

USER GUIDE

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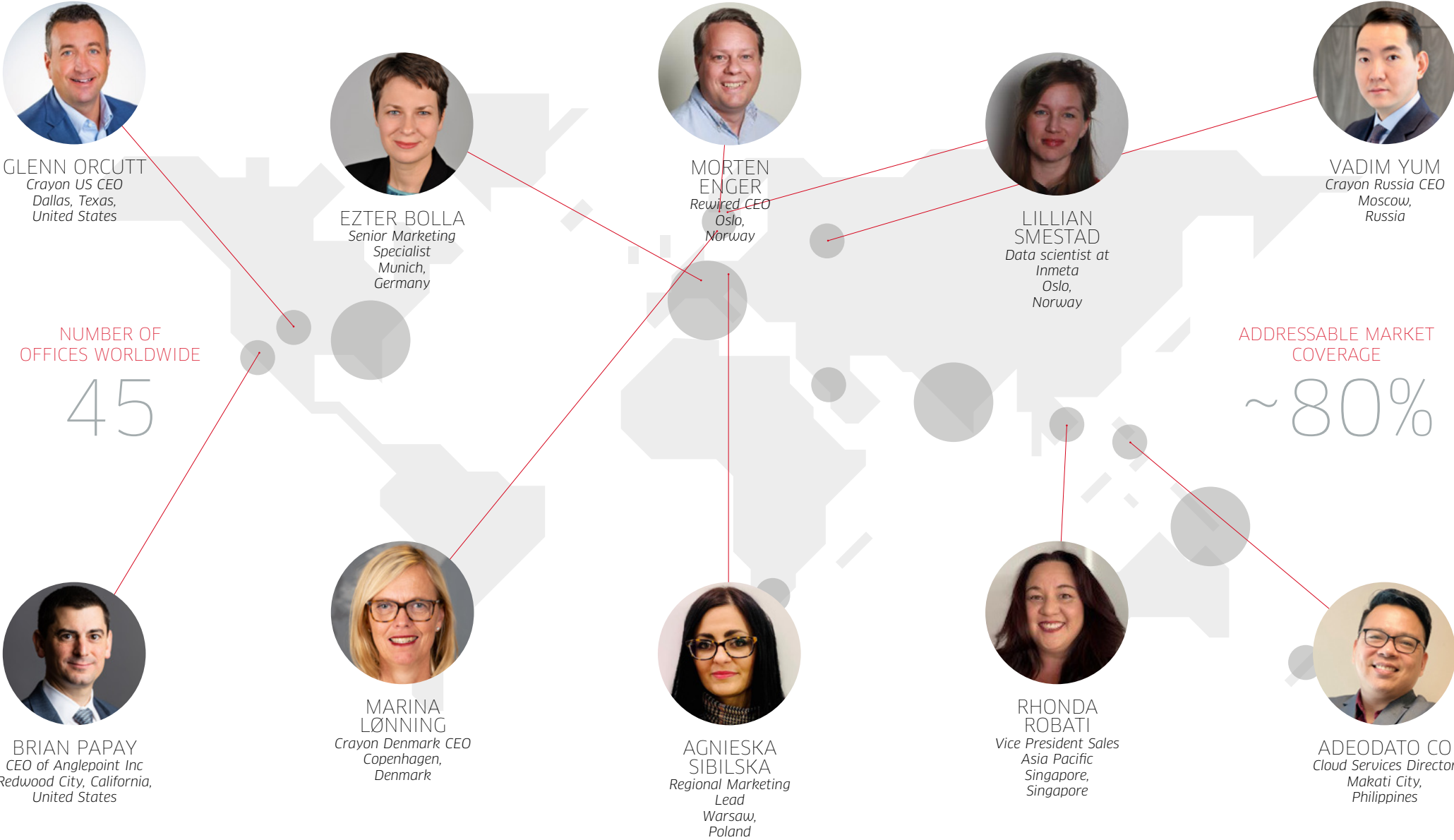


Annual Report
2019

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Faces of Crayon



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Key Figures

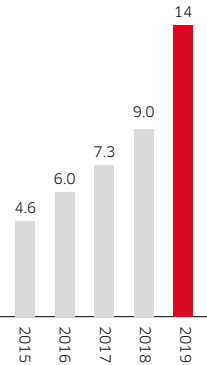
(NOK in thousands, unless stated)

	2019	2018	2017
Revenue	13,618,020	9,047,526	7,301,712
Gross profit	1,808,711	1,486,108	1,215,776
EBITDA	249,926	177,055	103,842
Adjusted EBITDA	292,242	188,141	130,600
EBIT	77,057	100,576	32,158
Net income	(19,289)	11,000	(50,734)
Cash flow from operations	190,977	114,746	152,859
Gross profit margin (%)	13.3%	16.4%	16.7%
Adjusted EBITDA margin (%)	2.1%	2.0%	1.8%
Adjusted EBITDA / Gross profit margin (%)	16.2%	12.7%	10.7%
Earnings per share (Nok per share)	(0.16)	0.20	(0.59)

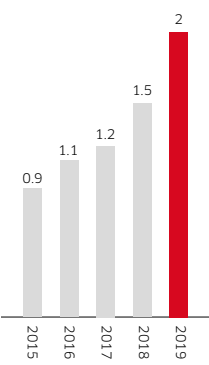
	December 31, 2019	December 31, 2018	December 31, 2017
Liquidity reserve	466,646	515,708	548,770
Net working capital	(337,712)	(343,216)	(405,301)
Average headcount (number of employees)	1,354	1,128	977

(See Alternative Performance Measures and [note 14](#))

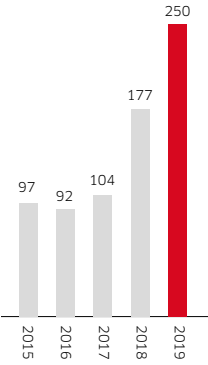
OPERATING REVENUE
In NOK billions



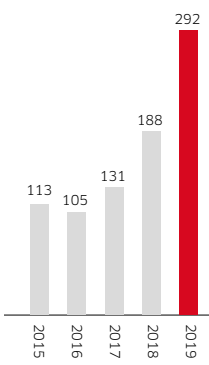
GROSS PROFIT
In NOK billions



EBITDA
In NOK millions



ADJUSTED EBITDA
In NOK millions



KEY FINANCIAL
FIGURES

GROSS PROFIT
GROWTH

+22%

ADJUSTED EBITDA
GROWTH

+55%


OPERATING CASH
CONVERSION

+65%

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Highlights 2019




JANUARY

Crayon trains Dubai's Roads and Transportation Authority to earn international certificates in Software Asset Management.




APRIL

Key participant in SAM's conference series in Europe.




JUNE

Crayon wins Microsoft's global AI and Machine Learning Partner of the Year.




AUGUST

Crayon launches global women's leadership program



OCTOBER

Crayon US wins two industry awards, Best Partner of the Year and Best Revenue Booster, from The 20.



DECEMBER


Crayon opens numerous offices in Central and Eastern Europe.

MARCH

Esteemed Flexera team based in Australia joins Crayon.

MAY

Crayon acquires Sequint, a leading channel software service provider.




JULY

Crayon is prominently featured throughout the Microsoft Inspire conference.

SEPTEMBER

Crayon celebrates a major \$256m healthcare deal with Norsk Helsenett SF along with DNVGL.



NOVEMBER

LinkedIn names Crayon talent acquisition team as best in the Nordics.

JANUARY

FEBRUARY

Crayon hosted its annual Nordic Infrastructure Conference (NIC) featuring world-renown IT experts.

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CEO Letter

Dear Friends of the Company, when Crayon began 18 years ago, we committed to serving our clients by providing best-in-class technologies to drive business value creation for our customers through optimisation of their total cost of ownership (“TCO”) related to their IT investments. Today that commitment still stands strong. However, the market is very different than it was two decades ago: We’re seeing an unprecedented rate of change, coupled with digitalisation, and an increased demand for AI and Machine Learning services.

Our cost-savvy, service-oriented approach has evolved through leveraging our technological expertise to uncover new revenue streams and simplify the complicated journey to the cloud.

As more companies automate services, collect and analyze more data, and streamline processes, they are increasingly more digital and require more complex technologies. Essentially, organisations in all industries are becoming software companies.

These companies are prioritising digital transformations because they are the cornerstone of their business strategy. This means IT spending will inevitably continue to grow, especially as technologies are increasingly driving business value.

Our deep technical expertise, combined with our business objectives with data maturity, and strong vendor relationships ensure that in this environment, we are surrounded by exceptional market opportunities.

Global expansion and success

We are a fast-growing global company that has now expanded into 35 markets hiring more than 350 new teammates, opened new offices in Central and Eastern Europe, Africa and Australia, and we have experienced impressive growth in existing markets such as the US and Western Europe.

Other 2019 accomplishments include:

- We posted the best full-year financial results in our history with an organic gross profit growth of 22% and adjusted EBITDA of NOK 292m (up NOK 104m compared to 2018).
- Microsoft named us No. 1 in the world for AI and Machine Learning.
- We have more than 1.6 million end-customers onboarded to our own fully automated provisioning platform, Cloud-iQ.
- Demonstrated strong commercial momentum across all business areas and market clusters.

Though we have had a fantastic year on the business side, I am also particularly pleased with what Crayon has been able to accomplish in the area of corporate social responsibility. As a Norwegian company, we believe in equality, taking care of our employees and their communities. Due to our commitment to such values, the United Nations has recognised our efforts by certifying us as a UN Global Compact company. This prestigious designation is part of the world’s largest corporate citizenship initiative, with thousands of business participants in over 160 countries.

Among the initiatives that led to this honor include:

- Our first global program aimed at increasing the number of women in Crayon management. The program features a customized leadership plan and fosters mentoring relationships.
- Our Dubai office’s launch of their “Giving Back” initiative, resulting in a distribution of thousands of meals for labor camp workers.
- Our ongoing efforts in many of our regions to raise money for fighting cancer and other terminal illnesses. And we participate in several programs to support impoverished children and their families.

I look forward to supporting the exciting initiatives that we have set for 2020, because at Crayon we take our entrepreneurial spirit and combine it with our Nordic roots to help make the world a better place. All of us at Crayon feel privileged to work in such an exciting industry where new technologies are being formed and cutting-edge optimisations area being delivered.

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As the market demands more data and more applications, the digitalisation journey will only get more complex and Crayon is well-positioned to help.

- We are very cost-effective, and our customers trust us to best optimise their IT services.
- We have deep technical expertise combined with a consulting practice that meets organisations' operational and strategic demands.
- We enjoy strong vendor relationships that foster our intrinsic understanding of all the global technology platforms: Microsoft, AWS, Oracle and IBM.
- Plus, we are the premier data experts. We know where the data is, how to obtain key insights on that data and how to manage those insights.

These attributes are also what solidify us as a leader in emerging technologies within the modern enterprise today as well as tomorrow.

Our 2020 priorities include:

- A continued focus on growth and market share gains, while also gradually improving profitability.
- Ongoing, heavy investments in emerging technologies, largely through strengthening our AI Centers of Excellence to scale the deployment of our deep data science and AI consulting capabilities to our clients worldwide.
- Furthering our investments in our people and capabilities to remain the trusted partner for our customers advising on these topics.
- Maintaining our opportunistic approach around our global expansion, but with stringent requirements to ensure sufficient capacity to manage the planning and execution of such growth.

None of the successes of 2019 nor the vision for 2020 would be possible without our talented teammates, partners and investors. I would like to thank every one of you for driving exceptional service and innovation to propel us further in being the most trusted and qualified partner for the digitalisation journey.

