,200
Gross profit	1,258	960	4,496
EBITDA	184	116	751
Adjusted EBITDA	185	123	839
Operating profit/EBIT	102	47	417
Net income	-91	57	23
Cash flow from operations	69	-328	102
Adjusted EBITDA margin (%)	14.7%	12.8%	18.7%
Earnings per share (NOK)	-1.01	0.66	0.29

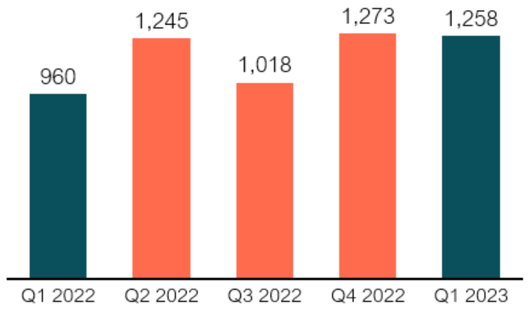
	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Net interest-bearing debt	1,808	1,568	1,805
Liquidity reserve	1,917	1,086	1,487
Leverage ratio (multiple)	2.0	2.4	2.2
Net working capital	-218	181	-121
Full-time equivalents (FTE)	3,718	3,135	3,447

Figures for Q1 and March 31, 2022, are restated and reported according to revised accounting policy regarding agent versus principal assessment for software resellers. See note 3 for further information. See last section for details on Alternative Performance Measures.

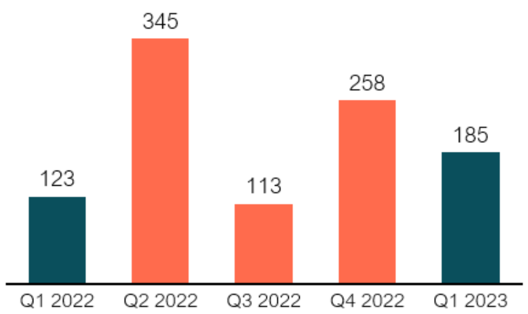
Revenue
NOK million



Gross Profit
NOK million



Adjusted EBITDA
NOK million



Crayon

Business review

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

Demand remained strong in Q1, 2023 and gross profit grew with 31% while Adj. EBITDA increased with NOK 62m, corresponding to a margin of 14.7%, up from 12.8% in the same quarter previous year.

Gross Profit growth was particularly strong in the Nordics and Europe with 26% and 53% respectively, mainly driven by Software and Cloud Direct.

Efforts to expand service business in Europe are showing results and Software and Cloud Economic grew 72% while the Consulting business grew 42%.

Gross profit from international markets now represents 56% of the group, and 49% of Adj. EBITDA for the last twelve months.

Adj. EBITDA margin improved from 12.8% to 14.7% driven by increased scale and operating leverage. The decline in Adj. EBITDA margin for the market clusters relates to a larger share of HQ cost being allocated.

Market Clusters

All market clusters continued strong growth with Nordics and Europe being the main drivers growing 26% and 53% respectively. Both regions saw strong growth in Software & Cloud Direct while in Europe the service business is gaining traction, growing 57% in total.

The Nordics remains Crayon's largest market cluster and continues to deliver strong growth across all countries. Software & Cloud Direct grew 40% with strong contribution from Sweden, Denmark and Finland, all growing their Direct business over 50%. Adj. EBITDA in the Nordics increased NOK 28m reflecting a margin of 33%, a slight decline compared to the same quarter previous year. The decline is mainly due to a larger share of HQ cost being allocated to market clusters.

Investments to support growth in the US are showing results. Gross Profit increased 25% to NOK 144m. YoY, driven by solid growth of 25% in Software & Cloud Direct. Consulting business was particularly strong with a Gross Profit growth of 47%. EBITDA ended at NOK -9m. The negative margin is a result of ongoing investments to strengthen the organization and support future growth.

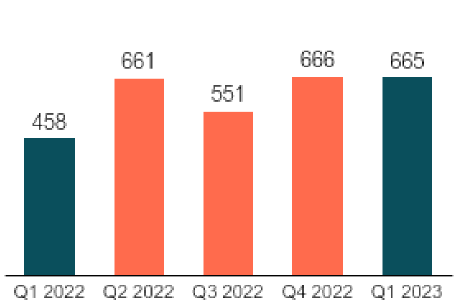
Business Areas

All business areas developed positively in the quarter, with Software & Cloud and Services Gross Profit growing 45% and 27% respectively.

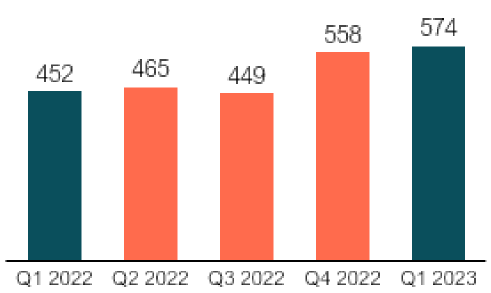
Gross profit in Software & Cloud Direct grew 54% to NOK 402m (NOK 262m). Software & Cloud Channel also delivered solid gross profit growth of 34% YoY. Profitability remains strong for the Software & Cloud division with an Adj. EBITDA of NOK 342 (NOK 210m), corresponding to a margin of 51.4% (45.8%).

