Crayon

Q3 2023 Financial Report

Contents

Highlights

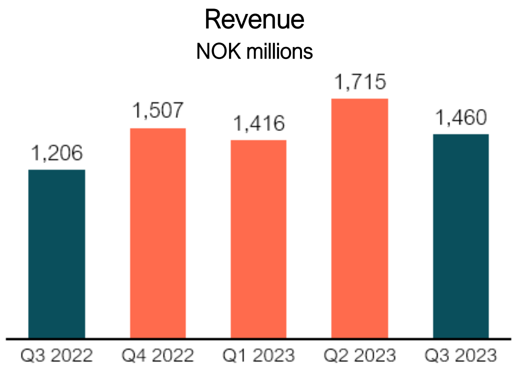
- Continued growth momentum across all markets - Gross profit increased 24%, to NOK 1,260m.
- Nordics and Europe maintain the solid performance with Gross profit growth of 21% and 38% respectively.
- Software and Cloud Channel delivered a strong performance with 31% growth in Gross profit.
- Adjusted EBITDA totaled NOK 143m corresponding to a margin of 11.3%, at the level of last year.
- Operating cash flow ended at minus NOK 955m, driven by changes in working capital.
- Net Income improved NOK 67m to minus 13m.

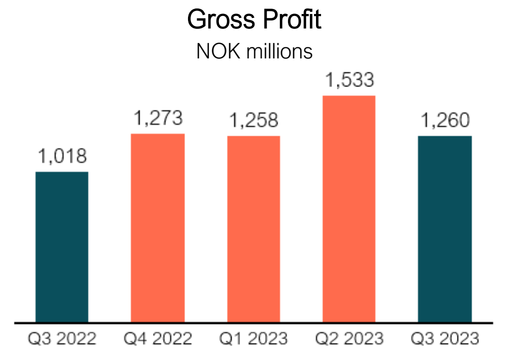
Key figures

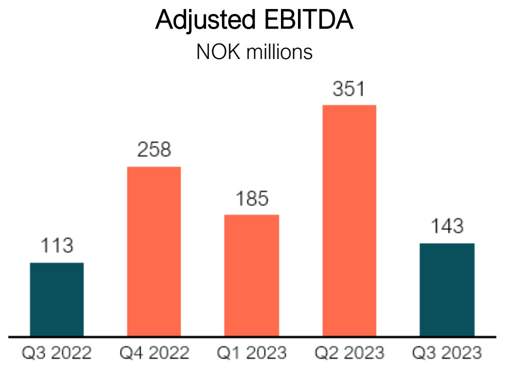
(NOK millions)	Q3 2023 Unaudited	Q3 2022 Restated Unaudited	Year to date Q3 2023 Unaudited	Year to date Q3 2022 Restated Unaudited	Full year 2022 Audited
Revenue	1,460	1,206	4,592	3,693	5,200
Gross profit	1,260	1,018	4,050	3,223	4,496
EBITDA	135	108	615	567	751
Adjusted EBITDA	143	113	679	581	839
Operating profit/EBIT	69	35	388	351	417
Net income	-13	-80	-37	-0	23
Cash flow from operations	-955	-497	-727	-376	102
Adjusted EBITDA margin (%)	11.3%	11.1%	16.8%	18.0%	18.7%
Basic earnings per share (NOK)	-0.09	-0.80	-0.42	-0.09	0.29

	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Net interest-bearing debt	2,979	2,073	1,805
Liquidity reserve	1,465	1,441	1,487
Leverage ratio (multiple)	3.2	2.0	2.2
Net working capital	905	253	-121
Full time equivalents (FTE)	4,044	3,350	3,447

Figures for Q3 and Sep 30, 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.







Business review

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

During the third quarter market remained resilient. Gross profit grew with 24% driven mainly by Nordics and Europe growing 21% and 38%, respectively. Crayon's investments in service capabilities are materializing, Software and Cloud Economics grew 17% while Consulting grew 31%.

Adj. EBITDA increased with NOK 29m, corresponding to a margin of 11.3%. Inflation remains high and requires continued attention to pricing and efficiency. Margin development is negatively impacted by the overall higher cost level and ramp time of new resources in Services.

Market Clusters

Demand in the Nordics remains solid. Software & Cloud Direct grew 21% while Channel also contributed to the solid performance growing 24%. The consulting segment in the Nordics delivered a very strong quarter growing 20% driven mainly by Norway and Iceland.

Adj. EBITDA margin in the Nordics ended at 31%, an improvement from 28% compared to the same quarter in the previous year, while offset by weaker profitability in Consulting due to ramp up time for new resources. In H2, we have slowed hiring and are focused on increased utilization and support in helping organizations prepare for Microsoft Copilot.

Performance in Europe reflects the replicability of the business model. Gross profit grew 38% compared to the same quarter in the previous year. Growth was exceptionally strong in Software and Cloud Channel with a Gross profit growth of 78%, driven mainly by The Netherlands and UK, who both grew over 100%. Consulting also delivered a very strong quarter with 85% Gross profit growth positively impacted by strong performance in Eastern Europe.

Adj. EBITDA in Europe ended at NOK 23m, reflecting a margin of 8% compared to 2% in the same quarter previous year, the improvement is driven mainly by growth in Channel.

Gross profit in APAC & MEA ended at NOK 353m, an increase of 17%. Software and Cloud Direct grew 14%. Channel business improved from Q2 and grew 18%, driven in particular by India and Australia. Software & Cloud Economics declined 17%, mainly due to weak performance in Australia. Consulting grew 31% driven by strong performance in India.