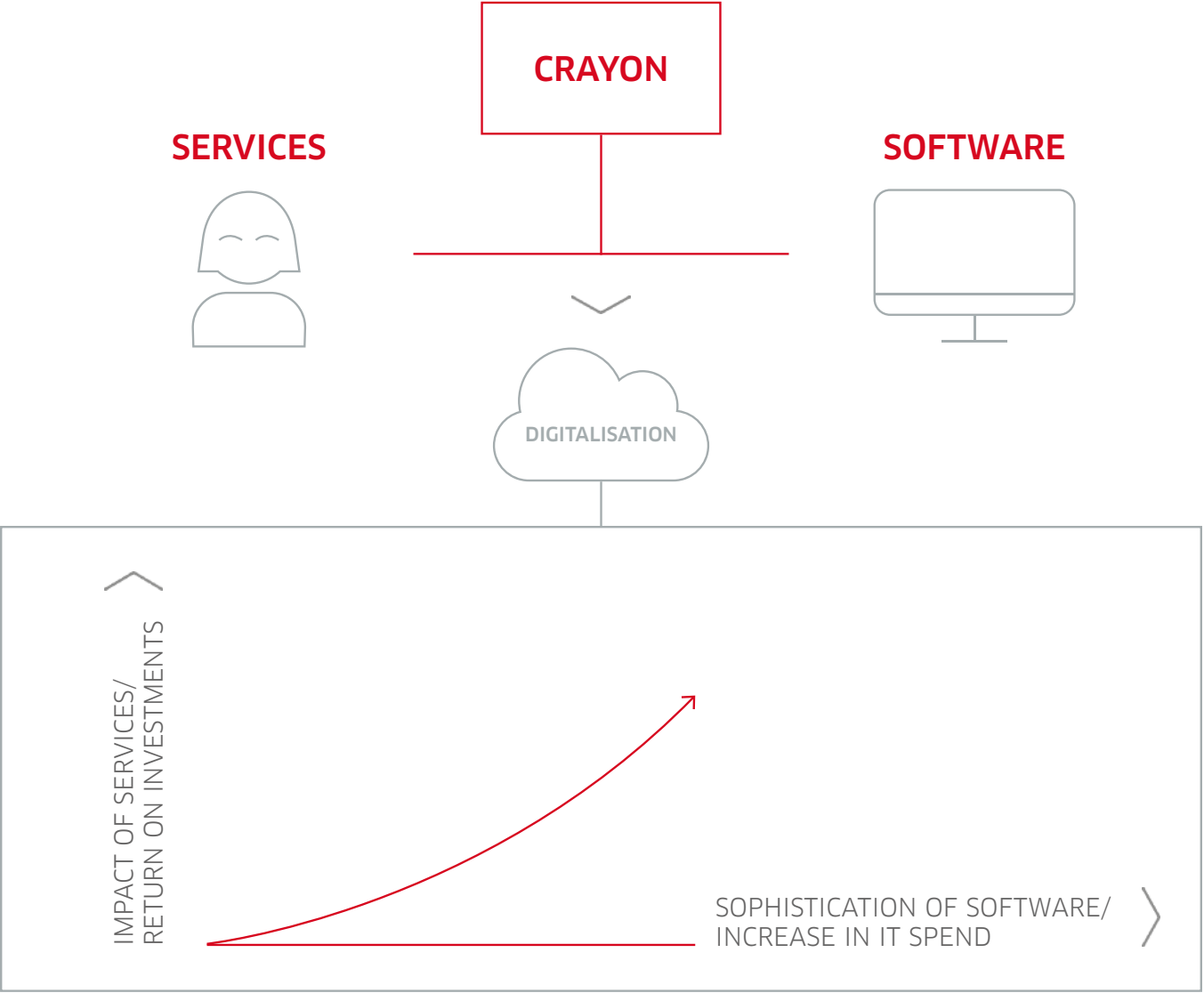
“

With our deep expertise, we are committed to serving our clients by providing best-in-class technologies.



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CRAYON

Crayon specialises in supporting customers across all industry sectors with complex local, regional and global IT estates. Our mission is to help our clients navigate complicated technologies through our unique talents, tools and systems to optimise clients' ROI on their technology investments.

CLIENT

The rapid rate of change in the global IT market demands that enterprise and commerce digitally transform to keep pace with a world filled with disruption and volatility. Emerging technologies and data-driven innovation enable businesses to thrive in these ever-changing times.

MAIN OFFERING

Given the market trends and the increasing complexity involving all technologies, it's critical for businesses to have expert guidance. Studies have shown that businesses across all industries and of all sizes simply cannot keep up with the advancements alone.

MARKET

Already a global leader in IT and digital transformation services, we operate the world's largest independent cloud economics practice. Our approach to cloud economics also dovetails perfectly with our artificial intelligence and machine learning strategies, which creates a winning combination for our customers.

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Crayon Management



TORGRIM TAKLE
Chief Executive Officer

Torgrim Takle joined Crayon in September 2013 as the Company's chief financial officer ("CFO") before he became the CEO of the Company and Crayon Group AS in 2015. Prior to 2013, Mr. Takle served as CFO of Thin Film Electronics ASA (a publicly listed technology company in Norway). Previously, Mr. Takle was an Associate Principal at McKinsey & Company which he joined in 2004, managing corporate finance-related projects for clients across Europe and the USA. Mr. Takle has ten years of experience with the industry and management. Mr. Takle holds a Master of Science degree from the Norwegian University of Science and Technology's Department of Industrial Economics and Technology Management. He is a Norwegian citizen, residing in Oslo, Norway.



RUNE SYVERSEN
Founder and Deputy Chief Executive Officer

Rune Syversen co-founded Crayon in 2002. Mr. Syversen is the deputy CEO of the Company. Prior to leading the establishment of Crayon, he held a number of senior positions in the Telenor group in Norway and Sweden as well as establishing several companies involved with IT and financing. Mr. Syversen has over 20 years of experience with the industry and management. Mr. Syversen studied at the Norwegian School of Management. He is a Norwegian citizen, residing in Oslo, Norway.



JON BIRGER SYVERTSEN
Chief Financial Officer

Jon Birger Syvertsen joined Crayon in March 2018 as CFO of Crayon Group. Before joining Crayon, Mr. Syvertsen was the CFO of Kebony AS and held management/business development roles at FMC Health and Nutrition and Epax AS. Prior to this, he was an Engagement Manager at McKinsey & Company, where he was a member of the Corporate Finance practice and served clients in multiple industries across Europe. Mr. Syvertsen holds a Master of Science degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU) and Universität St. Gallen in Switzerland. He is a Norwegian citizen, residing in Oslo, Norway.



BENTE LIBERG
Chief Operating Officer

Bente Liberg joined Crayon in March 2002 and has held various positions in the Company, first as Consulting Manager and then as Director of HR & Business Development from 2007. In 2010 she was appointed as chief operating officer ("COO"). Ms. Liberg came from the post of consultant manager in Eterra. Ms. Liberg has 15 years of experience as an IT infrastructure consultant and nine years as a manager for IT consultants. Her previous employers include Netcenter, EDB, and Eterra/Getronics. Ms. Liberg studied at the NKI computer college (DPH). She is a Norwegian citizen, residing in Oslo, Norway.



MATTIAS ÖDLUND
Chief Technology Officer

Mattias Ödlund joined Crayon in 2007 as operations director for the Swedish subsidiary Crayon AB. He has later been appointed as chief technology officer ("CTO") of the Group. Before joining Crayon, he worked as an IT manager consultant for five years and had engagements in industries like IT & Telecom, Retail and Logistics. Mr. Ödlund has 20 years of experience from the IT & Telecom industry and has held senior positions at Song Networks AB (TDC) and at Wineasy AB as CTO and VP. He is a Swedish citizen, residing in Stockholm, Sweden.

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Values and Sustainability

We at Crayon are committed to building a greener and better future for our employees and our global society.

As a global company, we can make the biggest change by empowering our teammates and partners to exemplify our values in their local communities. As a framework, the Crayon Values are: Integrity, Pace, Agility, and Quality.

1. Integrity. Having integrity builds trust, which is essential to sustaining our position as an integral part of our customers’ IT solutions team.

2. Pace ensures we identify opportunities rapidly and execute value propositions to customers faster than our competitors.

3. Agility fuels our innovations to remain the global leader in intelligent technology and cloud-based solutions.

4. Quality is tied to integrity, as we have exacting and high standards to drive successful project outcomes and ongoing customer retention.

Crayon collaborates with the United Nations

Crayon has been admitted into the UN Global Compact, which is an initiative that aims to “advance universal principles on human rights, labor, environment and anti-corruption through the active engagement of the corporate community.”

As part of this compact, Crayon is committed to internalize the ten key UN principles within our strategies, policies and operations. We also have

taken on projects to advance the UN’s Sustainable Development Goals (SDG.) The UN established 17 SDGs to achieve by 2030 that aim to end poverty, fight inequality and injustice and protect the planet.

Crayon Communities

We have 50 offices around the world, and in each of those cities, our employees are encouraged to volunteer their time and effort to help make a difference.

Our team in Oslo donated a plethora of children’s toys to Fattighuset, which is provides support to the poor. Our teammates also participated in three races to raise money for charity. Furthermore, we sustain a strong focus on physical health and offer employees access to free exercise classes three times a week.

Many of our teammates have also participated in fundraisers to support those fighting cancer. In the US, our team in Dallas ran a race, as did our colleagues in the UK in aid of the Macmillan Cancer Support.

Our Dubai office launched its “Giving Back” initiative in 2019, exceeding their donation goals during their first project, resulting in a distribution of 2,500 meals to labor camp workers.

In Mumbai, we are supplying over 100 students access to quality education. Our other works to support children in the APAC region included donating to an orphanage and a children’s hospital care center.

Teammate Enablement

Our biggest asset is our employees, and it is imperative for them to have the necessary tools to work efficiently and effectively on a global scale.

That is why in 2019 we successively rolled out the new Microsoft Dynamics 365 ERP and CRM platform. The new ERP system will be the backbone of the company and paves the way to integrated and efficient global operations.

To further drive home our motto of “One Company... One Team,” we hosted our annual Back To Work sessions. This program takes place shortly after the New Year, where offices around the world discuss highlights from the previous year and goals for the new year.

Corporate Social Responsibility

Crayon Group’s wider Corporate Social Responsibility (CSR) status is evaluated by an independent, third party named Eco Vadis. The rating acknowledges how well our company has integrated the principles of CSR into our overall business.

The Eco Vadis methodology covers 21 criteria across four themes – environment, fair labor practices, ethics/fair business practices, and supply chain. The methodology is built on international CSR standards including the Global Reporting Initiative, the United Nations Global Compact, and ISO 26000, and the Eco Vadis report for 2019 is available on Crayon’s homepage.

Crayon’s current rating is Silver and we’re making strides to achieve Gold in 2020.

According to Eco Vadis, Crayon Group is in the top 6% of companies that the organisation rated in our industry.

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With respect to our policies involving the environment, we are also in the top 6% when compared to other companies in our sector.

Another example of our commitment to being eco-friendly is that according to EcoLighthouse, the average business in our industry produces more than 60,000 tons of CO₂, which is an astronomical 227% higher than Crayon's average.

Eco Vadis also noted our strength in our efforts to reduce CO₂ emissions from business travel, reduce our paper consumption, manage battery waste and recycling of IT equipment and related items.

Eco Vadis pointed to our whistleblower procedure on discrimination and/or harassment issues and internal audits on health and safety issues, as examples of strengths in the labor and human rights theme.

For supply chain, Eco Vadis noted our regular supplier assessment on environmental or social practices. In the ethics category, the independent agency mentioned our strong restrictions relating to how confidential information is collected and stored.



AREAS COVERED BY ECO VADIS METHODOLOGY

SOCIAL	ETHICS	CORRUPTION & BRIBERY	SUPPLY CHAIN
Energy consumption	Health & safety	Anti-competitive practices	Environment
Water	Working conditions	Fair marketing	Labor practices & Human rights
Biodiversity	Labor relations		
Local pollution	Career management		
Materials, chemicals & waste	Child & forced labor		
Air emissions	Freedom of association		
Green house gases	Non discrimination		
Product use / End of life	Fundamental human rights		
Customer health & safety			

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Financial Highlights 2019

Financially, 2019 represented a major achievement for Crayon with very strong growth and profitability improvements across the board.

Revenue grew by 51% YoY in 2019, from NOK 9.0b in 2018 to NOK 13.6b in 2019, while gross profit grew with 22% YoY from NOK 1,486m in 2018 to NOK 1,809m in 2019 and adjusted EBITDA grew with 55% from NOK 188m in 2018 to NOK 292m in 2019. For measuring performance across segments the most appropriate indicators are gross profit and EBITDA, as these are net of cost of goods sold (typically, software licenses) and are thus comparable across the different business divisions (software/ services) in Crayon Group.

The Group operates and reports based in four geographical clusters – Nordics, Europe, APAC&MEA and US. Crayon experienced strong growth in gross profits in 2019 across all geographies with Nordics delivering +131m/15% YoY growth; Europe +84m/31%, APAC&MEA +65m/49%, and US +67m/43% YoY growth. This development is encouraging as 2/3 of the total gross profit growth in 2019 originates outside the Nordics, demonstrating the value of the international footprint by increasing market presence organically and leveraging economies of scale locally and globally.

This gross profit growth is also reflected in the EBITDA development. Adjusted EBITDA grew from NOK 188m in 2018 to NOK 292m in 2019, a growth of 55%/NOK 104m which results in the Adjusted EBITDA to gross profit margin improving from 12.7% in 2018 to 16.2% in 2019.

All geographical clusters contribute positively to the EBITDA development, and it is also encouraging to see that all four market clusters improved their EBITDA margin as a consequence of gross profit growth and improving scale. EBITDA margins outside the Nordics are

still at a lower level given the lower maturity of these markets, but as these markets mature EBITDA margins should over time trend towards the levels seen in the Nordics.