Gross profit in the Services division grew by 27% to NOK 574m. Adj. EBITDA came in at NOK 42m with a positive margin of 7.3%, which is a reduction from 12.6% in Q1 2022. The reduction in margins is driven by continued investments in new service capabilities and ramp-up time of new resources in particular in Europe and US.

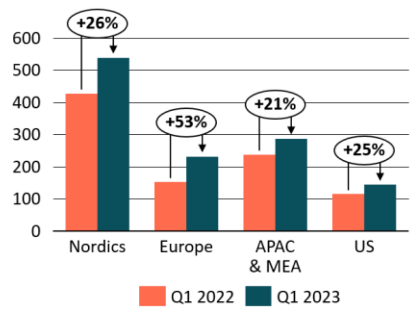
Software & Cloud Gross Profit
NOK million



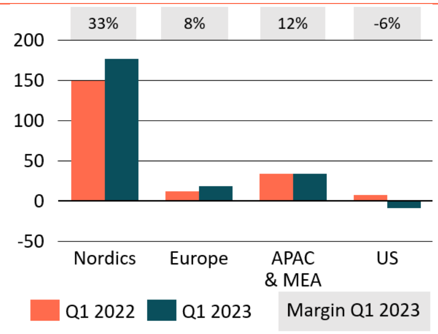
Services Gross Profit
NOK million



Gross Profit by Market Cluster
NOK million



Adj. EBITDA by Market Cluster
NOK million



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Financial review

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

In 2022 Crayon changed its interpretation regarding principal versus agent assessment under IFRS 15 for Software Resellers. Comparable numbers for Q1, 2022 have been restated according to this change, and all comments are based on restated numbers. See Note 3 for more details on the change in accounting policy.

Revenue and gross profit

Revenue in Q1 2023 increased by 32% YoY to NOK 1,416m, with a gross profit of NOK 1,258m, up from NOK 960m in Q1 2022. The gross profit growth is distributed across all market clusters. The constant currency growth was 23%.

Adjusted EBITDA

Adjusted EBITDA increased 50% (43% in constant currency) to NOK 185m from the same quarter last year. The increase derives from an increase in gross profit of 31%. Payroll and other operating expenses increased with 28%.

Adjustments only included share-based compensations of NOK 1m for the quarter.

Net income

Depreciation, amortization and impairment increased by NOK 13m and 19% YoY. The main reason for increase is depreciations related to the new office building in Oslo and increased investments and depreciations related to development costs.

Interest expenses increased YoY by NOK 20m in Q1 to NOK 59m due to increase in both rates and net interest-bearing debt including new leases.

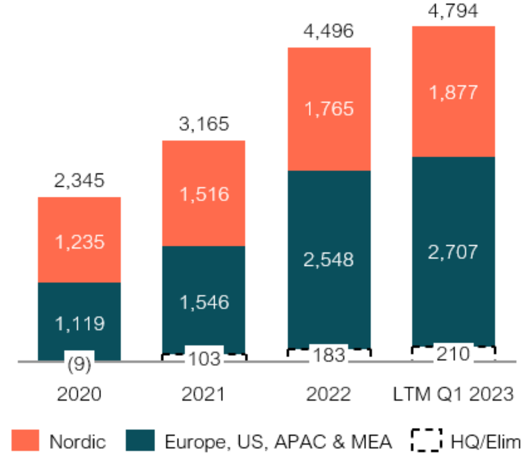
Net other financial items contributed negatively to the quarter with NOK 152m compared to a positive effect of NOK 71m the same quarter last year. The expense is largely due to currency effects of NOK weakening significantly towards significant group currencies such as EUR, USD, DKK and SEK. Having a significant number of transactions and settlements in foreign currencies, several companies in the group and in particular Norway, are sensitive to currency changes on monetary assets such as accounts receivables, accounts payables, loans and cash, including group internal balances. Correspondingly we had other comprehensive income of NOK 197m related to positive effect of currency translation of subsidiaries to NOK, of which effect of translating cash in subsidiaries to NOK contributed with NOK 87m.

Net income amounted to NOK -91m compared to NOK +57m last year, significantly impacted by other financial items. Due to the positive currency translation difference of NOK 197m, total comprehensive income ended at NOK +106m.

Earnings per share amounted to NOK -1,01 for Q1 compared to NOK +0,66 last year.