Adj. EBITDA in APAC & MEA ended at NOK 53m, a reduction from NOK 66m compared to the same quarter previous year, corresponding to a margin of 15%.

US Gross profit increased 19% to NOK 150m driven by solid growth in Services. Software and Cloud Direct declined 3% partially due to high comparable in the same quarter previous year. Software & Cloud Economics and Consulting grew 13% and 96% respectively. Adj. EBITDA ended at minus NOK 12m, a margin of -8%, an improvement from -13% in the same quarter previous year. The performance in US is developing as planned. We continue to ramp up sales capacity and strengthening sales leadership, as well as a clearer and more focused go to market strategy.

Business Areas

All business areas developed positively in the quarter, with Software & Cloud and Services Gross profit growing 24% and 26% respectively.

Overall growth momentum in Software & Cloud Direct continued, growing 20% to NOK 393m (NOK 329m).

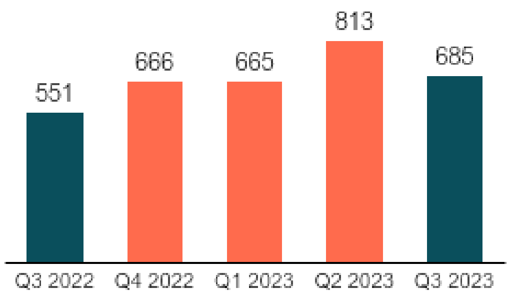
Channel grew 31% to NOK 292m (NOK 223m). Overall performance in the Channel was strong. APAC & MEA improved from a soft performance in Q2, while Europe delivered an exceptional quarter with 78% growth.

Profitability remains strong for the Software & Cloud division with an adj. margin of 45% (50%).

Gross profit in the Services division grew by 26% to NOK 567m. Adj. EBITDA before Admin & Shared Services margin ended at 6%, which is a reduction from 12% in Q3, 2022. The reduction in margins is driven by ramp-up time of new resources as well as a higher cost level. Measures to improve efficiency and implement price increase to reflect the increased cost levels are ongoing. Price increases remain challenging in a competitive market with increased resource availability. Consulting margin ended at 5%, an improvement from 1% in Q2, 2023 due to slow down in hiring and increased utilization. Further improvement is expected as new resources continue to ramp up.

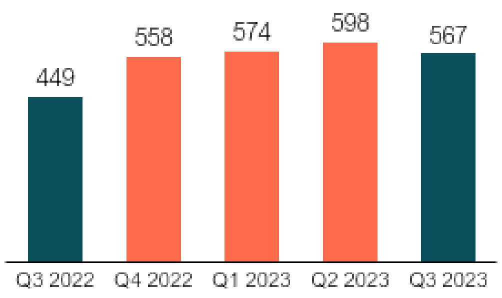
Software & Cloud Gross Profit

NOK millions



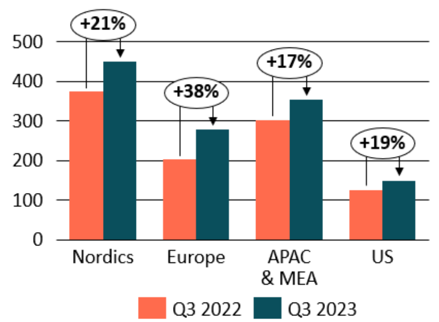
Services Gross Profit

NOK millions



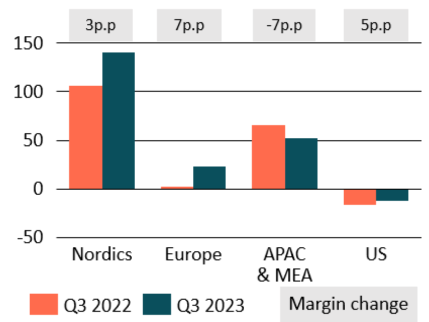
Gross Profit by Market Cluster

NOK millions



Adj. EBITDA by Market Cluster

NOK millions



Financial review

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

In Q4, 2022, Crayon changed its interpretation regarding principal versus agent assessment under IFRS 15 for Software Resellers. Comparable numbers for Q3, 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 Q3, 2023 increased 21% YoY to NOK 1,460m. Gross profit was NOK 1,260m, up from NOK 1,018m in Q3, 2022. The constant currency Gross profit growth was 16% and distributed across all market clusters. Europe contributed most with a constant currency growth of 21%.

Adjusted EBITDA

Adjusted EBITDA was NOK 143m compared to NOK 113m last year. Year-to-date adjusted EBITDA grew 17% to NOK 679m. The increase derives from an increase in Gross profit of 26%. Payroll and other operating expenses increased by 28% year-to-date.

Adjustments include share-based compensations and other income and expenses. Gross expenses for share-based payments amounted to NOK 10m for the quarter, offset by NOK 9m fair value adjustment of accrued employee social security tax based on the share price development. Other income and expenses of NOK -7m regard to M&A expenses.

Net income

Depreciation, amortization and impairment decreased 9% YoY to NOK 66m, mainly due to differences in timing of investments and fully written off assets.

Interest expenses increased YoY by NOK 17m in Q3 to NOK 70m, due to increase in both rates and net interest-bearing debt including new leases.