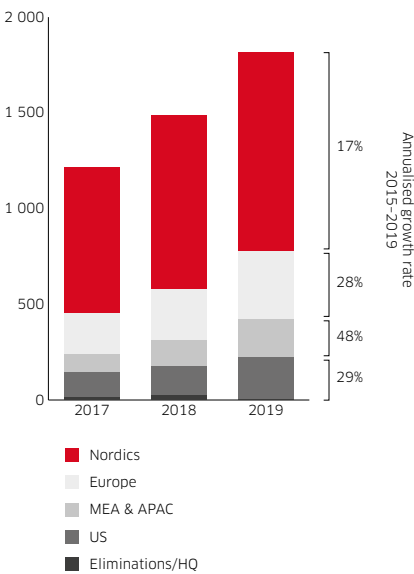
Within these geographical clusters, the business operates in two business divisions, each comprising two operating segments. Services consists of Consulting and Software and Cloud Economics (“SCE”) and software licensing consists of Software & Cloud Direct and Software & Cloud Channel. All operating segments with the exception of SCE delivered growth in Adjusted EBITDA during 2019, while SCE delivered a flat EBITDA development reflecting the continued investments into this segment.

Cash flow from operations remained strong in 2019 with NOK 191m, up from NOK 115m in 2018. This improvement was driven by strong EBITDA improvement at stable net working capital levels. Working capital continues to be a focus area for management, and the business will continue to address this going forward.

In November 2019 the company refinanced its long-term debt position, replacing the Crayon02 (secured NOK 450m bond at NIBOR + 550bps) with an unsecured NOK 300m bond at NIBOR +350bps, with the reduction in bond offset by a corresponding increase in the revolving credit facility (“RCF”) available to the company. The bond is in process to be listed on the Oslo Stock Exchange. This refinancing is expected to reduce the financing cost of the company going forward. The balance sheet of the company remains strong, with a decrease in leverage ratios during 2019 driven by the strong EBITDA growth against a constant long-term debt position.

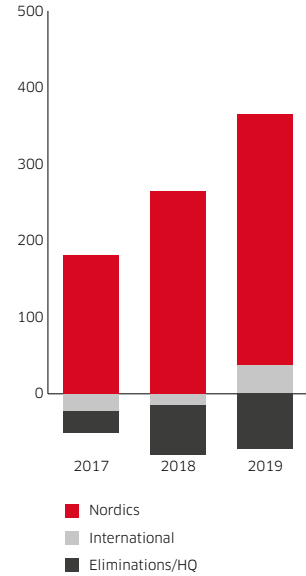
GROSS PROFIT DEVELOPMENT PER MARKET CLUSTER

NOK millions



EBITDA GROWTH BY INTERNATIONAL MARKETS

NOK millions



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“The best thing about Crayon is the people. It’s our innovation. It’s our diversity of thought. Our customers and partners can sense that authenticity and trust us to lend them our expertise, guiding them to create true business value while streamlining their digital transformation journey.”

MELANIE COFFEE
PR and Media Relations Director



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Board of Directors



JENS RUGSETH
Chairman of the Board

Jens Rugseth was a co-founder of Crayon Group AS in 2002. He has been an entrepreneur and investor in a large number of companies within the IT-sector over the past 30 years. Jens Rugseth is also co-founder and chairman of the Board of Link Mobility ASA (OSE: Link). Mr. Rugseth has also held the position as Chief Executive Officer in some of the largest IT-companies in Norway, including ARK ASA, Cinet AS and Skrivervik Data AS. Mr. Rugseth studied business economics at the Norwegian School of Management. Jens Rugseth is a Norwegian citizen, currently residing in Oslo, Norway.



GRETHE VIKSAAS
Board Member

Since May 2017, Grethe Viksaas has served as board member in the board of directors of Telenor ASA. Ms. Viksaas has had a long career in the Northern European managed service provider Basefarm AS, first as founder and Chief Executive Officer, then from 2016 as working chair of the board of directors. Prior to her career in Basefarm, Viksaas served as Chief Executive Officer for SOL System AS and Infostream ASP. Ms. Viksaas currently serves as the chair of the board of directors in Norsk Regnesentral and as a board member of IKT-Norge. Ms. Viksaas has a master's degree in computer science from the University of Oslo. She is a Norwegian citizen, currently residing in Oslo, Norway.



DAGFINN RINGÅS
Board Member

Dagfinn Ringås is the chief executive officer of Sysco AS. Mr. Ringås has more than 20 years of experience within the IT-industry, of which the past 10 years have been with Microsoft Norway, where he was responsible for the corporate market and partners. Mr. Ringås also holds board positions in Elko and EFO. Mr. Ringås has a bachelors' degree in American studies and political science from the University of Oslo. Mr. Ringås also has an MBA from Sydney Business School and an Executive Leadership Program from INSEAD. Dagfinn Ringås is a Norwegian citizen, currently residing in Asker, Norway.



EIVIND ROALD
Board Member

Eivind Roald is a Senior Industrial Advisor with Altor Equity Partners, supporting their portfolio companies in commercial and digital transformations. Prior to this Mr. Roald was the Executive Vice President and Chief Commercial Officer at SAS (Scandinavian Airlines System) for 6 years, Managing Director of HP Norway for 7 years, and has also held several positions in Accenture as partner. Mr. Roald started his career in the managing consulting company Railo International. Eivind Roald holds a bachelors' degree in Business and administration from the Norwegian School of Management, with focus on strategy and developing performance. Eivind Roald is a Norwegian citizen, currently residing in Asker, Norway.



CAMILLA MAGNUS
Board Member

Camilla Magnus is a lawyer and a partner of the Norwegian law firm Advokatfirmaet Selmer DA and head of the Corporate and Finance Department. Ms. Magnus also serves on the board of directors of TechStep ASA, a position she has held since November 2016. Ms. Magnus' areas of expertise include M&A, contract law, and corporate law. She regularly holds lectures and seminars on transaction related legal subjects for Norwegian and foreign lawyers, the business community and students. Ms. Magnus has a master's degree in law from the University of Oslo. She is a Norwegian citizen, currently residing in Oslo, Norway.

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BJØRN HENRY ROSVOLL
COO I inmeta

Bjørn Henry Rosvoll is an employee of Crayon, working as a COO for Inmeta Consulting AS. Mr. Rosvoll has previous experience as Sales Director in Q-Free, EMGS, Aptomar, Lithicon, and Rapp Marine. Mr. Rosvoll has previously been employee representative in the board of directors in Q-Free ASA (1999-2000) and EMGS ASA (2008-2009). Mr. Rosvoll has a bachelor's degree in computer software engineering from Trondheim School of Engineering. Mr. Rosvoll is a Norwegian citizen, residing in Trondheim, Norway.



JAN HENRIK EMANUELSEN
Employee Representative

Jan Henrik Emanuelsen is Director Delivery & Cloud Services at Crayon AS. He has more than 20 years' experience from the IT industry, where he previously has worked as a consultant and various roles with IT transformation and operations for large enterprises and public organisations. Emanuelsen worked in Telecomputing AS with establishing, standardising and automating repeatable services from a centralised managed services perspective long before cloud computing was a defined term. In Crayon, Emanuelsen has worked as a consultant, and has covered multiple management roles with strong technical authority within both traditional infrastructure and modern cloud technology. Emanuelsen has the last years worked actively in Crayons development towards customers and the global hyperscale vendors.



BRIT SMESTAD
Employee Representative

Brit Smestad is an employee of Crayon AS, where she currently is Customer Engagement Manager. Before this, she has worked for more than 15 years as Bid Manager and Key Account Manager at Crayon AS. Prior to her career in Crayon, Brit Smestad held the position as Sales Manager in Eterra and in Merkantildata. Brit Smestad has taken classes in project management at BI Norwegian Business School. She is a Norwegian citizen, currently residing in Slattum, Norway.

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Crayon Group Holding ASA

Report from the Board of Directors

Crayon Group Holding ASA is the holding and parent company of the Crayon Group, headquartered in Oslo, Norway. Crayon is a leading IT advisor in software and digital transformation services. With unique IP tools and skilled employees, Crayon helps optimise its clients’ ROI from complex software technology investments. Global technology trends such as accelerated digitalisation and cloud adaptation propelled Crayon’s excellent financial performance in 2019 and are key drivers for future growth.

Increased digitalisation and demand for emerging technologies is fuelling more sophisticated software solutions and potential for optimising and increasing ROI, with Crayon services, for our clients.

The Group grew gross profit by 22%, to NOK 1.8bn for 2019, with strong growth in particular outside the Nordics. Adjusted EBITDA improved by 104 million to NOK 292m for 2019, driven both by strong margin improvements in Nordics and Europe, while also improving EBITDA margins in the less established markets in APAC&MEA and US.

The Board of Crayon Group Holding ASA would like to thank all Crayon employees for their contribution towards the strong financial performance in 2019.

ABOUT CRAYON

Crayon is a leading IT advisory player in software and digital transformation services. With unique IP tools and skilled employees, Crayon helps optimise its clients’ ROI from complex software technology investments. Crayon has long experience within volume software licensing optimisation, digital engineering, predictive analytics and assists the clients through all phases of the process of a

digital transformation. Headquartered in Oslo, Norway, on December 31, 2019 the company has approximately 1,500 team members across 50 offices worldwide. Crayon Group Holding ASA is the parent company of the Crayon Group.

Crayon is positioned deep within the digital transformation, where the shift towards cloud services positively affects the markets in which Crayon operates. This shift, combined with increasingly complex IT solutions and IT spending, is becoming harder to control, which results in Crayon seeing a trend towards software and IT spending being more strategic for business across all sectors and IT spending moving from Capex to Opex, i.e. IT spending becoming less reliable on committing upfront funds for investments, and rather allowing payment as they go only for the services they use.

Crayon’s strategy is positioned around these market trends; with Crayon’s core strategy of putting our customers’ value creation first by focusing on both the business benefits and the costs through a TCO approach. This strategy is driven by the fundamental belief that Software and Cloud Economics (“SCE”, previously often referred to as Software Asset Management, “SAM”) is the

foundation of all intelligent IT decision making, including an optimised digital transformation into the cloud. Through its business divisions Services and Software, Crayon’s goal is to help customers optimise, manage and utilise the relationship with software vendors through the IT lifecycle, thus, establishing long-lasting and trusted positions with customers.

Crayon divides its markets into segments based on geography, clustering the individual countries and legal entities into regions. Crayon’s geographic footprint expanded during 2019 as Crayon established new subsidiaries in central and eastern Europe, Australia, South Africa, and Mauritius. Following this expansion, the geographical expansion is currently characterised as complete. The strategic focus of the Group during 2019 was to develop the immature geographic markets towards sustainable profitability. In the start-up phase of a new geography, the Group seeks to achieve this by first building/increasing the customer base, then focusing on strengthening the Group's vendor positioning and monetising the customer base, before subsequently focusing on improving the cost structure within the organisation. More specifically, Crayon’s strategy is focusing on delivering growth while limiting scaling of the existing cost base, which results in EBITDA improvements as gross profit grows.

Furthermore, the IT industry is one of the most dynamic, fast-changing and competitive industries in the world, characterised by relentless cycles of innovation and commoditisation. With this context the Board continuously strives to find the right balance in terms of protecting the core and maintaining short-term profitability, while investing for the future to drive long-term value creation. In order to achieve this, the company needs to continue its efforts on developing

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institutional capabilities and drive operational excellence across its operating entities, whilst being agile enough to keep pace with the industry itself.

FINANCIAL SUMMARY

The Group has during 2019 proven its ability to deliver growth in gross profit and EBITDA both in the Nordic market representing the cornerstone of the business and in the international markets, where Crayon has entered the market more recently and is still in an aggressive ramp-up phase.

Income Statement

In the year under review the Group posted sales of NOK 13.6bn, and gross profit grew 22% from NOK 1,486m in 2018 to NOK 1,809m in 2019. The year-over-year (“YoY”) gross profit was strong across all geographic clusters and all clusters delivered positive YoY gross profit growth in 2019.

Adjusted EBITDA in 2019 was NOK 292m, up from NOK 188m in 2018. The primary driver was the NOK +63m positive YoY development in the Nordics, while Europe, APAC&MEA and US contributed positive EBITDA development of NOK +31m, +6m and +12m respectively. Increased Group costs due to strategic resources and centralisation of functions had a negative EBITDA contribution of NOK -8m.

The Group had other income and expenses (adjustments) in 2019 of NOK 42.3m, compared to 11.1m in 2018. In 2019 these costs primarily related to share-based compensation and M&A costs, while the 2018 costs were driven by share-based compensation and extraordinary personnel costs.

EBIT decreased from NOK 100.6m in 2018 to NOK 77.1m in 2019 despite the increase in EBITDA as a consequence of increased depreciation and amortisation (+37m NOK) and impairment of goodwill related to the FAST acquisition in the UK in 2013 of NOK 59m.