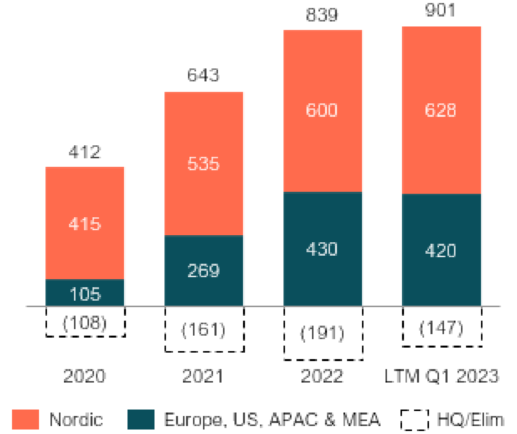
Gross Profit by Market Cluster

NOK million



Adj. EBITDA by Market Cluster

NOK million



For illustration purposes. 2020 is based on historical numbers while 2021 and 2022 are in accordance with new accounting policy.

Balance sheet

Total intangible assets increased with NOK 194m to NOK 4,185m, mainly due to currency adjustments.

Total receivables increased with 38% to NOK 9,176m compared to Q1, 2022. The increase is connected to increased revenue and currency adjustments. Additionally, the net working capital is negatively impacted by a significant delayed public sector payment in the Philippines amounting to approximately USD 45m. The Group has obtained a legal opinion supporting the claim, and no loss provisions have been made. Total bad debt provisions amount to NOK 122m at the end of the quarter, slightly increased from year end due to currency adjustments. Crayon has non-recourse factoring agreements, which have been implemented for a set of customers in Norway and in Denmark. As of March 31, 2023, factoring reduced accounts receivable by NOK 250m (NOK 162m).

Total interest-bearing liability decreased from last quarter with NOK 120m to NOK 3,163, mainly due to repayment of long-term revolving credit facilities. Total cash reduced by NOK 117m to 1,413m at the end of the quarter, leaving net interest-bearing debt at NOK 1,808m, about the same level as end of last quarter.

Equity increased to NOK 2,630m during the quarter driven by other comprehensive income gain on currency translation of NOK 197m and the total comprehensive income of NOK 106m. The equity ratio remained at 17%.

Cash flow

Cash flow from operations in Q1 2023 was NOK 69m, a significant increase form NOK -328m last year. In addition to improved EBITDA this relates to improved net trade working capital of NOK 661m, reduced by negative development in other working capital of NOK 564m mainly related to increase in unbilled revenues and public duties receivable. The increase in public duty receivables regard to refundable VAT in Norway connected to record high software vendor billing in the quarter. Unbilled revenue increased 16% from last quarter, same as the increase in gross sales.

Cash paid for investing activities amounted to NOK 34m (NOK 24m).

Cash flow for financing activities amounted to NOK -238m (NOK -83m). Included is repayment of revolving credit facilities amounting to NOK 150m.

The liquidity position remained strong, with a total liquidity reserve of NOK 1,917m on March 31, 2023.

Leverage

Net interest-bearing debt as of March 31, 2023, was NOK 1,808m, with a corresponding leverage ratio of 2.0x Adj. EBITDA[1)], providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA[1]) 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 equivalents on March 31, 2023, increased by 19% to 3,718 compared to 3,135 on March 31, 2022, and by 8% compared to 3,447 on December 31, 2022.

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 millions)	Note	Q1 2023 Unaudited	Q1 2022 Restated Unaudited	Full year 2022 Audited
Revenue	3,6	1,416	1,071	5,200
Cost of sales		-159	-111	-704
Gross profit		**1,258**	**960**	**4,496**
Payroll and related expenses		-916	-717	-3,077
Other operating expenses		-157	-120	-580
Share based compensation		-1	-5	-13
Other income and expenses		0	-2	-74
EBITDA		**184**	**116**	**751**
Adjustments		1	7	88
Adjusted EBITDA		**185**	**123**	**839**
Depreciation, amortization and impairment	4	-81	-69	-334
Operating profit/EBIT		**102**	**47**	**417**
Share of profit (loss) from associated companies		-1	-1	7
Interest expense		-59	-39	-194
Other financial expense, net	5	-152	71	-164
Net income before tax		**-110**	**79**	**65**
Income tax expense on ordinary result		19	-23	-42
Net income		**-91**	**57**	**23**
Comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation		197	-26	134
Comprehensive income net of tax		**106**	**31**	**157**
Allocation of net income				
Non-controlling interests		0	1	2
Owners of Crayon Group Holding ASA		-91	55	21
Net income allocated		**-91**	**57**	**23**
Earnings per share (NOK)		-1.01	0.66	0.29
Allocation of comprehensive income				
Non-controlling interests		2	-1	7
Owners of Crayon Group Holding ASA		104	32	150
Comprehensive income allocated		**106**	**31**	**157**

Condensed Consolidated Balance Sheet Statement

(NOK millions) ASSETS	Note	Mar 31, 2023 Unaudited	Mar 31, 2022 Restated Unaudited	Dec 31, 2022 Audited
Non-current assets:				
Development Costs	8	124	92	120
Technology and software	8	31	97	37
Contracts	8	554	581	541
Software licenses (IP)	8	2	2	2
Goodwill	9	3,279	3,004	3,147
Deferred tax asset		197	70	145
Total intangible assets		4,185	3,846	3,991
Equipment		99	62	90
Right-of-use assets	12	452	106	451
Total tangible assets		552	168	542
Investment in associated companies		42	36	43
Other non-current receivables		61	37	71
Total financial assets		104	73	114
Total non-current assets		4,841	4,087	4,646
Current assets:				
Inventory		19	2	17
Total inventory		19	2	17
Accounts receivable	11	6,617	4,866	6,563
Other current receivables	13	2,559	1,760	2,077
Total receivables		9,176	6,626	8,640
Cash & cash equivalents	10	1,413	785	1,530
Total current assets		10,608	7,413	10,187
Total assets		15,449	11,500	14,833