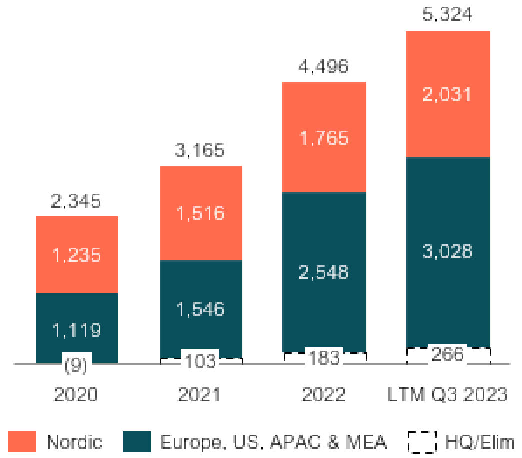
Net other financial items contributed with an expense for the quarter of NOK 17m compared to an expense of NOK 103m the same quarter last year. The expense is largely due to currency effects. Having a significant number of transactions and settlements in foreign currencies, several companies in the Group 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.

Net income amounted to NOK -13m, compared to NOK -80m last year.

Earnings per share allocated to owners amounted to NOK -0.09 for Q3, compared to NOK -0.80 last year.

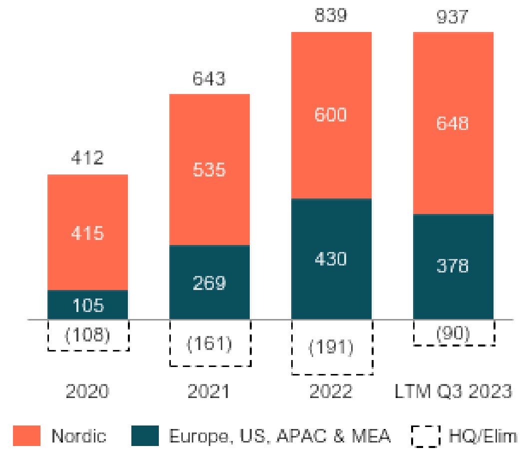
Gross Profit by Market Cluster

NOK millions



Adj. EBITDA by Market Cluster

NOK millions



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 decreased by NOK 46m to NOK 4,216m during the quarter, mainly due to currency adjustments. Compared to Q2, 2023, NOK strengthened towards our main currencies.

Total receivables increased by 14% to NOK 8,539m compared to Q3, 2022. The balance is significantly impacted by currency as NOK has weakened significantly from last year. Our gross sales grew 23% from Q3, 2022.

The net working capital is negatively impacted by a significant delayed public sector payment with the Department of Budget and Management Procurement Services ("PS-DBM") in the Philippines, amounting to approximately USD 45m. PS-DBM has been subjected to an audit by Commission of Audit (CoA). The audit has led to delay in payments, as timing have been dependent on official audit completion. The Annual Audit Report was released in July 2023 and CoA recommended PS-DBM to proceed with the payment of USD 37m. The remaining outstanding amount of USD 8m relates to new taxation included in the price of the licenses, where PS-DBM is recommended to coordinate with NEDA (National Economic and Development Authority) and endorse the request for the pricing change. Currently, PS-DBM is clarifying approval of payments with COA. No bad debt provision has been made for this agreement. Total bad debt provisions amounted to NOK 162m at the end of the quarter.

Crayon has non-recourse factoring agreements, which have been implemented for a set of customers in Norway and in Denmark. On September 30, 2023, factoring reduced accounts receivable by NOK 237m (NOK 206m).

Total interest-bearing liability at the end of the quarter increased from last quarter by NOK 644m to NOK 3,738m, mainly due to additional supplier financing of NOK 239m and drawdown of RCF and overdraft facility of NOK 203m in total. Total cash of NOK 907m decreased by NOK 498m from last quarter. Restricted cash decreased by NOK 4m, leaving a net interest-bearing debt of NOK 2,979m, an increase of NOK 1,139m from last quarter.

Total equity decreased by NOK 112m to NOK 2,729m during the quarter driven by the net income of NOK -13m, and other comprehensive income loss on currency translation of NOK -108m. The equity ratio was 19%.

Cash flow

Cash flow from operations in Q3, 2023 was NOK -955m versus NOK -497m last year. Year to date the cash flow was NOK -727m versus NOK -376m same period in 2022. Trade working capital increased by NOK 1,251m in the quarter, while OWC and other adjustments decreased by NOK 204m. Due to gross sales flowing through our books and seasonal variances, the short-term cash flow can be volatile. Historically, Q1 and Q3 provide lesser operating cash flow than Q2 and Q4.

Cash paid for investing activities amounted to NOK 32m in the quarter (NOK 46m) and relates to ordinary CAPEX.

Cash flow from financing activities amounted to NOK 530m (NOK -51m). Included are a drawdown of revolving credit facilities from NOK 400m to NOK 500m during the quarter, supplier financing arrangements drawdown of NOK 239m and overdraft facility of NOK 103m. The remaining relate to ordinary interest payments, lease payments, and change in other financial arrangements.

The liquidity position remained strong, with a total liquidity reserve of NOK 1,465m on September 30, 2023.

Leverage

Net interest-bearing debt as of September 30, 2023, was NOK 2,979m, with a corresponding leverage ratio of 3.2x Adj. EBITDA[1)], providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA[1]) at 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 September 30, 2023, increased by 21% to 4,044 compared to 3,350 on September 30, 2022. In the Software & Cloud business division, full-time equivalent increased by 37, representing a 3% increase, while in the Services business division, it increased by 467 employees, an increase of 26%. Other employees increased by 189 YoY.