Net financial items increased from NOK -46.8m in 2018 to NOK -67.5m in 2019 as a consequence of the implementation of IFRS 16 in 2019 and transactions costs related to the refinancing in November 2019.

Income tax expenses decreased from NOK 42.8m in 2018 to NOK 28.9m in 2019. This tax cost is a reflection of the maturity of Crayon's overall portfolio of markets, as a number of local subsidiaries are profitable and in a taxable position, while other subsidiaries are still not profitable and unable to book the tax loss carry forward at this stage.

The Group's net loss was NOK 19.3m in 2019, compared to a net income of NOK 11.0m in 2018. This represents earnings per share of NOK -0.16 in 2019, compared to 0.20 in 2018.

Cash flow statement

The Group's cash flow from operating activities increased from NOK 114.8m in 2018 to NOK 191.0m in 2019, driven by strong EBITDA improvement and stable net working capital levels. Managing working capital remains a critical priority for management.

During 2019 the company has further increased its focus on working capital management, which has allowed the company to deliver significant growth without increasing working capital, and the company will continue to focus on optimising the working capital level.

The total cash flow from investments in 2019 was NOK -85.2m in 2019, compared to NOK -69.5m in 2018. The major driver of the cash flow from investments in 2019 is acquisition of assets, which primarily relates to development of intangible assets in the form of both customer-facing and internal use systems.

Cash from financing activities was NOK -243.7m in 2019, compared to NOK -40.1m in 2018. The cash flow from financing in 2019 is driven by the refinancing in November 2019, where the Company called the

NOK 450m bond (“Crayon02”) and issued a new NOK 300m bond (in process of being listed on the Oslo Stock Exchange). The reduction in cash is offset by a corresponding increase in the RCF, leading to a net neutral impact on liquidity available to the company.

At the end of the year, the Group's cash and cash equivalents totalled NOK 238.8m in 2019 compared to NOK 379.3m in 2018, a decrease of NOK 140.5m which is in line with the reduction of bond loan of NOK 150m. The Board continuously monitors the cash generation of the company and will continue its efforts to maximise the cash flow and the liquidity position of the company.

Balance sheet

As of December 31, 2019, the Group had total assets of NOK 4.179m. Current assets such as cash, receivables and inventory represented NOK 2.963m. Non-current assets represented NOK 1.216m, and consisted primarily of goodwill (NOK 829m), intangible assets separable from goodwill which relates to technology, software and development activities (NOK 113m) and identified customer contracts in acquired entities (NOK 70m).

The Group had total liabilities of NOK 3,593m as of December 31, 2019, of which NOK 3,133m were current liabilities such a payables and public duties. Total equity was NOK 585m at the end of 2019. Long-term liabilities amount to NOK 460m, which primarily relates to the long-term bond loan and deferred lease liabilities, primarily related to rental of premises.

The Group had a net cash position of NOK 238,8m, where the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”). The Group had significant headroom with regards to its bank covenants as of December 31, 2019.

Parent company accounts

The parent company, Crayon Group Holding ASA, had a net loss of NOK -31.8m for 2019, compared to a net profit of NOK 8.7m for 2018. Crayon Group Holding

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ASA has no employees, and the operating expenses are primarily shareholder related costs for the parent company and finance costs related to the bond. The parent company’s main asset is shareholdings in Crayon Group AS, while the main liability is the bond loan.

Crayon Group Holding ASA satisfies the conditions necessary to continue as a going concern, and the Annual Financial Statements have been prepared on this basis. There have been no events since the end of the reporting period that materially impacts the presentation or interpretation of the Annual Financial Statements.

Allocation of loss/earnings for the year

The consolidated accounting loss, after other comprehensive income ended at NOK -10.4m. The parent company posted a net loss at NOK -31.8m. The allocation of the net profit for the year is shown in the Annual Financial Statement.

RISK MANAGEMENT

The Board is careful to secure systematic and concerted management of risk in all parts of the business, and regards this as critical for long-term value creation. Growth opportunities shall always be weighed against associated risks. The Board of Directors regularly reviews the Crayon Group's risk profile. This includes risk relating to profitability, HSE, security, market, financial reporting, interest rates, foreign currency, credit and liquidity.

Interest rate risk

The company’s borrowings are linked to NIBOR, STIBOR and CIBOR, which means that the company is exposed to interest rate fluctuations. Approximately 25% of the principal amount of the bond is interest hedged, while the remaining borrowings use floating interest. The interest rate risk is considered to be at an acceptable level but will be reviewed in 2020.

Liquidity risk

Management of liquidity risk is accorded high priority as part of measures to secure financial flexibility. The cash flow from operating activities is managed at the

operational level by the individual companies. The Finance Department monitors liquidity flows in its short-term and long-term reporting. The Group has significant liquid assets, and as a result of this the liquidity risk is deemed to be low.

As of December 31, 2019 the Group has long-term interest-bearing debt related to the bond loan of NOK 293m, other long-term liabilities relating to ordinary course of business of NOK 42.0m, short-term interest bearing debt relating to a credit facility in India amounting to NOK 45m and a net cash position (the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”)) of NOK 239m.

Further, as of December 31, 2019, the Group had a credit facility of NOK 350m. The credit facility is used for working capital and other short-term financing purposes. Quarterly covenant tests are attached to the credit facility. As of December 31, 2019, the company had significant headroom to its covenants and NOK 40m drawdown on its revolving credit facility while leveraging NOK 62m for bank guarantees, leaving NOK 248m available on the credit facility.

Credit risk

As in previous years, the Group has low losses on receivables. However, the increased operations of the Group in new markets outside the core Nordic region exposes the business to different credit risk environments, which is also reflected in increased bad debt provisions in the annual accounts. The Board of Directors deems credit risk to be at an acceptable level.

Foreign currency risk

The company is exposed to currency fluctuations due to the international nature of its operations. In general, the revenue and cost of goods sold are in the same currency, limiting the currency exposure. Furthermore, across the business, major transactions in foreign currency are hedged according to a pre-defined policy using forward contracts.

As of December 31, 2019, the Group had swapped approximately 33% of its bond principal into SEK and DKK. There is no currency hedging related to these currency swaps because the Group has income in SEK and DKK. Hence, a natural hedge is achieved as the bond principal swapped into non-NOK currencies reflects the underlying cash generation by the Group.

Other than the above, the Group does not have any significant financial instruments relating to foreign currency.

ORGANISATION, WORKING ENVIRONMENT AND EQUALITY

In 2019, the average number of FTEs in the Group was 1,354, an increase of 226 compared to last year. The Group is satisfied with the working environment, and continuously strives to further improve the working environment. Sickness absence in the Group amounted to 3.1% in 2019. No material personal injuries or damage to material was registered in 2019. Each year employees are offered the opportunity to attend first-aid courses, which includes training in how to use defibrillators. The company’s management have implemented an HSE course and have drawn up an associated plan to maintain compliance with HSE issues. Employee representatives serve on the company’s board.

At the end of the year, 25.0% of the Group's employees were women. The IT industry in general is characterised by a low share of female employees. In order to counter this, the Group works systematically to improve the share of female employees at all levels. One of the company's objectives is to offer equal salary levels and career opportunities regardless of gender. The Board of Directors comprises of 5 men and 3 women.

The purpose of the Norwegian Anti-Discrimination Act is to promote equality, safeguard equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, national origin, descent, skin colour, language, orientation, religion or belief. The Group endeavours to promote the objectives of the Act in its operations with

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regard to recruitment, wages and working conditions, promotion, development opportunities and protection against harassment. The Group strives to be a workplace where there is no discrimination on grounds of disability.

CORPORATE SOCIAL RESPONSIBILITY

All Crayon Group employees shall display respect and integrity in dealing with their business contacts, colleagues or others with whom they come in contact with through their work. The Crayon Group does not accept any form of harassment, discrimination or other conduct that could be deemed to be threatening or demeaning.

The Crayon Group aims to provide an attractive workplace with good working conditions, a safe working environment and to promote diversity, equal gender distribution and inclusive recruitment.

The Crayon Group's employees shall assume responsibility for the market and the society that the company serves by conducting operations to a high ethical standard and in accordance with applicable legislation and human rights. The company shall be aware of the impact of technology on society and the environment. The Group also has a written anti-corruption policy in place which is approved by the board of directors and distributed across the Group.

For further information on the Group's Corporate Social Responsibility program and the practical implementation of these principles, please see the separate Corporate Social Responsibility section in the annual report.

Crayon's line of business is business-to-business ("B2B") consulting services and reselling of software licenses. The company's activities do not involve manufacturing of products or physical distribution. For this reason, there is a very low impact on the external environment from Crayon's operations.

CORPORATE GOVERNANCE

Crayon considers good corporate governance to be a prerequisite for value creation, trustworthiness and access to capital. In order to secure strong and sustainable corporate governance, it is important that Crayon ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across Crayon Group.

Crayon Group Holding ASA is incorporated and registered in Norway and is subject to Norwegian law. The shares of Crayon are listed on the Oslo Stock Exchange (Nw.: Oslo Børs). As a Norwegian public limited liability company listed on Oslo Børs, Crayon must comply with the Norwegian Securities Trading Act, the Continuing obligations for companies listed on Oslo Børs, the Norwegian Public Limited Liability Companies Act and all other applicable laws and regulations.

The Company endorses the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 17 October 2018.

The applicable governance principles in Crayon are articulated in a set of corporate governance principles which is approved by the BoD and made available publicly on the Group's webpage. These apply to all of Crayon's subsidiaries as well as Crayon itself. Key elements of these policies are included in this report.

Shareholders exercise the ultimate authority in Crayon through the Annual General Meeting, where all shareholders are entitled to attend. The BoD encourages all investors to participate in the AGM

Financial reporting in Crayon is built on the reporting from the individual legal entities, which are reported on a monthly basis according to a pre-defined process and reported to the Group Finance team in a standardised

format. These financial statements are reviewed by the Group finance team before being consolidated into a set of consolidated financial statements for the Group. On the basis of these consolidated financial statements, management in Crayon reports on the financial performance of the Group to the BoD on a monthly basis. Furthermore, management prepares detailed quarterly financial reporting which is approved by the BoD and published externally.

Crayon has an Audit Committee that consists of Board members who are independent of management. The Audit Committee follows up the financial reporting process, monitors the systems for internal control and risk, maintains ongoing contact with Crayon's elected auditor regarding the audit of the annual accounts, and evaluates and monitors the auditor's independence. The audit committee reviews the quarterly results ahead of the board meetings and makes a recommendation to the BoD based on this review.

Crayon has a nomination committee of two members elected by the General Assembly of Crayon. The nomination committee shall recommend candidates for the election of members and chairman of the board of directors, candidates for the election of members and chairman of the nomination committee, and remuneration of the members of the board of directors and the nomination committee. The current members of the Nomination Committee are Tor Malmo (Chairman) and Henning Hansen. None of the members of the Nomination Committee are board members or executive personnel.

Crayon has a Compensation Committee that consists of Board members who are independent of management. The Compensation Committee is to prepare guidelines regarding remuneration for senior executives.

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EQUITY AND SHAREHOLDER ISSUES

In 2019, Crayon Group Holding increased its share capital by 1,229,956 to NOK 76,624,064 allocated to 76,624,064 shares, each with a nominal value of NOK 1. The increase was driven by an issue of 1,229 956 new shares in relation to exercise of options and a broad-based employee share purchase program.

The Annual General Meeting on April 25, 2019 authorised the board of directors to increase the share capital in three different settings. All three authorisations are valid until the earlier of Crayon's annual general meeting in 2020 and June 30, 2020.

- In relation to the Company's incentive schemes, the Board is granted an authorisation to increase the Company's share capital with up to NOK 4,526,646, provided however that the authorisation cannot be used for an amount in excess of 6.0% of the Company's share capital.
- In connection with acquisitions etc the Board is granted an authorisation to increase the Company's share capital with up to NOK 7,539,411, provided however that the authorisation cannot be used for an amount in excess of 10% of the Company's share capital.
- The board of directors is granted an authorisation to, on behalf of the Company, to repurchase treasury shares with a total nominal value of NOK 7,539,411, corresponding to 10% of the Company's share capital.

The shares in Crayon Group are freely tradable, and to the knowledge of the Board there are no shareholders' agreements in the company regarding exercise of voting power or limiting trading in the shares.

GROUP OUTLOOK

The key focus for 2020 will be to capitalise on the investments made in terms of capabilities, IP and new markets and leverage this for further growth of gross profits and EBITDA both in the Nordics and in the international segments. The Group focuses on organic growth in combination with strategic acquisitions. Future financial performance for Crayon will depend both on the market demand for the products and services offered by Crayon and Crayon's ability to address this market demand, and the BoD expects both of these elements to play in Crayons favour. As a result, the Group targets further growth in gross profit and EBITDA during 2020. The Board will continue to focus on balancing profitability and growth, with emphasis towards capitalising on the investments done in establishing new market positions globally.