(NOK millions) LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Mar 31, 2023 Unaudited	Mar 31, 2022 Restated Unaudited	Dec 31, 2022 Audited
Shareholders' equity:				
Share capital		89	88	89
Own shares		-0	-0	-0
Share premium		1,818	1,734	1,818
Total paid-in equity		1,907	1,822	1,907
Retained earnings		700	501	604
Total equity attributable to parent company shareholders		2,607	2,324	2,511
Non-controlling interests		24	26	30
Total shareholders' equity		2,630	2,350	2,540
Non-current liabilities:				
Interest-bearing liabilities	10	2,529	1,773	2,678
Deferred tax liabilities		203	185	200
Lease liabilities	10	414	80	410
Other non-current liabilities		39	31	33
Total non-current liabilities		3,184	2,069	3,321
Current liabilities:				
Accounts payable		7,281	4,945	6,563
Income taxes payable		100	52	76
Public duties		484	415	613
Current lease liabilities	10	73	37	73
Other current interest-bearing liabilities	10	147	413	122
Other current liabilities		1,549	1,219	1,525
Total current liabilities		9,634	7,081	8,972
Total liabilities		12,818	9,150	12,293
Total equity and liabilities		15,449	11,500	14,833

Condensed Consolidated Statement of Cash Flows

(NOK millions)	Q1 2023 Unaudited	Q1 2022 Restated Unaudited	Full year 2022 Audited
Cash flows from operating activities:			
Net income before tax	-110	79	65
Taxes paid	-26	-38	-118
Depreciation, amortization and impairment	81	69	334
Net interest expense	53	32	164
Changes in trade working capital	661	-241	-333
Changes in other working capital and other adjustments	-591	-228	-11
Net cash flow from operating activities	69	-328	102
Cash flows from investing activities:			
Payment for capitalized assets	-34	-24	-142
Acquisition of subsidiaries - (net of cash acquired) and associated companies	0	0	-57
Divestment - net of cash	0	0	-26
Net cash flow from investing activities	-34	-24	-225
Cash flows from financing activities:			
Net interest paid on interest-bearing liabilities	-50	-30	-174
Share issues	0	0	73
Acquisition/disposal of non-controlling interests	-24	-40	-50
Proceeds from issuance of interest bearing liabilities	0	0	900
Repayment of interest-bearing liabilities	-165	-14	-351
Net cash flow from financing activities	-238	-83	398
Net increase (decrease) in cash and cash equivalents	-203	-435	275
Cash and cash equivalents at beginning of period	1,530	1,217	1,217
Currency translation	87	3	38
Cash and cash equivalents at end of period	1,413	785	1,530

Condensed Consolidated Statement of Changes in Shareholder’s Equity

Year to date period ending

Mar 31, 2022	Attributable to equity holders of Crayon Group Holding ASA						
(NOK millions)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at Dec 31, 2021	88	-0	1,734	299	2,122	36	2,158
Restatement	0	0	0	195	195	0	195
Balance at Dec 31, 2021	88	-0	1,734	494	2,316	36	2,353
Net income	0	0	0	76	76	-1	74
Net income restatement	0	0	0	-18	-18	0	-18
Currency translation	0	0	0	-26	-26	0	-26
Total comprehensive income	0	0	0	32	32	-1	31
Share-based compensation	0	0	0	6	6	0	6
Transactions with non-controlling interests	0	0	0	-30	-30	-9	-40
Transactions with owners	0	0	0	-25	-25	-9	-34
Balance as of end of period	88	-0	1,734	501	2,324	26	2,350

Mar 31, 2023	Attributable to equity holders of Crayon Group Holding ASA						
(NOK millions)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at Dec 31, 2022	89	-0	1,818	604	2,511	30	2,540
Net income	0	0	0	-91	-91	-0	-91
Currency translation	0	0	0	195	195	2	197
Total comprehensive income	0	0	0	104	104	2	106
Share-based compensation	0	0	0	6	6	0	6
Transactions with non-controlling interests	0	0	0	-14	-14	-8	-22
Transactions with owners	0	0	0	-8	-8	-8	-16
Balance as of end of period	89	-0	1,818	700	2,607	24	2,630

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at March 31, 2023, for publication on May 23, 2023. 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 headquarter is 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 3,718 full-time equivalents across 46 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 2022, 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 management 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 2022.

The numbers presented have been changed from NOK thousand in prior quarters to NOK million in Q1, 2023.

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, 2022.