1) On an LTM basis, excluding non-controlling interests.

Condensed Consolidated Statement of Income

(NOK millions)	Note	Q3 2023 Unaudited	Q3 2022 Restated Unaudited	Year to date Q3 2023 Unaudited	Year to date Q3 2022 Restated Unaudited	Full year 2022 Audited
Revenue	3,6	1,460	1,206	4,592	3,693	5,200
Cost of sales		-200	-188	-542	-470	-704
Gross profit		**1,260**	**1,018**	**4,050**	**3,223**	**4,496**
Payroll and related expenses		-926	-737	-2,849	-2,214	-3,077
Other operating expenses		-191	-167	-522	-427	-580
Share based compensation		-1	-1	-27	-5	-13
Other income and expenses		-7	-4	-37	-10	-74
EBITDA		**135**	**108**	**615**	**567**	**751**
Adjustments		7	5	64	15	88
Adjusted EBITDA		**143**	**113**	**679**	**581**	**839**
Depreciation, amortization and impairment	4	-66	-73	-227	-215	-334
Operating profit/EBIT		**69**	**35**	**388**	**351**	**417**
Share of profit (loss) from associated companies		1	7	1	6	7
Interest expense		-70	-53	-198	-136	-194
Other financial expense, net	5	-17	-103	-227	-219	-164
Net income before tax		**-16**	**-114**	**-35**	**2**	**65**
Income tax expense on ordinary result		3	33	-1	-3	-42
Net income		**-13**	**-80**	**-37**	**-0**	**23**
Comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Currency translation		-108	82	211	300	134
Comprehensive income net of tax		**-121**	**2**	**174**	**300**	**157**
Allocation of net income						
Non-controlling interests		-5	-9	1	8	-2
Owners of Crayon Group Holding ASA		-8	-71	-38	-8	25
Net income allocated		**-13**	**-80**	**-37**	**-0**	**23**
Earnings per share (NOK)		-0.09	-0.80	-0.42	-0.09	0.29
Allocation of comprehensive income						
Non-controlling interests		-5	-6	5	13	7
Owners of Crayon Group Holding ASA		-116	8	169	287	150
Comprehensive income allocated		**-121**	**2**	**174**	**300**	**157**

Condensed Consolidated Balance Sheet Statement

(NOK millions)		Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
			Restated	
ASSETS	Note	Unaudited	Unaudited	Audited
Non-current assets:				
Intangible assets				
Development Costs	8	139	109	120
Technology and software	8	23	86	37
Contracts	8	511	589	541
Software licenses (IP)	8	2	2	2
Goodwill	9	3,255	3,224	3,147
Deferred tax asset		287	100	145
Total intangible assets		**4,216**	**4,109**	**3,991**
Tangible assets				
Equipment		98	81	90
Right-of-use assets	12	488	391	451
Total tangible assets		**587**	**471**	**542**
Investment in associated companies		43	43	43
Other non-current receivables		73	42	71
Total financial assets		**115**	**85**	**114**
Total non-current assets		**4,917**	**4,666**	**4,646**
Current assets:				
Inventory		21	4	17
Total inventory		**21**	**4**	**17**
Accounts receivable	11	6,352	5,407	6,563
Other current receivables	13	2,187	2,081	2,077
Total receivables		**8,539**	**7,488**	**8,640**
Cash & cash equivalents	10	907	605	1,530
Total current assets		**9,467**	**8,097**	**10,187**
Total assets		**14,384**	**12,762**	**14,833**

(NOK millions)		Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
			Restated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Unaudited	Unaudited	Audited
Shareholders' equity:				
Share capital		90	89	89
Own shares		-0	-0	-0
Share premium		1,821	1,818	1,818
Total paid-in equity		**1,910**	**1,907**	**1,907**
Retained earnings		784	746	604
Total equity attributable to parent company shareholders		**2,694**	**2,653**	**2,511**
Non-controlling interests		35	43	30
Total shareholders' equity		**2,729**	**2,697**	**2,540**
Non-current liabilities:				
Interest-bearing liabilities	10	1,791	1,776	2,678
Deferred tax liabilities		234	174	200
Lease liabilities	10	437	343	410
Other non-current liabilities		28	26	33
Total non-current liabilities		**2,490**	**2,319**	**3,321**
Current liabilities:				
Accounts payable		5,293	5,187	6,563
Income taxes payable		75	65	76
Public duties		550	546	613
Current lease liabilities	10	84	60	73
Other current interest-bearing liabilities	10	1,426	448	122
Other current liabilities		1,735	1,440	1,525
Total current liabilities		**9,165**	**7,746**	**8,972**
Total liabilities		**11,655**	**10,066**	**12,293**
Total equity and liabilities		**14,384**	**12,762**	**14,833**