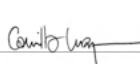

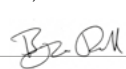
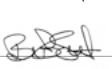
Early 2020, a global pandemic situation has arisen from the outbreak of the SARS-CoV-2 virus. This pandemic situation represents a challenge to the global economy with no historic precedent and has thus created a significant uncertainty on future economic outlook globally, with scenarios ranging from rapid recovery to a prolonged economic downturn.

At the date of this report, all Crayon employees are safe and remains productive. Crayon has taken measures to protect employees and support the ongoing efforts to contain the Covid-19 pandemic in line with local and global health authorities, and the transition to remote work has so far been seamless for our employees, customers and business partners.

In terms of business impact, Crayon has so far seen very limited impact as the demand for software and related services has remained strong. However, the long-term impact will depend on the overall development of the pandemic itself and the public measures taken to contain the spread of the virus, which in some scenarios could impact Crayon through lower growth rates, increasing credit risk and challenges in recruiting and onboarding new staff. The board continues to monitor the situation carefully in order to ensure appropriate actions are taken as the situation unfolds during 2020.

In the opinion of the Board, the Annual Financial Statements provide a true and fair view of the Group's financial position at the end of the year. The Board deems the Group's liquidity and financing to be satisfactory and views the Annual Financial Statements and the Group's performance as a basis for the Group to continue as a going concern.

Oslo, March 30, 2020

 Jens Rugseth (Chairman)	 Eivind Roald (Board Member)	 Dagfinn Ringås (Board Member)	 Grethe H. Viksaas (Board Member)	 Camilla E. Magnus (Board Member)
 Jan Henrik Emanuelsen (Employee Representative)	 Bjørn H. Rosvoll (Employee Representative)	 Brit B. Smestad (Employee Representative)	 Torggrim Takle (CEO)	

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Crayon Group Holding ASA

Statement by the Board and CEO

The Board and CEO have today considered and approved the Director's Report and Annual Financial Statements for CRAYON GROUP HOLDING ASA as of December 31, 2019 (Annual Report 2019).

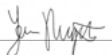



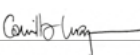

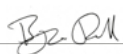


Consolidated Financial Statements have been prepared in accordance with the EU-approved IFRS and interpretations, and Norwegian disclosures arising from accounting law to be applied as of December 31, 2019.

Annual Financial Statements of the parent company have been prepared in accordance with the Accounting Act (Norway) and generally accepted accounting principles.

To the best of our knowledge:

- The Annual Financial Statements for 2019 for the parent company and Group have been prepared in accordance with applicable accounting standards.
- The information in the Annual Financial Statements gives a true and fair view of the assets, liabilities, financial position and overall results as of December 31, 2019.
- The Director's Report gives the Group and the parent company gives a true and fair view of:
 - The development, result and position of the Group and parent company.
 - The principal risks and uncertainties faced by the Group and the company.

Oslo, March 30, 2020

 Jens Rugseth (Chairman)	 Eivind Roald (Board Member)	 Dagfinn Ringås (Board Member)	 Grethe H. Viksaas (Board Member)	 Camilla E. Magnus (Board Member)
 Jan Henrik Emanuelsen (Employee Representative)	 Bjørn H. Rosvoll (Employee Representative)	 Brit B. Smestad (Employee Representative)	 Torgrim Takle (CEO)	

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Shareholder Information

Crayon's objective is to provide positive value creation and long-term return to shareholders that reflects the inherent risk in the company. The Company plans to achieve this by delivering on its business plan and through precise communication ensuring that the share price accurately reflects the value, and growth prospects, of the Company.

Investor relations

Communicating with investors and analysts, both in Norway and internationally, is a high priority for Crayon Group Holding ASA.

The Company's objective is to ensure that investors, potential investors, the market in general and other stakeholders gain simultaneous access to accurate, clear, relevant, and up-to-date information about Crayon.

To facilitate this, the Group will hold quarterly presentations of its most recent quarterly results, with attendance from senior management. These presentations will be open to the investor community and the public and will also be available online.

All investor relation activities are conducted in compliance with relevant rules, regulations and recommended practices. Crayon continually provides its investors, Oslo Børs, the securities market and financial market in general, with timely and precise information about Crayon and its operations.

Devoted to good Corporate Governance

Crayon considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that Crayon ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Crayon Group.

Crayon has governance documents setting out principles for how its business should be conducted. These apply to all of Crayon's subsidiaries as well as Crayon itself. References to certain more specific policies are included in this corporate governance policy, where relevant. Crayon's governance regime is approved by the board of directors of Crayon.

The Company endorses the Norwegian Code of Practice for Corporate Governance (Norwegian: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board.

Employee Share Purchase Program

During 2019 the company introduced an annual employee share purchase program for all employees. The program offered shares at a 20% discount to market price with an additional bonus share per each three shares purchased after a two-year lock-up period. Nearly 1/3, or 405 employees, participated in the first round. The company issued 1,229,956 shares, each with a nominal value of NOK 1 under the program.

Share capital

At 31 December 2019, the share capital in the company was NOK 76,624,064, divided into 76,624,064 shares with a nominal value of NOK 1 per share. Crayon has one class of shares, with each share carrying one vote. OEP ITS Holding B.V. was the largest share owner with 24,100,307, or 31.5%, of the share capital.

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TOP SHAREHOLDERS

NAME OF SHAREHOLDERS		SHARES	PER CENT
1	OEP ITS Holding B.V.	24,100,307	31.5%
2	SIX SIS AG	10,043,798	13.1%
3	KARBON INVEST AS	8,835,221	11.5%
4	DnB NOR Bank ASA	2,815,825	3.7%
5	HUMLE SMABOLAGSFOND	2,571,357	3.4%
6	Danske Invest Norge Vekst	1,865,917	2.4%
7	HSBC TTEE MARLB EUROPEAN TRUST	1,432,215	1.9%
8	ARCTIC FUNDS PLC	1,417,590	1.9%
9	Nordnet Bank AB	1,128,278	1.5%
10	VERDIPAPIRFONDET DNB SMB	1,014,746	1.3%
Other		21,398,810	27.9%
Total shares		76,624,064	

FINANCIAL CALENDER

Crayon Group Holding ASA will publish its quarterly interim financial statements on the following dates for 2020:

Quarterly Report - Q1	May 12 2020
Half-yearly Report	August 11 2020
Quarterly Report - Q3	October 28 2020
Quarterly Report - Q4	February 16 2021

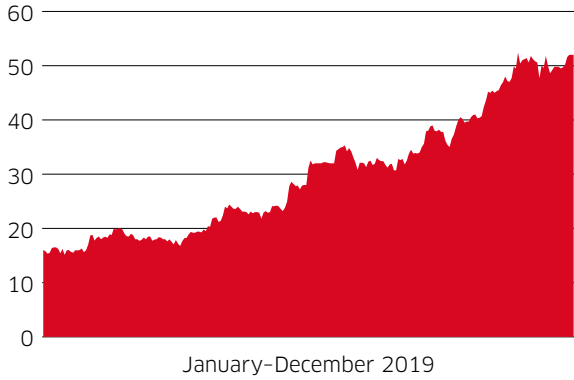
ANALYST COVERAGE

DNB	Christoffer Wang Bjørnsen	+47 24 16 91 43
SpareBank 1	Petter Kongslie	+47 98 41 10 80
Danske Bank	Erik Ehrenpohl Sand	+47 85 40 61 31
Arctic Securities	Henriette Trondsen	+47 21 01 32 84

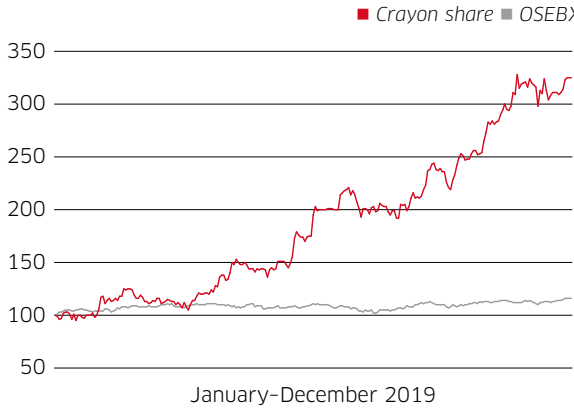
OWNERSHIP STRUCTURE

NUMBER OF SHARES HELD	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PROPORTION OF SHARE CAPITAL
1-1,000	1,139	379,975	0.5%
1,001-10,0000	667	2,446,484	3.2%
10,001-100,000	122	4,080,079	5.3%
100,001-500,000	32	7,088,864	9.3%
500,001-	21	62,628,662	81.7%

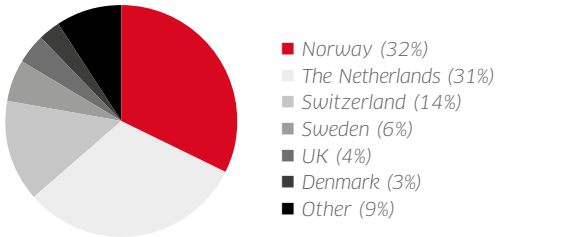
SHARE DEVELOPMENT
NOK



SHARE DEVELOPMENT
Index = 100 per 1.1.2019



SHAREHOLDERS BY COUNTRY OF RESIDENCE



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“At Crayon, we have a strong entrepreneurial spirit and we empower our employees to test and incubate new ideas. By combining this with our global and diverse talent pool, we are able to bring immense value and innovation to our customer and partner ecosystem.”

ZIAD RIZK
CEO Middle East and Africa



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Crayon Group Holding ASA

Consolidated Statement of profit or loss and other comprehensive income 1.1-31.12

<i>(In thousands of NOK)</i>	<i>Note</i>	2019	2018
Operating revenue	2 , 3	13,618,020	9,047,526
Cost of sales	3	11,809,309	7,561,419
Gross profit	25	1,808,711	1,486,108
Payroll and related cost	5	1,292,875	1,105,772
Other operating expenses	5 , 13 , 21	223,594	192,194
Share based compensation		19,813	3,261
Other income and expenses		22,503	7,825
EBITDA		249,926	177,055
Depreciation and amortisation	7 , 8	113,491	76,479
Impairment	9	59,378	-
Operating profit/EBIT		77,057	100,576
Interest income	20	11,688	8,864
Other financial income	20	154	610
Total financial income	20	11 842	9,473
Interest expense	20	59,810	44,077
Other financial expenses	20	19,500	12,201
Total financial expenses	20	79,310	56,277
Net financial income and expenses		(67,468)	(46,804)
Net income before tax		9,589	53,773
Income tax expense	19	28,878	42,773
Net income		(19,289)	11,000

<i>(In thousands of NOK)</i>	<i>Note</i>	2019	2018
Comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation		8,859	6,953
Total comprehensive income -net of tax		(10,430)	17,953
Allocation of net income			
Non-controlling interests		(7,054)	(4,364)
Owners of Crayon Group Holding ASA		(12,235)	15,364
Total net income (loss) allocated		(19,289)	11,000
Earnings (loss) per share (NOK per share)	12	(0.16)	0.20
Net diluted earnings (loss) per weighted average shares outstanding	12	(0.16)	0.20
Allocation of Total comprehensive income			
Non-controlling interests		(7,021)	(6,832)
Owners of Crayon Group Holding ASA		(3,409)	24,785
Total comprehensive income allocated		(10,430)	17,953

CONSOLIDATED FINANCIAL STATEMENTS

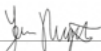



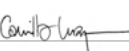

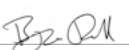


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Crayon Group Holding ASA
Consolidated statement of financial position as of 31.12

(In thousands of NOK)	Note	2019	2018
Assets			
<i>Non-current assets:</i>			
Intangible assets			
Development costs	8	86,552	77,556
Technology and software	8	26,797	33,601
Contracts	8	69,810	66,109
Software licenses (IP)	8	1,000	1,000
Goodwill	9	829,341	840,301
Deferred tax asset	19	23,195	29,417
Total intangible assets		1,036,695	1,047,983
Tangible assets			
Equipment	7	35,415	24,729
Right of use assets	21	118,291	-
Total tangible assets		153,706	24,729
Financial assets			
Other long-term receivables	2, 25	25,617	22,658
Total financial assets		25,617	22,658
Total non-current assets		1,216,018	1,095,370
<i>Current assets:</i>			
Inventory	4	13,968	8,625
Total inventory		13,968	8,625
Accounts receivable	13, 15, 25	2,553,506	1,875,963
Other receivables	25, 26	156,327	75,998
Total receivables		2,709,832	1,951,961
Cash & cash equivalents	14, 25	238,817	379,282
Total current assets		2,962,617	2,339,867
Total assets		4,178,636	3,435,237