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

In 2022 and as part of the Q4 reporting and the Annual Report for 2022, Crayon reassessed whether the group acts as a principal or an agent for transactions under the software and cloud divisions. The reassessment caused need for restatement of annual numbers for 2021 and for prior quarters in 2022. For further information see Note 2.5 and 2.6 in the Annual Report for 2022.

Comparable numbers for Q1, 2022 has been restated according to IAS 8. The adjusted amounts for comparative periods are presented in the table below.

Effect of Restated Statement of Income and Balance Sheet

(NOK millions)	Q1 2022 Reported	Q1 2022 IFRS 15 Restatement	Q1 2022 Restated
Revenue	1,040	31	1,071
Cost of sales	-111	0	-111
Gross profit	**929**	**31**	**960**
Payroll and related expenses	-665	-52	-717
Other operating expenses	-117	-2	-120
Share based compensation	-5	0	-5
Other income and expenses	-2	0	-2
EBITDA	**139**	**-23**	**116**
Adjustments	7	0	7
Adjusted EBITDA	**146**	**-23**	**123**
Operating profit/EBIT	**70**	**-23**	**47**
Net income before tax	**102**	**-23**	**79**
Income tax expense on ordinary result	-28	5	-23
Net income	**74**	**-18**	**57**

(NOK millions)	Mar 31, 2022 Reported	IFRS 15 Restatement	Mar 31, 2022 Restated
Non-current assets:			
Total non-current assets	**4,087**	**0**	**4,087**
Current assets:			
Total inventory	**2**	**0**	**2**
Accounts receivable	4,866	0	4,866
Other current receivables	1,564	196	1,760
Total receivables	**6,430**	**196**	**6,626**
Cash & cash equivalents	785	0	785
Total current assets	**7,217**	**196**	**7,413**
Total assets	**11,304**	**196**	**11,500**
Shareholders' equity:			
Total paid-in equity	**1,822**	**0**	**1,822**
Retained earnings	324	177	501
Total equity attributable to parent company shareholders	**2,147**	**177**	**2,324**
Non-controlling interests	26	0	26
Total shareholders' equity	**2,173**	**177**	**2,350**
Non-current liabilities:			
Interest-bearing liabilities	1,773	0	1,773
Deferred tax liabilities	135	50	185
Lease liabilities	80	0	80
Other non-current liabilities	31	0	31
Total non-current liabilities	**2,019**	**50**	**2,069**
Current liabilities:			
Accounts payable	4,945	0	4,945
Income taxes payable	52	0	52
Public duties	415	0	415
Current lease liabilities	37	0	37
Other current interest-bearing liabilities	413	0	413
Other current liabilities	1,250	-31	1,219
Total current liabilities	**7,112**	**-31**	**7,081**
Total liabilities	**9,131**	**19**	**9,150**
Total equity and liabilities	**11,304**	**196**	**11,500**

Effect of Restated Segment Information

	Q1 2022					
	Software & Cloud		Services			
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue reported	**280**	**196**	**151**	**500**	**-88**	**1,040**
IFRS 15 - change in principle	-19	0	0	0	50	31
Revenue restated	**262**	**196**	**151**	**500**	**-38**	**1,071**
Gross profit reported	**280**	**196**	**134**	**318**	**0**	**929**
IFRS 15 - change in principle	-19	0	0	0	50	31
Gross profit restated	**262**	**196**	**134**	**318**	**50**	**960**
Operating expenses reported	-149	-99	-123	-272	-147	-790
EBITDA reported	**131**	**97**	**12**	**45**	**-147**	**139**
IFRS 15 - change in principle	0	0	0	0	-54	-54
Operating expenses restated	-149	-99	-123	-272	-201	-844
EBITDA restated	**113**	**97**	**12**	**45**	**-151**	**116**
Net income before tax reported						**102**
Net income before tax restated						**153**
Adjustments					7	7
Adjusted EBITDA reported	**131**	**97**	**12**	**45**	**-140**	**146**
Adjusted EBITDA restated	**113**	**97**	**12**	**45**	**-144**	**123**

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Note 4 – Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

(NOK millions)	Q1 2023	Q1 2022	Full year 2022
Depreciation	29	23	111
Amortization of intangibles	52	45	192
Impairment	0	0	31
Total	81	69	334

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 millions)	Q1 2023	Q1 2022	Full year 2022
Interest income	6	7	29
Impairment losses on financial assets	0	0	-14
Other financial expense, net	-159	64	-180
Total	-152	71	-164

Other financial expenses largely relate to currency changes from foreign to functional currencies related to monetary assets such as accounts receivables, accounts payables, loans and cash, including group internal balances. The weakening of NOK towards some of our main currencies such as EUR, USD, DKK and SEK during the quarter is the most important reason. Correspondingly the weakening of NOK caused a positive translation difference from functional currencies to NOK reported as Other Comprehensive Income of NOK 197m, of which effect of translating cash in subsidiaries to NOK contributed with NOK 87m. Impairment losses on financial assets in 2022 relate to impairment on loans to our former Russian subsidiary.