Condensed Consolidated Statement of Cash Flows

(NOK millions)	Q3 2023 Unaudited	Q3 2022 Restated Unaudited	Year to date Q3 2023 Unaudited	Year to date Q3 2022 Unaudited Restated	Full year 2022 Audited
Cash flows from operating activities:					
Net income before tax	-16	-114	-35	2	65
Taxes paid	-18	-21	-83	-93	-118
Depreciation, amortization and impairment	66	73	227	215	334
Net interest expense	61	41	177	109	164
Changes in inventory, accounts receivable/payable	-1,251	-596	-1,062	-542	-333
Changes in other working capital and other adjustments	204	120	50	-68	-11
Net cash flow from operating activities	**-955**	**-497**	**-727**	**-376**	**102**
Cash flows from investing activities:					
Payment for capitalized assets	-32	-35	-105	-94	-142
Acquisition of subsidiaries - (net of cash acquired) and associated companies	0	-11	-31	-21	-57
Divestment - net of cash	0	0	0	0	-26
Net cash flow from investing activities	**-32**	**-46**	**-137**	**-115**	**-225**
Cash flows from financing activities:					
Net interest paid on interest-bearing liabilities	-61	-41	-173	-105	-174
Share issues	3	9	3	73	73
Share capital increase not registered	0	-9	0	0	0
Acquisition/disposal of non-controlling interests	2	0	-22	-42	-50
Repayment of bond loan	0	0	0	0	-300
Payment of lease liability	-21	-10	-57	-40	-51
Change in RCF utilization	100	0	-400	0	900
Net change in other credit facilities utilization	506	0	797	0	0
Net cash flow from financing activities	**530**	**-51**	**148**	**-114**	**398**
Net increase (decrease) in cash and cash equivalents	**-457**	**-595**	**-716**	**-605**	**275**
Cash and cash equivalents at beginning of period	1,405	1,213	1,530	1,217	1,217
Currency translation	-41	-14	94	-7	38
Cash and cash equivalents at end of period	**907**	**605**	**907**	**605**	**1,530**

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

Sep 30, 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	9	9	8	17
Net income restatement	0	0	0	-17	-17	0	-17
Currency translation	0	0	0	295	295	5	300
Total comprehensive income	0	0	0	287	287	13	300
Share issues	1	0	75	0	76	0	76
Share capital increase not registered	0	0	9	0	9	0	9
Share-based compensation	0	0	0	21	21	2	22
Transactions with non-controlling interests	0	0	0	-55	-55	-7	-63
Transactions with owners	1	0	84	-34	50	-6	45
Balance as of end of period	89	-0	1,818	747	2,654	43	2,697

Sep 30, 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	-38	-38	1	-37
Currency translation	0	0	0	207	207	4	211
Total comprehensive income	0	0	0	169	169	5	174
Share issues	0	0	3	0	3	0	3
Share-based compensation	0	0	0	32	32	1	34
Transactions with non-controlling interests	0	0	0	-22	-22	-1	-22
Transactions with owners	0	0	3	11	14	1	15
Balance as of end of period	90	-0	1,821	784	2,694	35	2,729

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at September 30, 2023, for publication on November 8, 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 headquarters 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 4,044 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 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.

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 Q3, 2022 have been restated according to IAS 8. The adjusted amounts for comparative periods are presented in the table below.

Effect of Restated Statement of Income

	Q3 2022			Year to date Q3 2022		
(NOK millions)	Reported	IFRS 15 Restatement	Restated	Reported	IFRS 15 Restatement	Restated
Revenue	1,181	25	1,206	3,521	172	3,693
Cost of sales	-188	0	-188	-470	0	-470
Gross profit	**993**	**25**	**1,018**	**3,051**	**172**	**3,223**
Payroll and related expenses	-700	-37	-737	-2,027	-188	-2,214
Other operating expenses	-165	-3	-167	-421	-6	-427
Share based compensation	-1	0	-1	-5	0	-5
Other income and expenses	-4	0	-4	-10	0	-10
EBITDA	**122**	**-14**	**108**	**588**	**-22**	**567**
Adjustments	5	0	5	15	0	15
Adjusted EBITDA	**127**	**-14**	**113**	**603**	**-22**	**581**
Operating profit/EBIT	**50**	**-14**	**35**	**373**	**-22**	**351**
Net income before tax	**-100**	**-14**	**-114**	**24**	**-22**	**2**
Income tax expense on ordinary result	30	3	33	-7	5	-3
Net income	**-69**	**-11**	**-80**	**17**	**-17**	**-0**

Effect of Restated Statement of Balance Sheet

(NOK millions)	Sep 30, 2022 Reported	IFRS 15 Restatement	Sep 30, 2022 Restated
Non-current assets:			
Total non-current assets	4,666	0	4,666
Current assets:			
Total inventory	4	0	4
Accounts receivable	5,407	0	5,407
Other current receivables	1,880	202	2,081
Total receivables	7,286	202	7,488
Cash & cash equivalents	605	0	605
Total current assets	7,895	202	8,097
Total assets	12,561	202	12,762
Shareholders' equity:			
Total paid-in equity	1,907	0	1,907
Retained earnings	568	178	746
Total equity attributable to parent company shareholders	2,475	178	2,653
Non-controlling interests	43	0	43
Total shareholders' equity	2,519	178	2,697
Non-current liabilities:			
Interest-bearing liabilities	1,776	0	1,776
Deferred tax liabilities	123	50	174
Lease liabilities	343	0	343
Other non-current liabilities	26	0	26
Total non-current liabilities	2,269	50	2,319
Current liabilities:			
Accounts payable	5,187	0	5,187
Income taxes payable	65	0	65
Public duties	546	0	546
Current lease liabilities	60	0	60
Other current interest-bearing liabilities	448	0	448
Other current liabilities	1,467	-26	1,440
Total current liabilities	7,773	-26	7,746
Total liabilities	10,042	24	10,066
Total equity and liabilities	12,561	202	12,762