(In thousands of NOK)	Note	2019	2018
Liabilities and shareholders' equity			
<i>Shareholders' equity:</i>			
Share capital	11, 12	76,624	75,394
Own shares	11, 12	(10)	(35)
Share premium		622,150	588,051
Sum paid-in equity		698,764	663,410
Retained earnings			
Other equity		(105,292)	(72,520)
Total retained earnings		(105,292)	(72,520)
Total equity attributable to parent company shareholders		593,472	590,890
Non-controlling interests		(8,059)	(4,581)
Total shareholders' equity		585,413	586,309
<i>Long-term liabilities:</i>			
Bond loan	15, 16, 22, 25	293,188	446,558
Derivative financial liabilities	15, 16, 22, 25	114	3,260
Deferred tax liabilities	19	29,703	30,336
Lease liabilities	21	95,517	-
Other long-term liabilities	17, 25	41,958	24,982
Total long-term liabilities		460,480	505,136
<i>Current liabilities:</i>			
Accounts payable	25	2,361,188	1,787,346
Income taxes payable	19	24,405	20,311
Public duties	17	235,188	209,594
Current lease liabilities	21	26,142	-
Other short-term interest bearing debt	16	45,088	39,992
Other current liabilities	17	440,730	286,549
Total current liabilities		3,132,742	2,343,793
Total liabilities		3,593,223	2,848,929
Total equity and liabilities		4,178,636	3,435,237

Oslo, March 30, 2020

 Jens Rugseth (Chairman)	 Eivind Roald (Board Member)	 Dagfinn Ringås (Board Member)	 Grethe H. Viksaas (Board Member)	 Camilla E. Magnus (Board Member)
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Crayon Group Holding ASA
Consolidated Statement of Cash Flows

<i>(In thousands of NOK)</i>	<i>Note</i>	2019	2018
Cash flows from operating activities:			
Net (loss) income before tax		9,589	53,773
Taxes paid	19	(30,495)	(23,625)
Depreciation, amortisation and impairment ¹	7 , 8 , 9	172,869	76,479
Net interest expense ¹	20	48,122	35,213
Changes in inventory, accounts receivable/payable		(109,044)	(130,084)
Changes in other current accounts		99,937	102,990
Net cash flow from operating activities		190,977	114,746
Cash flows used in investing activities:			
Payment for capitalised assets	7 , 8 , 24	(76,336)	(69,510)
Acquisition of subsidiaries, net of cash acquired	7	(8,852)	-
Net cash flow from investing activities		(85,188)	(69,510)
Cash flow from financing activities:			
Net interest paid to credit institutions and interest to bond loan	20	(55,561)	(40,709)
New equity		34,966	-
Acquistion of non-controlling interests		(31,547)	-
Proceeds from issuance of interest bearing debt ¹	16	300,000	-
Repayment of interest bearing debt ¹	16	(488,848)	-
Other financial items		(2,706)	616
Net cash flow from financing activities		(243,696)	(40,093)
Net increase (decrease) in cash & cash equivalents		(137,906)	5,143
Cash & cash equivalents at beginning of period ²		379,282	368,442
Currency translation		(2,559)	5,697
Cash and cash equivalents at end of period¹		238,817	379,282

¹ *Impact of IFRS 16*
The bond was refinanced in November 2019. New Bond, CRAYON03 is at NOK 300m, and CRAYON02 was repaid on the basis of NOK 450m.

² *Restricted cash is part of the Cash & cash equivalents, see split in [note 14](#).*

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Crayon Group Holding ASA
Consolidated Statement of Changes in Shareholders' Equity

<i>(In thousands of NOK)</i>	<i>Note</i>	Share capital	Own shares	Share premium	Other equity	Total	Non-controlling interests	Total equity
Year to date period ending 31 December								
Balance at January 1, 2018		75,394	(3)	588,051	(105,597)	557,845	8,153	565,998
Adjustment ¹		-	-	-	194	194	(750)	(556)
Net (loss) income		-	-	-	15,364	15,364	(4,364)	11,000
Currency translation		-	-	-	9,421	9,421	(2,468)	6,953
Total comprehensive income		-	-	-	24,785	24,785	(6,832)	17,953
Share repurchase (net)		-	(32)	-	(520)	(552)	-	(552)
Share issues		-	-	-	-	-	-	-
Share based compensation		-	-	-	3,261	3,261	-	3,261
Transactions with non-controlling interests		-	-	-	5,357	5,357	(5,152)	205
Transactions with owners			(32)		8,098	8,066	(5,152)	2,914
Balance as of end of period		75,394	(35)	588,051	(72,520)	590,890	(4,581)	586,309

<i>(In thousands of NOK)</i>	<i>Note</i>	Share capital	Own shares	Share premium	Other equity	Total	Non-controlling interests	Total equity
Year to date period ending 31 December								
Balance at January 1, 2019		75,394	(35)	588,051	(72,520)	590,890	(4,581)	586,309
Adjustment ¹		-	-	-	(5,049)	(5,049)	-	(5,049)
Net (loss) income		-	-	-	(12,235)	(12,235)	(7,054)	(19,289)
Currency translation		-	-	-	6,381	6,381	2,478	8,859
Total comprehensive income		-	-	-	(5,854)	(5,854)	(4,576)	(10,430)
Share repurchase (net)		-	25	363	-	388	-	388
Share issues	11	1,230	-	33,736	-	34,966	-	34,966
Share based compensation		-	-	-	10,763	10,763	384	11,147
Transactions with non-controlling interests		-	-	-	(32,632)	(32,632)	714	(31,918)
Transactions with owners		1,230	25	34,099	(21,869)	13,485	1,098	14,582
Balance as of end of period		76,624	(10)	622,150	(105,292)	593,472	(8,059)	585,413

¹ Mainly adjustment to opening balance from differences between final statutory tax returns and calculated tax in 2018.

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NOTE 1 General information

Crayon Group Holding ASA is a public limited company registered in Norway. Crayon specialise in supporting customers across all industry sectors with complex local, regional and global IT estates. Our experts help clients specify, plan, deploy, manage and optimise technology ecosystems.

The principal activities for the Group's various business areas are described in more details in [note 3](#) – Segment information.

The company's headquarters are located in Sandakerveien 114A, 0484 Oslo, Norway. Crayon Group Holding ASA is listed on Oslo Stock Exchange (Oslo Børs). These consolidated financial statements of Crayon Group Holding ASA and its subsidiaries (referred to as “Crayon” or “the Group”) for the year ended December 31, 2019 were authorised for issue by the Board of Directors and CEO on March 30, 2020.

NOTE 2 Accounting principles, critical estimates & judgements

2.0 Basis of consolidated financial statements

The consolidated financial statements of Crayon have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of December 31, 2019.

The Consolidated Financial Statements have been prepared on a historical cost principle, with the exception of financial derivatives which are measured at fair value. Refer to individual accounting policies for further details. The Consolidated Financial Statements are presented in Norwegian kroner (NOK), which is also the Parent Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made are disclosed in [note 2.3](#).

2.1 Adoption of new and revised international financial reporting standards (ifrs)

New and amended standards and interpretations

As of the date of authorisation of these financial statements, the following standards relevant to Crayon Group have been issued by the IASB.

- IFRS 16 Leases; effective date January 1, 2019.

As of the date of issue of Crayon's financial statements, the standard was endorsed by the EU.

The Group has implemented IFRS 16 for the first time in 2019. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

IFRS 16 Leases

The standard changes the accounting principles for many lease contracts. The new standard results in most leasing contracts being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right of use the leased item) and a lease liability to pay rentals are recognised. During the term of the lease, the right to use asset is depreciated and interest expenses and principle repayments are recognised on the lease liability. As a lessee, Crayon leases office premises, vehicles and equipment. Under IAS 17, the group classified all leases as operating leases and recognised lease expense on a straight-line basis over the term of the lease.

Crayon implemented the standard 1 January 2019 applying the modified retrospective method where comparative figures are not restated. When applying the modified retrospective method a lessee measures the right-of-use asset at either its carrying amount as if IFRS 16 had always been applied since the commencement date (discounted using the incremental borrowing rate at the date of initial application), or at an amount equal to the lease liability (adjusted for previously recognised prepaid or accrued lease payments). The choice between the two options shall be made on a lease-by-lease basis.

Crayon Group has chosen to measure the right-of-use asset at an amount equal to the lease liability for all leases by using the lessee's incremental borrowing rate.

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value of the right-of-use asset in a similar economic environment.

Crayon used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In Particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of application;
- did not recognise right-of-use assets and liabilities for leases of low value assets.
- excluded initial direct cost from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The Group has elected to use the exemptions in the standard on short-term lease contracts and for lease contracts where the underlying asset is of low value. These leases are recognised as operation expenses in profit and loss. For further information about the IFRS 16 effects please see [note 21](#).

2.2 Accounting principles

BASIS OF CONSOLIDATION

The consolidated financial statements include Crayon Group Holding ASA and subsidiaries, which are entities in which Crayon has the power to govern the financial and operating policies of the entity (control). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included from the date control commences until the date control ceases.

When preparing the consolidated financial statements, intra-group transactions and balances, along with gains and losses on transactions between group units, are eliminated.

Non-controlling Interests

Non-controlling interests represent equity interests in subsidiaries held by other owners than Crayon. Non-controlling interests are reported as a separate section of the Group's equity in accordance with IFRS 10 Consolidated Financial Statements. Results attributed to non-controlling interests are based on ownership interest, or other methods of allocation if required by the contract.

When non-controlling interests hold put options related to shares in subsidiaries and Crayon is required to acquire such shares by cash considerations, a financial liability is recognised.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as of the acquisition date, which is when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill that arises from the acquisition is tested annually for impairment. Any contingent consideration is measured at fair value at the date of acquisition. Changes in fair value of the contingent consideration from acquisition of a subsidiary will be recognised in profit and loss.

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If the sum of the consideration, book value of non-controlling interests and fair value at the time of acquisition of the previous owner’s interests exceeds the fair value of identifiable net assets of the acquired entity, the difference is recognised as goodwill in the balance sheet. If the sum is less than the entity’s net assets, the difference is immediately recognised in the profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

CURRENT / NON-CURRENT CLASSIFICATION

An asset is classified as current when it is expected to be realised, or is intended for sale or consumption in the Group’s normal operating cycle, it is held primarily for the purpose of being traded or it is expected/due to be realised or settled within twelve months after the reporting date. Other assets are classified as non-current.

A liability is classified as current when it is expected to be settled in the Group’s normal operating cycle, is held primarily for the purpose of being traded, if the liability is due to be settled within twelve months after the reporting period or if the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current. Financial instruments are classified based on maturity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and bank deposits. Cash equivalents are short-term investments that can be converted into a known amount in cash within three months and which contain insignificant risk elements.

TRADE AND OTHER RECEIVABLES

Trade receivables arise from the sale of licenses or services that are within the ordinary course of business . Loans, trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables without a significant financing component are initially measured at the transaction price. For some portfolios of trade receivables, Crayon has entered into factoring agreements. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

INVENTORIES

Inventories mainly consist of licenses which are depreciated on a straight-line over the estimated useful life of the asset.

Net realisable value is the estimated selling price in the ordinary course of business minus any selling expenses. Write-downs are made for any inventory that is assumed to be obsolete.

PROPERTY, PLANT AND EQUIPMENT

Equipment is measured at acquisition cost, minus accumulated depreciation and impairments. Any gain or loss on disposal of an item of equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits with the expenditure will flow to the Group. Equipment is depreciated linearly over the expected useful life.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows. A financial asset is measured at amortised cost if the business

model is to hold the asset to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interests (SPPI criterion). Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets.

Financial liabilities

Financial liabilities are classified as measured at amortised cost. Derivatives are classified as fair value through profit or loss (FVTPL). Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Any gain and loss on derecognition are recognised in profit or loss.

A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. In the case of recognising a new liability, the fees are treated as part of the amortised cost. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, whereas liabilities with the legal right to be settled more than 12 months after the balance sheet date are classified as non-current liabilities.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are measured at fair value, and subsequently to initial recognition changes are generally recognised in profit or loss. The Group does not apply hedge accounting.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets may be impaired. Financial assets are impaired when there is objective evidence that the Group is not likely to recover all the amounts in connection with contractual terms related to loans and receivables. A financial asset carried at amortised cost is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flow of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data as: significant financial difficulty of the debtor, a breach in the contract, the probability of the debtor entering bankruptcy.

The Group recognises loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

INTANGIBLE ASSETS

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is recognised as the aggregate of the consideration transferred and the amount of any non-controlling interest and deducted by the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated but is tested at least annually for impairment.