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. Our internal operating and reporting model focus on us acting as a principal rather than an agent, and consequently our segment information reports accounting to our prior year principle except for revenues being reported net. The adjustment to the new accounting principle following the IFRIC decisions is included as an adjustment under Admin and Elimination for Market Clusters.

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 2022.

- 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, IFRS 15 adjustments and eliminations.

(NOK millions)	Q1 2023					
	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue						
Nordics	171	52	47	383	-1	652
Europe	110	35	66	63	2	276
APAC & MEA	69	142	18	125	-4	350
US	38	13	85	22	0	159
HQ	5	0	0	1	76	82
Eliminations	9	19	0	-1	-131	-103
Revenue	**402**	**263**	**215**	**594**	**-59**	**1,416**
Gross profit						
Nordics	171	52	41	275	-1	539
Europe	110	35	46	39	2	232
APAC & MEA	69	142	13	67	-4	287
US	38	13	77	16	0	144
HQ	5	0	0	1	76	82
Eliminations	9	19	0	0	-54	-26
Gross profit	**402**	**263**	**177**	**397**	**18**	**1,258**
Operating expenses	-216	-107	-157	-376	-219	-1,074
EBITDA	**186**	**156**	**21**	**22**	**-201**	**184**
Depreciation and Amortization						-81
Share of results from associates						-1
Net financial income and expenses						-212
Net income before tax						**-110**
Adjustments					1	1
Adjusted EBITDA	**186**	**156**	**21**	**22**	**-199**	**185**

Segment information March 31, 2022 - Restated

(NOK millions)	Q1 2022					
	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue						
Nordics	123	49	40	343	-5	550
Europe	70	28	27	37	1	163
APAC & MEA	58	111	15	106	2	292
US	30	9	68	13	0	121
HQ	0	0	0	0	25	25
Eliminations	-19	0	0	0	-60	-79
Revenue	**262**	**196**	**151**	**500**	**-38**	**1,071**
Gross profit						
Nordics	123	49	33	222	0	427
Europe	70	28	27	27	1	152
APAC & MEA	58	111	10	58	1	238
US	30	9	65	11	0	115
HQ	0	0	0	0	25	25
Eliminations	-19	0	0	0	22	4
Gross profit	**262**	**196**	**134**	**318**	**50**	**960**
Operating expenses	-149	-99	-123	-272	-201	-844
EBITDA	**113**	**97**	**12**	**45**	**-151**	**116**
Depreciation and Amortization						-69
Share of results from associates						-1
Net financial income and expenses						33
Net income before tax						**79**
Adjustments					7	7
Adjusted EBITDA	**113**	**97**	**12**	**45**	**-144**	**123**

(NOK millions)	Q1 2023 Unaudited	Q1 2022 Restated Unaudited	Full year 2022 Audited
Adj EBITDA - Operating Segment			
- Software & Cloud Direct	186	113	727
- Software & Cloud Channel	156	97	504
Total Adj EBITDA - Software & Cloud	342	210	1,231
- Software & Cloud Economics	21	12	88
- Consulting	22	45	148
Total Adj EBITDA - Services	42	57	236
Admin & shared services	-200	-144	-628
Total Adjusted EBITDA	185	123	839

(NOK millions)	Q1 2023 Unaudited	Q1 2022 Restated Unaudited	Full year 2022 Audited
Adj EBITDA per Market Cluster			
- Nordics	177	149	600
- Europe	18	12	132
- APAC & MEA	33	34	269
- US	-9	7	29
- HQ	-34	-78	-191
Total Adjusted EBITDA	185	123	839

Note 7 – Share options

Please refer to Note 6 in Annual Report 2022 for overview and details on the different ongoing option and employee share purchase programs. There are no new program or changes to existing programs during Q1 2023. 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 because of a reduction in share price during the quarter.

(NOK millions)	Q1 2023	Q1 2022	Full year 2022
Share incentive scheme (IPO)	0	-1	-4
Employee share purchase programs	2	2	9
Management share option programs	-1	4	8
Total	1	5	13

Note 8 – Intangible assets

(NOK millions)	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Acquisition cost at Jan 1, 2023	9	479	1,011	215	1,714
Additions	0	21	0	0	21
Disposals	0	0	0	0	0
Currency translation	0	7	32	2	41
Acquisition cost at Mar 31, 2023	9	507	1,043	217	1,776
Amortization and impairment Jan 1, 2023	7	359	469	179	1,015
Amortization	0	24	20	8	52
Accumulated amortization and impairment at Mar 31, 2023	7	384	489	187	1,066
Net book value at Mar 31, 2023	2	124	554	31	710
Amortization period	0-5 years	3 years	5-20 years	3-10 years	
Amortization 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.

Amortization of intangible assets identified as part of purchase price allocation from acquisitions amount to NOK 22m 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 costs of materials and services used or consumed in generating the intangible asset and costs of employee benefits arising from the generation of the intangible asset. Capitalized development costs are amortized 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 and rhipe. 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.