Effect of Restated Segment Information

	Q3 2022					
	Software & Cloud		Services			
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue reported	325	223	174	499	-40	1,181
IFRS 15 - change in principle	3	0	0	0	22	25
Revenue restated	329	223	174	499	-18	1,206
Gross profit reported	325	223	155	294	-4	993
IFRS 15 - change in principle	3	0	0	0	22	25
Gross profit restated	329	223	155	294	17	1,018
Operating expenses reported	-177	-98	-137	-260	-199	-870
EBITDA reported	148	124	18	34	-203	122
IFRS 15 - change in principle	0	0	0	0	-39	-39
Operating expenses restated	-177	-98	-137	-260	-238	-910
EBITDA restated	152	124	18	34	-221	108
Net income before tax reported						-100
Net income before tax restated						-114
Adjustments					5	5
Adjusted EBITDA reported	148	124	18	34	-198	127
Adjusted EBITDA restated	152	124	18	34	-215	113

	Year to date Q3 2022					
	Software & Cloud		Services			
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue reported	1,033	650	508	1,549	-219	3,521
IFRS 15 - change in principle	-13	0	0	0	184	172
Revenue restated	1,020	650	508	1,549	-34	3,693
Gross profit reported	1,033	650	440	926	2	3,051
IFRS 15 - change in principle	-13	0	0	0	184	172
Gross profit restated	1,020	650	440	926	186	3,223
Operating expenses reported	-474	-302	-386	-793	-507	-2,462
EBITDA reported	559	349	54	132	-506	588
IFRS 15 - change in principle	0	0	0	0	-193	-193
Operating expenses restated	-474	-302	-386	-793	-701	-2,656
EBITDA restated	546	349	54	132	-515	567
Net income before tax reported						24
Net income before tax restated						2
Adjustments					15	15
Adjusted EBITDA reported	559	349	54	132	-491	603
Adjusted EBITDA restated	546	349	54	132	-500	581

Note 4 – Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

(NOK millions)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Depreciation	33	23	93	73	111
Amortization of intangibles	33	49	134	142	192
Impairment	-0	0	0	0	31
Total	66	73	227	215	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 consist of the following:

(NOK millions)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Interest income	9	12	21	27	29
Impairment losses on financial assets	0	0	0	0	-14
Other financial expense, net	-26	-115	-248	-246	-180
Total	-17	-103	-227	-219	-164

Other financial expenses largely relate to currency changes from foreign to functional currencies on 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 year is the most important reason for year-to-date numbers. Correspondingly translation differences reported as Other Comprehensive Income amounted to NOK 211m, of which effect of translating cash in subsidiaries to NOK contributed with NOK 94m.

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 Eliminations for the reporting segments and under HQ for Market Clusters.

The reporting segments 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.

Q3 2023 (NOK millions)	Software & Cloud: Software & Cloud Direct	Software & Cloud: Software & Cloud Channel	Services: Software & Cloud Economics	Services: Consulting	Admin & Eliminations	Total
Revenue						
Nordics	129	57	44	332	-1	561
Europe	111	59	59	94	2	325
APAC & MEA	93	156	14	205	2	471
US	37	19	93	24	0	173
HQ	33	0	-1	0	72	104
Eliminations	-11	1	0	0	-164	-174
Revenue	**393**	**292**	**208**	**656**	**-89**	**1,460**
Gross profit						
Nordics	129	57	40	225	-1	450
Europe	111	59	53	54	2	279
APAC & MEA	93	156	10	91	2	353
US	37	19	79	16	0	150
HQ	33	0	-1	0	72	104
Eliminations	-11	1	0	0	-67	-77
Gross profit	**393**	**292**	**181**	**386**	**8**	**1,260**
Operating expenses	-235	-139	-167	-367	-216	-1,125
EBITDA	**158**	**153**	**13**	**19**	**-208**	**135**
Depreciation and Amortization						-66
Share of results from associates						1
Net financial income and expenses						-87
Net income before tax						**-16**
Adjustments					7	7
Adjusted EBITDA	**158**	**153**	**13**	**19**	**-201**	**143**

Year to date Q3 2023 (NOK millions)	Software & Cloud: Software & Cloud Direct	Software & Cloud: Software & Cloud Channel	Services: Software & Cloud Economics	Services: Consulting	Admin & Eliminations	Total
Revenue						
Nordics	491	164	143	1,092	-1	1,888
Europe	411	149	179	229	5	972
APAC & MEA	262	418	54	502	0	1,237
US	131	46	277	73	0	528
HQ	57	0	-5	8	329	389
Eliminations	3	31	0	-1	-456	-422
Revenue	**1,355**	**808**	**647**	**1,904**	**-123**	**4,592**
Gross profit						
Nordics	491	164	126	755	-1	1,534
Europe	411	149	148	139	5	852
APAC & MEA	262	418	41	241	0	963
US	131	46	241	46	0	465
HQ	57	0	-5	8	329	389
Eliminations	3	31	0	0	-186	-152
Gross profit	**1,355**	**808**	**551**	**1,189**	**147**	**4,050**
Operating expenses	-714	-370	-498	-1,144	-710	-3,435
EBITDA	**641**	**439**	**53**	**45**	**-563**	**615**
Depreciation and Amortization						-227
Share of results from associates						1
Net financial income and expenses						-424
Net income before tax						**-35**
Adjustments					64	64
Adjusted EBITDA	**641**	**439**	**53**	**45**	**-499**	**679**