Contractual customer relationships

Contractual customer relationships that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit and loss on a straight-line basis over the asset’s estimated useful life. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Research & development

Expenditure related to research activities are expensed as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenses capitalised include material cost, direct wage costs and a share of directly attributable overhead costs. Capitalised development costs are stated at acquisition cost minus accumulated depreciation and amortisation. Amortisation is recognised in profit and loss on a straight-line basis over the asset's estimated useful life. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

EQUITY

For repurchases of own shares, the purchase price, including directly attributable costs, such as changes in equity, is recorded. Own shares are presented as a reduction of equity. Gains or losses on transactions in own shares are not recognised in the Profit and loss. Transactions directly related to an equity transaction are recognised directly in equity net of tax.

FOREIGN CURRENCY

Transactions in foreign currency

Transactions in foreign currency are converted at the exchange rate on the transaction date. Monetary items in a foreign currency are converted to NOK using the exchange rate at the balance sheet date. Non-monetary items measured at the historical rate expressed in a foreign currency are converted into NOK using the exchange rate on the transaction date. Non-monetary items measured at fair value expressed in a foreign currency are converted at the exchange rate determined at the balance sheet date. Foreign currency differences are generally recognised in profit and loss and presented within finance costs.

Foreign operations

The presentation currency in the consolidated financial statements is NOK, which is the functional currency of the parent company. Assets and liabilities in foreign companies, whose functional currency differ from the presentation currency, are converted to NOK using the exchange rate from

Central Bank of Norway (Norges Bank) at the balance sheet date. Income and expenses from foreign companies are converted to NOK using the monthly average rate of exchange from Central Bank of Norway (Norges Bank) (if the average is not a reasonable estimate of the cumulative effects of using transaction rate, transaction rate is used). All resulting exchange differences are recognised in comprehensive income and accumulated in the translation reserve in Other equity.

GOVERNMENT GRANTS

The Group receives Government grants as part of the "Skattefunn" arrangement in Norway. "Skattefunn" is a government tax benefit arrangement intended to stimulate research and development in Norway. The government grant is accounted for by deducting the grant from the carrying amount of an asset acquired and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

The Group entities Crayon AS, Crayon Group AS, Inmeta Consulting AS and Esito AS receive Research and development tax credits from the Norwegian "Skattefunn" program for hours and operating expenses spent on approved projects relating to R&D.

INCOME TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are only offset if certain criteria are met. Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent it has become probable that future taxable profits will be available against which they can be used.

SEGMENTS

Operating segments are reported in the same manner as internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources to and assessing performance of operating segments, is defined as the corporate management. In the segment reporting, the elimination of internal profit on sales between the various segments is presented separately.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that Crayon Group will be required to settle the obligation, and a reliable estimate can be made of the amount, taking into account the risks and uncertainties. The provision is measured as the present value of the cash flows estimated to settle the obligation. Provisions are measured at best estimate, reviewed on each reporting date and adjusted as necessary.

CONTINGENT LIABILITIES AND ASSETS

A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Major contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognised in the financial statements.

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EMPLOYEE BENEFITS
Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pensions

The Group operates defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions to the pension plan for benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share based compensation

Share options have been granted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA at a future date at a predetermined strike price. Subscribing normally requires continued employment. The fair value of the options is calculated when they are granted and expensed over the vesting period. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share and risk free interest. For further information, see [note 6](#).

The fair value of the options is calculated when they are allotted and expensed over the vesting period.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Crayon as lessee

The Group recognises a right-of-use asset and a lease liability at the least commencement date.

Right of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liability

Lease liabilities are measured at the present value of lease payment to be made over the lease term.

The lease payments include fixed payments less incentives, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantee. Variable expenses that do not depend on an index or a rate are recognised as expenses.

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate if the interest rate implicit is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment or a change in the assessment of an option to purchase the underlying asset.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

Revenue from contracts with customers comprises revenue from sale of software and services, including software licenses and value-added services and consulting. Revenue from customer

contracts is recognised when the performance obligation in the contract has been performed, either as “point in time” or “over time”. A performance obligation is satisfied when control of the promised good or service is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Crayon has identified several types of contracts as described below. Timing of revenue recognition under each contract or type of contract is determined by the timing of the transfer of promised goods and services to the customer. The amount of revenue recognised reflects the amount of consideration to which Crayon is entitled for each performance obligation.

Crayon considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for sale of software and cloud licenses with value-added services, the Group considers the effect of variable considerations, the existence of significant financing components and consideration payable to the customer (if any).

Sale of software and cloud direct licenses

Crayon sells software and cloud licenses from software vendors to customers. 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. Crayon distinguishes between two types of software and cloud licenses:

Software and cloud - principal: Such licenses are sold as a bundle with value-added services, which includes license advisory/optimisation, software licence sales and access to Crayon's proprietary tools and IP.

Software licenses

Revenue from sale of software licenses and value-added services is recognised point in time control transfers to the customer and the performance obligation is satisfied. This is usually when the customer obtains the right to use the license rights. Invoices are generated at that point in time and are usually payable within 14 to 30 days, varying between geographical markets.

Cloud licenses

Revenue from the sale of cloud licenses and value-added services is recognised when control transfers to the customer and the performance obligation is satisfied over time. This is usually when the customer obtains the right to access the license rights. Invoices are issued periodically, usually on a monthly basis and payable within 14 to 120 days, varying between geographical markets.

Under these contracts, Crayon acts as a principal and revenue is recognised gross with incentives and rebates from vendors being reflected as a reduction in cost of sales.

Software and cloud - agent: Under these contracts, Crayon acts as a reseller by providing a service of arranging for the software vendor to transfer licenses to a customer. Thus, we do not control the specified license and do not assume responsibility for the licenses towards the customer. Under such contracts, Crayon acts as an agent and recognises commission from the vendor as revenue net of related costs.

Sale of software and cloud channel licenses

Crayon sells software and cloud channel licenses to hosters, system integrators and independent software vendors (ISVs), which includes license advisory/optimisation, software licence sales and access to Crayon's proprietary tools and IP. Revenue from the sale of software and cloud channel license subscriptions is recognised point in time when control transfers to the customer and the performance obligation is satisfied. This is usually when the customer obtains the right to use the license rights. As this is sale of subscriptions, Crayon has several recurring performance obligations towards the customer. Invoices are issued periodically, usually on a monthly basis and payable within 14 to 120 days, varying between geographical markets. Under these contracts, Crayon acts as principal and revenue is recognised gross with any incentives and rebates from vendors being reflected as a reduction in cost of sales.

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Principal/agent

Management has applied judgment in assessing the principal/agent considerations, see [note 2.3](#) for significant judgments. Crayon may act as a principal or an agent in its contracts to sell software and cloud licenses. This depends particularly on the primary responsibility for fulfilling the promise to provide the goods or services, inventory risk and the entity's discretion in establishing the price, all of which are relevant considerations under the guidance. When acting as principal, Crayon assumes responsibility for the licenses delivered and the support provided to the customer in connection with the sale and/or the subsequent license period. In addition, under such contracts, Crayon assesses that other factors such as the ability to set prices and inventory risk support the conclusion that the Company is acting as principal. Crayon acts as principal under most of its contracts to resell licenses.

Distinct licenses

Crayon has considered whether the sale of licenses and the corresponding services offered to the customers are distinct and therefore represent different performance obligations. Under contracts where we combine license sale with our value-added service (principal), Crayon assesses that these are not distinct. These value-added services can be defined as advisory and know-how that ensures that the software meets the customer's requirements. The value-added services are an integrated component of the performance obligation that exist towards the customer. In conclusion, Crayon provides the customer with a promise to perform, holds the power of disposition for the license rights prior to the transfer and has full discretion in establishing the price.

Software and Cloud Economics

Crayon sells services related to process and tools for enabling clients to build in-house capabilities, license spend optimisation and support for clients in vendor audits. The performance obligations related to these services are satisfied over time, because the customer simultaneously receives and benefits from the services provided. Revenue is recognised on a straight-line basis over the subscription period. Invoices are issued periodically, usually on a monthly basis and payable within 14 to 120 days.

Consulting

Crayon provides cloud consulting and solution consulting services related to infrastructure, cloud migration and deployment, bespoke software deployment and follow-up applications. Revenue is recognised when a customer can obtain the benefits from the service which may be over time or on final delivery of a product or service depending on the nature of the promise. Crayon assesses whether there are multiple performance obligations within each consulting services contract and assesses revenue recognition accordingly. Invoices are issued once the performance obligation is satisfied and usually payable within 14 to 120 days, varying between geographical markets.

Contract balances

Contract asset is the right to consideration in exchange for goods or services to the customer. In cases where goods or services are transferred to a customer before the consideration is charged, a contract asset is recognised for the earned consideration that is conditional. There are no material contract assets at December 31, 2019 (2018: NOK 26.9m), see [note 25](#).

Contract liabilities is the obligation to transfer goods or services to the customer for which Crayon has charged consideration from the customer. In cases where consideration is charged before any goods or services are transferred. Contract liabilities are recognised as revenue when performance obligations are satisfied under the contract. There are no contract liabilities at 31 December 2019 (2018: NOK 29.7m), see [note 25](#). This relates to both short-term and long-term items.

EVENTS AFTER THE BALANCE SHEET DATE

Information received after the balance sheet date relating to the Group's financial position at the balance sheet date has been taken into consideration in preparing the annual financial statements. Events occurring after the balance sheet date that do not affect the Group's financial position at the balance sheet date, but that will affect the Group's financial position in the future are disclosed in if these are material.

2.3 Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and associated assumptions are based on historical experience and other reasonable factors, considering the circumstances. These calculations form the basis for assessment of the book value of assets and liabilities that are not clearly observable from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed. Changes in accounting estimates are recognised in the period when the changes occurred, if they only apply to that period. If the changes also apply to future periods, the effect will be distributed between the current period and future periods.

The most important estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to impairment assessment of goodwill and other intangible assets. Goodwill has an indefinite useful life and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assessment of impairment for 2019 is based on management assumptions using best estimates with regard to future cash flows and discount rates.

Crayon operates in many jurisdictions and is increasing its presence in growth markets outside of the Nordic region. Management makes assessments of credit risk and updates its estimates of losses and the corresponding provision for outstanding receivables on a regular basis.

Deferred consideration in business combinations related to non-controlling interests' put options are recognised as financial liabilities, see [note 24](#). The liabilities are estimated, as the consideration to be paid is dependent upon future fair value and / or future results.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable the taxable profit will be available which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Revenue recognition

For software and cloud license arrangements bundled with value-added services (direct business), the assessment whether the Group acts as principal or as an agent is judgmental and requires careful consideration of the individual factors in reaching a conclusion. Management concluded that Crayon is the principal with respect to such arrangements as the license and value-added service offering is not distinct within the context of the contract. Management concluded that Crayon controls the specified license and service before it is transferred to the customer, since Crayon is primarily responsible for fulfilling the performance obligation to the customer. Accordingly, Crayon ensures compatibility of software licenses and services to customer requirements. Additionally, Crayon has the discretion to set the prices for the specified software license or bundled software service. To support this conclusion and ensure consistency in financial reporting, Management has verified that the assessment and conclusion is in line with Crayon's peers in the software reseller industry. By contrast, in arrangements where Crayon does not have control over the traded software license (i.e. indirect business), it qualifies as an agent.

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NOTE 3 Segment information

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

The operating units that form a natural reporting segment are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin/Eliminations (Admin & Shared Services and Eliminations). Further information is found in [note 2](#). During Q4 2019 the names of the operating segments have changed, with the purpose of describing what Crayon do within the different operational segments. The former names are added in brackets below. Numbers in this note are reclassified to be comparable.

- Software & Cloud Direct (former Software Direct) is Crayon's licence 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 (former Software Indirect) is Crayon's offering towards hosters, system integrators and ISVs, which includes licence advisory/optimisation, software licence sales and access to Crayons proprietary tool and IP.
- Software & Cloud Economics (former Software Asset Management) services include processes and tools for enabling clients to build in-house SAM capabilities, licence spend optimisation and support for clients in vendor audits.
- Consulting consists of cloud consulting and solutions 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 share costs and eliminations.
- The market clusters are composed of operating countries in the different geographical areas. Nordics is composed of Norway, Sweden, Denmark, Finland, Iceland and Ice Distribution. Europe is composed of Austria, Switzerland, Germany, Netherlands, Spain, France, Portugal, UK, Bulgaria, Macedonia, Serbia, Russia, Czech Republic, Poland and Latvia. APAC & MEA is composed of India, Malaysia, Philippines, Singapore, Middle East, Sri Lanka, Mauritius, Australia and South Africa. US represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. HQ & Eliminations includes corporate admin costs (excluding other income and expenses), unallocated global shared cost and eliminations.