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:

	Goodwill
(NOK millions)	
Aquisition cost at Jan 1, 2023	3,256
Additions	4
Currency translation	128
Aquisition cost at Mar 31, 2023	**3,388**
Impairment at Jan 1, 2023	110
Impairment during the period	0
Accumulated Impairment at Mar 31, 2023	**110**
Net book value at Mar 31, 2023	**3,279**

Additions is related to adjustment of preliminary acquisition in UK in 2022.

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. There were no impairment indicators during Q1, 2023. See note 9 in the Annual Report for 2022 for further information.

Note 10 – Interest-bearing debt

Interest-bearing debt is recognized at amortized cost.

On July 1, 2021, Crayon entered a NOK 1,800m 4-year senior unsecured floating rate bond with a coupon of 3 months NIBOR + 375 bps. The bond was issued July 15, 2021, and matures July 15, 2025 and is listed on the Oslo Stock Exchange (CRAYON 04).

On 31 March 2023 the Group have utilized revolving credit facility (RCF) of NOK 750m that mature on April 15, 2025. The liability is presented as a non-current liability.

Total unused credit facilities (RCF and cash pool) amounted to NOK 563m at the end of the quarter.

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 non-restricted cash.

(NOK millions)	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Bond loan, non-current liabilities	1,779	1,773	1,778
Revolving credit facility	750	0	900
Bond loan, current liabilities	0	300	0
Lease liabilities	414	80	410
Current lease liabilities	73	37	73
Other current interest-bearing liabilities	147	113	122
Cash & cash equivalents	-1,413	-785	-1,530
Restricted cash	58	50	52
Net interest-bearing debt	**1,808**	**1,568**	**1,805**

Note 11 – Financial Risk

Crayon Group is exposed to a number of risks, including foreign currency exchange risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how they are managed, please see the 2022 Annual Report, Note 19.

On April 26, 2022, Crayon announced its decision to cease operations in Russia due to the war in Ukraine. An agreement was signed in December 2022 for a management buyout. The transaction will be subject to governmental approval in Russia that is expected to take up to about 6 months. The risk of the transaction not being approved is considered low, and consequently the sale transaction was recognized in December 2022. No further losses are expected related to this transaction.

Market risk

Interest rate exposure

The Group's interest rate risk arises from non-current borrowings at floating rate (cash flow interest rate risk). The Group is sensitive for changes in NIBOR having impact on the 1,800m bond, the 1,000m revolving credit facility and for a NOK 400m cash-pool facility. The Group can also be sensitive to interests on other currencies due to a multicurrency cash-pool in Danske Bank. No interest positions are hedged.

Foreign currency risk exposure

Crayon has revenues and operating costs in various currencies. The global expansion of Crayon has led to significant business growth as well as currency exposure. The gross cost of licenses and proceeds for incentives are to a large extent determined in international markets, primarily denominated in Euro (EUR), US Dollar (USD), Swedish Kroner (SEK) and Australian Dollar (AUD) in addition to Norwegian Kroner (NOK), while our operating cost and any gross revenues more often are denominated in local currencies. A rather comprehensive volume of transactions and balances in foreign currencies make the group volatile for exchange rate changes. The Group assesses business opportunities carefully to mitigate any current and future currency risks. The Group has a limited number of cash flow hedges to cover the risk of sale and purchase in different currencies. Crayon seeks primarily natural hedge to the extent it is economically viable.

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. Hedging derivatives are considered on larger transactions involving currency exposure can be hedged by means of currency forwards.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due, and that financing will not be available at a reasonable price. Crayon Group is impacted by liquidity fluctuation associated with its gross sales and growth. The cash flow from operating activities is mainly impacted by the EBITDA and changes in the net working capital managed by the subsidiaries.

The Group's covenants are attached to the revolving credit facilities and the bond loan. Net interest-bearing debt as of March 31, 2023, was NOK 1,808m, with a corresponding leverage ratio of 2.0x of Adj. EBITDA, providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA) as of the end of the quarter.

The Group Treasury Department is responsible for Group cash flow forecasting and optimizing liquidity flows centrally. Group Treasury monitors forecasts of the Group's liquidity frequently and ensures that the operational requirements are met as well as always maintaining sufficient headroom on debt facilities. The Group has significant liquidity reserves available both through bank deposits, multicurrency cash-pool and RCF, amounting to NOK 1,917m at the end of the quarter and the liquidity risk is therefore considered 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.

Management makes assessments of the credit risk and updates its estimates of losses and the corresponding provision for bad debt on a regular basis. Historical losses and ageing are analyzed, and additional credit risk premium based on geographical analysis and other statistic information on country risk have been incorporated in the loss provision model. Crayon measures allowance for bad debt based on lifetime expected credit losses (ELCs). This involves both backward and forward-looking information and analysis. The management estimate is most sensitive to the forward-looking analysis.