Segment information September 30, 2022 - Restated

Q3 2022 (NOK millions)	Software & Cloud: Software & Cloud Direct	Software & Cloud: Software & Cloud Channel	Services: Software & Cloud Economics	Services: Consulting	Admin & Eliminations	Total
Revenue						
Nordics	107	46	35	286	1	475
Europe	98	33	51	68	1	251
APAC & MEA	82	133	19	132	5	371
US	38	11	69	13	-1	130
HQ	0	0	0	-0	26	26
Eliminations	3	0	0	0	-51	-47
Revenue	**329**	**223**	**174**	**499**	**-18**	**1,206**
Gross profit						
Nordics	107	46	32	187	1	374
Europe	98	33	41	29	2	203
APAC & MEA	82	133	12	69	5	302
US	38	11	70	8	0	127
HQ	0	0	0	-0	26	26
Eliminations	3	0	0	0	-17	-13
Gross profit	**329**	**223**	**155**	**294**	**17**	**1,018**
Operating expenses	-177	-98	-137	-260	-238	-910
EBITDA	**152**	**124**	**18**	**34**	**-221**	**108**
Depreciation and Amortization						-73
Share of results from associates						7
Net financial income and expenses						-156
Net income before tax						**-114**
Adjustments					5	5
Adjusted EBITDA	**152**	**124**	**18**	**34**	**-215**	**113**

Year to date Q3 2022 (NOK millions)	Software & Cloud: Software & Cloud Direct	Software & Cloud: Software & Cloud Channel	Services: Software & Cloud Economics	Services: Consulting	Admin & Eliminations	Total
Revenue						
Nordics	404	139	116	952	15	1,626
Europe	294	90	127	187	3	701
APAC & MEA	222	390	61	368	10	1,051
US	113	32	204	41	-1	389
HQ	0	-0	0	0	76	77
Eliminations	-13	0	0	0	-138	-151
Revenue	**1,020**	**650**	**508**	**1,549**	**-34**	**3,693**
Gross profit						
Nordics	404	139	98	622	5	1,269
Europe	294	90	106	89	3	582
APAC & MEA	222	390	37	187	10	846
US	113	32	200	28	0	372
HQ	0	-0	0	-0	76	76
Eliminations	-13	0	0	0	91	78
Gross profit	**1,020**	**650**	**440**	**926**	**186**	**3,223**
Operating expenses	-474	-302	-386	-793	-701	-2,656
EBITDA	**546**	**349**	**54**	**132**	**-515**	**567**
Depreciation and Amortization						-215
Share of results from associates						6
Net financial income and expenses						-355
Net income before tax						**2**
Adjustments					15	15
Adjusted EBITDA	**546**	**349**	**54**	**132**	**-500**	**581**

(NOK millions)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Adj EBITDA - Operating Segment					
- Software & Cloud Direct	158	152	641	546	727
- Software & Cloud Channel	153	124	439	349	504
Total Adj EBITDA - Software & Cloud	311	276	1,080	894	1,231
- Software & Cloud Economics	13	18	53	55	88
- Consulting	19	34	46	132	148
Total Adj EBITDA - Services	33	53	99	187	236
Admin & shared services	-201	-216	-500	-500	-628
Total Adjusted EBITDA	143	113	679	581	839

(NOK millions)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Adj EBITDA per Market Cluster					
- Nordics	140	106	473	425	600
- Europe	23	2	126	71	132
- APAC & MEA	53	66	130	209	269
- US	-12	-17	-11	16	29
- HQ	-60	-44	-39	-141	-191
Total Adjusted EBITDA	143	113	679	581	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.

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)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Share incentive scheme (IPO)	-0	-1	-0	-3	-4
Employee share purchase programs	4	4	18	7	9
Management share option programs	-3	-2	9	1	8
Total	1	1	27	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	71	0	0	71
Currency translation	0	3	32	1	37
Acquisition cost at Sep 30, 2023	9	554	1,042	217	1,822
Amortization and impairment Jan 1, 2023	7	359	469	179	1,015
Amortization	0	55	63	15	134
Accumulated amortization and impairment at Sep 30, 2023	7	415	532	194	1,148
Net book value at Sep 30, 2023	2	139	511	23	674
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 fair value adjustments as part of purchase price allocation from acquisitions amount to NOK 66m 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 is 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 contains 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:

(NOK millions)	Goodwill
Aquisition cost at Jan 1, 2023	3,256
Additions	4
Currency translation	103
Aquisition cost at Sep 30, 2023	**3,364**
Impairment at Jan 1, 2023	110
Impairment during the period	0
Accumulated Impairment at Sep 30, 2023	**110**
Net book value at Sep 30, 2023	**3,255**

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. There were no impairment indicators during Q3, 2023. See Note 9 in the Annual Report for 2022 for further information.

Note 10 – Net 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). Transaction costs of NOK 29m related to the NOK 1,800m bond and the RCF are carried at amortized cost.

On September 30, 2023 the Group has utilized revolving credit facility (RCF) of NOK 500m. The facility matures on April 15, 2025. However, as the facility will be repaid to zero on a regular basis, the liability has been reclassified to current in Q2, 2023.

The Group entered into short term supplier financing agreements during Q2, 2023. Total liability end of the quarter amounted to NOK 541m.

Total unused credit facilities (RCF and cash pool) amounted to NOK 705m at the end of the quarter.