The Group have deposits with sound financial institutions. The Group Treasury overlooks the credit risk on a centralized level whilst the subsidiaries are responsible for enforcing standard payment and delivery terms and conditions towards the clients. Credit risk exposure is largely impacted by outstanding receivables and contract assets. Credit check and control procedure conducted by local subsidiaries ensure the credit quality of the customers of Crayon. The Group continues to intensify collection efforts over accounts receivable 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 millions)	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Balance at Jan 1	116	86	86
Currency translation	9	-4	-0
Net reversal/allowance	-3	7	30
Closing balance	**122**	**88**	**116**

Profit or loss effect of bad debt

			Full year
(NOK millions)	Q1 2023	Q1 2022	2022
Realized losses	3	0	28
Allowance for doubtful accounts	-3	7	30
Net accounting losses on receivables	**-0**	**7**	**58**

Accounts receivables include a significant delayed public sector payments in the Philippines amounting to approximately USD 45m. The Group has obtained a legal opinion supporting the claim, and no loss provision have been made.

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

(NOK millions)	Right-of-use assets
Acquisition cost at Jan 1, 2023	630
Additions	4
Disposals	-3
Adjustments	3
Currency translation	19
Acquisition cost at Mar 31, 2023	**653**
Depreciation at Jan 1, 2023	178
Depreciation during the period	21
Disposals	-3
Currency translation	4
Accumulated amortization at Mar 31, 2023	**200**
Net book value at Mar 31, 2023	**452**

Depreciation period	1-10 years
Depreciation method	Linear

Note 13 – Contract assets

Contract assets are included in Other current receivables and amounts to:

(NOK millions)	Mar 31, 2023	Mar 31, 2022 Restated	Dec 31, 2022
Contract assets	228	196	199
Total	**228**	**196**	**199**

Contract assets are subsequent period net payments for multiple-period contracts where Crayon transfers services to a customer before the customer pays consideration. The assets are mainly related to contracts under the software and cloud divisions that were reassessed in 2022 as described in note 3.

Note 14 – 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 15 – 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 sales, 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 and definitions:

Adjusted EBITDA: EBITDA excluding share-based compensation and other income and expenses.

(NOK millions)	Q1 2023	Q1 2022	Full year 2022
EBITDA	184	116	751
Adjustments:			
Share based compensation	1	5	13
Other income and expenses	0	2	74
Adjusted EBITDA	185	123	839

Adjusted EBITDA margin: Adjusted EBITDA / Gross profit.

CAPEX: Capital expenditures that mainly consist of office equipment and capitalizes expenses related to development activities according to IAS 38.

Constant currency: Foreign currency transactions converted to constant currency.

EBIT: Earnings before interest expense, other financial items, and income taxes.

EBITDA: Earnings before interest expense, other financial items, income taxes, depreciation, impairment and amortization.

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

Gross profit: Operating Revenue less materials and supplies.

Gross sales: Gross revenues assuming we were principal and not agent on all software resale being restated and reflect the actual billing for the relevant period.

(NOK millions)	Q1 2023	Q1 2022	Full year 2022
Gross Sales	11,676	8,536	38,761

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

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

(NOK millions)	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Cash & cash equivalents	1,413	785	1,530
Restricted cash	-58	-50	-52
Free available cash	1,355	735	1,477
Available credit facility	563	352	10
Liquidity reserve	1,917	1,086	1,487

LTM: Last twelve months.

Net interest-bearing debt: Interest-bearing debt including leasing less unrestricted cash (Note 10).

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 millions)	Mar 31, 2023	Mar 31, 2022 Restated	Dec 31, 2022
Inventory	19	2	17
Accounts receivable	6,617	4,866	6,563
Accounts payable	-7,281	-4,945	-6,563
Trade working capital	-644	-77	17
Unbilled revenue	1,175	838	1,010
Public duty receivables	880	411	490
Contract assets	228	196	199
Prepaid expenses & other	276	315	378
Income taxes payable	-100	-52	-76
Public duties	-484	-415	-613
Accruals	-1,053	-777	-973
Employee benefits related accruals	-348	-289	-367
Prepayments & other	-148	-153	-185
Other working capital	426	74	-138
Net working capital	-218	-3	-121

Other income and expenses: Other income and expenses consist of M&A expenses and directly related reorganizations, subsequent adjustment of contingent considerations or other subsequent adjustments in business combinations including earn-out payments recognized in profit or loss and any other significant non-recurring items. Other personnel costs in 2022 are mainly related to redundancy costs for restructuring following the acquisition of rhipe.

(NOK millions)	Q1 2023	Q1 2022	Full year 2022
Business development expenses and legal structuring	0	0	-5
Tax reassessment	0	0	-30
Fair value adjustment earn-out	0	0	-28
Other personell costs	0	-2	-11
Other income and expenses	0	-2	-74

Organic growth: Comparable growth excluding effect of business combinations.

Trade Working Capital: The net amount of inventory, accounts receivables and accounts payables.

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

YoY: Year over year, i.e. comparable period (e.g. quarter or YTD) last year.

YTD: Year to date.

Crayon Group Holding ASA
Gullhaug Torg 5
P.O. box 4384 Nydalen
0484 Oslo, Norway

+47 23 00 67 00
www.crayon.com

Investor Relations
https://www.crayon.com/investor-relations
ir@crayon.com