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

(NOK millions)	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Bond loan, non-current liabilities	1,791	1,776	1,778
Revolving credit facility	500	0	900
Overdraft facility	103	0	0
Supplier financing	541	0	0
Bond loan, current liabilities	0	300	0
Lease liabilities	437	343	410
Current lease liabilities	84	60	73
Other current interest-bearing liabilities	282	147	122
Cash & cash equivalents	-907	-605	-1,530
Restricted cash	148	51	52
Net interest-bearing debt	**2,979**	**2,073**	**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 is still subject to governmental approval in Russia. The risk of the transaction not being approved was considered low, and consequently the sale transaction was recognized in December 2022.

Market risk

Interest rate exposure

The Group's interest rate risk arises from interest-bearing debt at floating rate (cash flow interest rate risk). The Group is sensitive to changes in NIBOR having impact on the NOK 1,800m bond, utilized amounts under the NOK 1,000m revolving credit facility and the 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 and to other interest-bearing debt, including lease liabilities. 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 and sales 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 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, e.g. by having gross sales and gross cost of licences sold in same currency.

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 acquisitions involving currency exposure.

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 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 September 30, 2023, was NOK 2,979m, with a corresponding leverage ratio of 3.2x 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 cash, multicurrency cash-pool and RCF, amounting to NOK 1,465m 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 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 related to gross sales 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 presents 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)	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Balance at Jan 1	116	86	86
Currency translation	10	9	-0
Net reversal/allowance	36	19	30
Closing balance	**162**	**114**	**116**

Profit or loss effect of bad debt

(NOK millions)	Q3 2023	Q3 2022	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Realized losses	1	2	7	20	28
Allowance for doubtful accounts	28	17	36	19	30
Net accounting losses on receivables	**29**	**19**	**43**	**40**	**58**

The net working capital is negatively impacted by a significant delayed public sector payment with the Department of Budget and Management Procurement Services ("PS-DBM") in the Philippines, amounting to approximately USD 45m. PS-DBM has been subjected to an audit by Commission of Audit (CoA). The audit has led to delay in payments, as timing have been dependent on official audit completion. The Annual Audit Report was released in July 2023 and CoA recommended PS-DBM to proceed with the payment of USD 37m. The remaining outstanding amount of USD 8m relates to new taxation included in the price of the licenses, where PS-DBM is recommended to coordinate with NEDA (National Economic and Development Authority) and endorse the request for the pricing change. Currently, PS-DBM is clarifying approval of payments with COA. No bad debt provision has been made for this agreement.

Note 12 – Right-of-use assets

(NOK millions)	Right-of-use assets
Acquisition cost at Jan 1, 2023	630
Additions	84
Disposals	-78
Adjustments	-4
Currency translation	24
Acquisition cost at Sep 30, 2023	**657**
Depreciation at Jan 1, 2023	178
Depreciation during the period	62
Disposals	-78
Currency translation	5
Accumulated amortization at Sep 30, 2023	**169**
Net book value at Sep 30, 2023	**488**
Depreciation period	1-10 years
Depreciation method	Linear

Note 13 – Contract assets

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

(NOK millions)	Sep 30, 2023	Sep 30, 2022 Restated	Dec 31, 2022
Contract assets	233	202	199
Total	**233**	**202**	**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 related to contracts under the software and cloud divisions that were reassessed in Q4, 2022 as described in Note 3.

Note 14 – Seasonality of operations

The Group's operating results and cash flows has varied, and are expected to continue to vary, from quarter to quarter. These fluctuations relate to 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 impacting production periods for consultants.

Note 15 – Events after the balance sheet date

A share buy-back program for the purpose of acquiring shares that can be disposed of in connection with the company's employee share-based compensation programs has been initiated after the quarter end. The buy-back program comprises a repurchase of up to the highest of a total purchase price of NOK 100,000,000 or a total of 2,000,000 shares. The buy-back program will be in force from November 8, 2023, until the earlier of the time the maximum total purchase price or number of shares set out above has been reached, or December 31, 2023.

No further significant events to report after the balance sheet date.

Alternative Performance Measures and definitions

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 related 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 (Adj) EBITDA: EBITDA excluding share-based compensation and other income and expenses.

(NOK millions)	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
EBITDA	615	567	751
Adjustments:			
Share based compensation	27	5	13
Other income and expenses	37	10	74
Adjusted EBITDA	679	581	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.

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)	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
Gross Sales	36,605	28,620	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)	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Cash & cash equivalents	907	605	1,530
Restricted cash	-148	-51	-52
Non-restricted cash	759	554	1,477
Available credit facility	705	887	10
Liquidity reserve	1,465	1,441	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)	Sep 30, 2023	Sep 30, 2022 Restated	Dec 31, 2022
Inventory	21	4	17
Accounts receivable	6,352	5,407	6,563
Accounts payable	-5,293	-5,187	-6,563
Trade working capital	1,079	224	17
Unbilled gross sales	1,309	1,051	1,010
Public duty receivables	425	599	490
Contract assets	233	202	199
Prepaid expenses & other	220	230	378
Income taxes payable	-75	-65	-76
Public duties	-550	-546	-613
Accruals	-1,220	-933	-973
Employee benefits related accruals	-356	-329	-367
Prepayments & other	-160	-178	-185
Other working capital	-174	30	-138
Net working capital	905	253	-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)	Year to date Q3 2023	Year to date Q3 2022	Full year 2022
M&A, business development expenses and legal structuring	-31	-4	-5
Tax reassessment	0	0	-30
Fair value adjustment earn-out	-4	0	-28
Other personell costs	-1	-6	-11
Other income and expenses	-37	-10	-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.

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