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

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SEGMENTINFORMATION 2019

	Software & Cloud		Services			Total
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin/eliminations	
Operating revenue						
Nordics	4,081,364	1,318,478	126,501	565,291	3,117	6,094,752
Europe	2,160,747	680,051	112,175	25,079	2,238	2,980,291
APAC & MEA	1,651,684	1,138,958	35,677	24,361	1,779	2,852,459
US	1,092,617	612,923	160,955	11,514	753	1,878,762
HQ	108	-	-	112	46,024	46,244
Eliminations	-	-	-	-	(234,487)	(234,487)
Operating revenue	8,986,520	3,750,412	435,308	626,357	(180,576)	13,618,020
Gross profit						
Nordics	376,084	102,269	99,240	455,763	3,067	1,036,423
Europe	183,883	47,449	99,741	21,848	1,922	354,844
APAC & MEA	90,419	62,143	20,810	19,569	4,720	197,660
US	56,976	11,457	142,783	9,682	1,387	222,286
HQ	108	(2,313)	-	100	57,001	54,896
Eliminations	-	-	-	-	(57,397)	(57,397)
Gross profit	707,469	221,006	362,574	506,962	10,700	1,808,711
Operating expenses	363,127	141,193	342,730	414,909	296,826	1,558,785
EBITDA	344,343	79,813	19,844	92,053	(286,126)	249,926
Adjustments	-	-	-	-	42,316	42,316
Adjusted EBITDA	344,343	79,813	19,844	92,053	(243,810)	292,242

SEGMENTINFORMATION 2018

	Software & Cloud		Services			Total
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin/eliminations	
Operating revenue						
Nordics	3,324,465	1,081,147	116,618	499,397	6,958	5,028,585
Europe	1,304,079	378,514	91,038	16,095	6,510	1,796,236
APAC & MEA	968,523	716,317	16,511	9,843	3,690	1,714,883
US	393,506	145,367	130,557	3,121	1,474	674,026
HQ	(1,847)	326	-	-	92,197	90,676
Eliminations	-	-	-	-	(256,880)	(256,880)
Operating revenue	5,988,727	2,321,671	354,724	528,456	(146,051)	9,047,526
Gross profit						
Nordics	346,751	89,650	99,234	365,106	4,328	905,069
Europe	145,464	26,008	81,459	12,086	5,341	270,358
APAC & MEA	62,344	46,822	14,235	7,044	2,034	132,479
US	32,075	4,198	114,553	2,704	1,474	155,003
HQ	(2,192)	36	(25)	(12)	75,063	72,869
Eliminations	-	-	-	-	(49,671)	(49,671)
Gross profit	584,443	166,713	309,456	386,927	38,569	1,486,108
Operating expenses	337,567	100,331	289,066	335,269	246,820	1,309,053
EBITDA	246,875	66,382	20,390	51,658	(208,251)	177,055
Adjustments	-	-	-	-	11,086	11,086
Adjusted EBITDA	246,875	66,382	20,390	51,658	(197,165)	188,141

Previous reported segmentnote had a line for adjustments for operating revenue. This has now been allocated to the different operating segments and market clusters. 2018 numbers have been made comparable.

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ASSETS PER MARKET CLUSTER

	Year to date ended 31 December,	
	2019	2018
<i>(In thousands of NOK)</i>		
Nordics	2,301,085	1,946,154
Europe	768,564	450,902
APAC & MEA	971,788	616,324
US	663,630	392,628
HQ/eliminations	(526,432)	29,230
Total	4,178,636	3,435,237

NOTE 4 Inventory

Inventories in Crayon Group only consist of finished goods such as software programs and documentation.

The inventory is valued at the lower of cost and net realisable value.

	2019	
	2019	2018
<i>(In thousands of NOK)</i>		
Historical cost	13,968	8,625
Write-down and provisions for obsolescence	-	-
Carrying amount	13,968	8,625

NOTE 5 Wages and employee benefit expenses, management remuneration and auditor's fee

PAYROLL EXPENSES

	2019	
	2019	2018
<i>(In thousands of NOK)</i>		
Wages and salaries	1,008,573	870,780
Social security	148,857	127,349
Pension expenses	42,060	36,886
Other benefits	93,385	77,310
Other income and expense ¹	-	(6,554)
Payroll expenses	1,292,875	1,105,772

Average number of full time employees (unaudited)	1,354	1,128
Women (unaudited)	25%	25%

¹ a part of adjusted EBITDA (2018), see Alternative performance measures section for more information

In 2019, the Group had cost classified as adjustments (other income/expenses and share based compensation) of NOK 42.3m, hereby personnel expense of 19.7m. These items mainly relate to share option agreements and employee share purchase program (ESPP). The same year, Crayon offered available borrowings to all the employees participating in the ESPP up to NOK 60 000 per employee. A total amount of NOK 0.5m is recognised as other long-term receivables from borrowings to employees other than executive management. See [note 6](#) for more information on share option agreements and ESPP.

Compensation to the members of the Board amounted to NOK 1.8m in 2019, compared to NOK 0.8m in 2018. The board members receive remuneration fees, options and shares. For further information see [notes 6](#) and [11](#).

Compensation to the executive management in 2019 is detailed below. The Group CEO is entitled to 6 months salary in the event of termination initiated by the company. None of the Board Members or the CEO have executive loans or guarantees in the company.

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2019

<i>(In thousands of NOK)</i>	Name	Salary	Bonus ¹	Pension	Other benefits	Total
Chief Executive Officer (CEO) of Crayon Group Holding ASA and Crayon Group AS	Torgrim Takle	3,000	1,236	70	11	4,317
Deputy CEO of Crayon Group AS	Rune Syversen	3,060	1,545	71	11	4,687
Chief Operating Officer (COO)	Bente Liberg	1,549	398	72	21	2,040
Chief Technology Officer (CTO)	Mattias Ödlund	1,526	333	465	88	2,412
Chief Financial Officer (CFO)	Jon Birger Syvertsen	1,615	546	68	37	2,266
Total		10,750	4,058	746	167	15,721

2018

<i>(In thousands of NOK)</i>	Name	Salary	Bonus	Pension	Other benefits	Total
Chief Executive Officer (CEO) of Crayon Group Holding ASA and Crayon Group AS	Torgrim Takle	2,400	1,657	68	10	4,135
Deputy CEO of Crayon Group AS	Rune Syversen	3,060	218	68	10	3,355
Head of Business Transformation and M&A (EVP)	Knut Ansten	1,000	150	45	7	1,202
Chief Operating Officer (COO)	Bente Liberg	1,449	104	68	10	1,630
Chief Technology Officer (CTO)	Mattias Ödlund	1,595	224	446	86	2,350
Chief Financial Officer (CFO)	Jon Birger Syvertsen	1,275	421	68	9	1,772
Total		10,779	2,774	761	132	14,445

The above mentioned functions represent the Group's executive leadership.

For information regarding salary and remuneration to senior management, see following link:
<https://www.crayon.com/en/about-us/investor-relations/agm-2019/>

AUDIT FEE, PARENT COMPANY

<i>(In thousands of NOK)</i>	2019	2018
Audit fee	1,529	800
Other assurance services	-	-
Tax services	186	-
Other services	7,463	552
Total	9,178	1,352

AUDIT FEE CONSOLIDATED

	2019	2018
Audit fee	4,464	2,478
Other assurance services	489	-
Tax services	1,018	-
Other services	7,649	412
Total	13,620	2,890

Pensions
Crayon Group companies have pension schemes that satisfy the provisions of mandatory occupational pensions, for all employees. These are defined contribution schemes with a total pension cost of NOK 42.1m in 2019 (2018: NOK 36.8m). The Group obligations are limited to the annual contributions to the scheme.

Share options
Share options have been allotted to management and selected key employees, please see [note 6](#)
Share options for further information.

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NOTE 6 Share options

Share options

There are two share option programs, one granted in relation to the IPO and one granted following the appointment of new CFO in 2018. The two share option programs consist of three tranches each, as displayed in the tables below.

Share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period.

Exercised options

On 3 December 2018 a third share option program was exercised, belonging to Vice President, Digital & Cloud Services Strategy. The options were devided into three tranches, each consisting of 20,000 options and with a strike price of NOK 7.00. 35,000 options were settled in cash, as per the agreement. The volume weighted share price as the basis for the exercise was NOK 15.96. A total of 25,000 options were settled in shares. A cost of NOK 0.471m (incl accrued social security tax) has been charged as an expense in the profit or loss statement in 2018.

On 23 December 2019 current employees of Crayon exercised 133,290 options at a weighted average exercise price of NOK 15.5 per share. CFO Jon Birger Syvertsen exercised 100,000 options. All shares are subject to a 3-year lock-up.

Share option IPO program 1

In connection with the Listing, the Board of Directors resolved to establish a new option program in order to tie key personnel closer to the Company and to enhance their economic incentive related to the value creation within the Group. The new options have been granted to Employees and consultants in the Group, as well as to the Board of Directors. The program has a duration of 5 years from grant date October 18th 2017. The size of the option program is up to approximately 3.9% of the share capital in the Company prior to completion of the Offering, i.e. up to 2,050,000 options. The program consists of three tranches, each of 683 333 options, with an earnings period of 1, 2 and 3 years, respectively. The options will vest in three tranches, whereby each tranche consisting of 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively (i.e October 18th 2018, 2019 and 2020).

Share option IPO program 2

March 23rd 2018 the Group entered into a share option program following the appointment of new CFO. A total of 100,000 options with a strike price of NOK 15.50 per share were granted, as part of Crayon Group's existing share option program for leading employees. The share options granted will vest with 1/3 per year, as long as the option holder is still employed, with the first vesting date in March 2019. The options may be exercised in the period from March 2019 until March 2023.

A cost of NOK 8.5m (incl accrued social security tax) has been charged as an expense in the profit or loss statement in 2019 for IPO program 1 and 2 (2018: NOK 3.3m).

Fair value of options

The fair value at grant date is determined using an adjusted form of the Black Scholes Model, that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share, and risk free interest. The expected volatility is based on historical volatility for a selection of comparable listed companies. Risk free interest rate is based on treasury bond with same maturity as the option program. In order to take into account the option holder' exercise behaviour, the fair value calculation is based on the weighted average of two scenarios. Scenario I (early redemption) assumes that the options are exercised as early as possible. Scenario II (late redemption) assumes that the options are exercises as late as possible. The variables used are displayed in the table below.

Employee Share purchase program (ESPP)

In connection with the share incentive program, all employees in the Group in which an offer could be lawfully made, have been offered to participate in an employee share purchase program (ESPP). On 23 December 2019, 1.23 million shares were allotted to employees at a subscription price of NOK 30 per share. The subscription price was equal to 3-month average share price at the start of the subscription period with a 20% discount. The employees have been offered to subscribe for amounts between NOK 10,000 to NOK 100,000 (all amounts including the 20% discount). In aggregate, 407 employees participated in the share incentive program. The new shares issued to the employees are subject to a lock-up period of 2 years in which the employees cannot sell, dispose of or otherwise transfer shares received under the program. Additional bonus shares will be granted to employees participating in the ESPP and remaining employed by Crayon by the end of the lock-up period. One bonus share will then be granted for every third share subscribed for under the program. The bonus shares vest over two years. The fair value of the shares was calculated at the grant date.

A cost of NOK 11.2 m (including accrued social security) has been charged as an expense for the employee share purchase in the profit or loss statement in 2019. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the subscription price (NOK 30), the term of the lock-up (2 years), the impact of dilution (where material), the share price at the grant date (NOK 52), expected price volatility of the underlying share, and risk-free interest. The expected volatility is based on historical volatility for listed Crayon shares from 8 November 2017 up until the grant date. Risk free interest is based on treasury bond with same maturity as the option program.

In total, the board of directors and management were allotted 78.3 thousand and 115 thousand shares, respectively.

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ALLOTMENT OF SHARE OPTIONS

	Fair value	Strike price	Grant date	Earnings date	Expiry date	Latest exercise schedule
Tranche I (IPO program 1)	1,759,157	15.50 NOK	Oct. 2017	Oct. 2018	Oct. 2022	NA
Tranche II (IPO program 1)	1,899,100	15.50 NOK	Oct. 2017	Oct. 2019	Oct. 2022	NA
Tranche III (IPO program 1)	1,980,042	15.50 NOK	Oct. 2017	Oct. 2020	Oct. 2022	NA
Tranche I (IPO program 2)	20,288	15.50 NOK	Mar. 2018	Mar. 2019	Mar. 2023	NA
Tranche II (IPO program 2)	23,034	15.50 NOK	Mar. 2018	Mar. 2020	Mar. 2023	NA
Tranche III (IPO program 2)	25,818	15.50 NOK	Mar. 2018	Mar. 2021	Mar. 2023	NA
Tranche I (VP, Digital & Cloud Services Strategy)	20,387	7.00 NOK	Dec. 2015	Dec. 2016	Dec. 2018	NA
Tranche II (VP, Digital & Cloud Services Strategy)	22,492	7.00 NOK	Dec. 2015	Dec. 2016	Dec. 2018	NA
Tranche III (VP, Digital & Cloud Services Strategy)	27,456	7.00 NOK	Dec. 2015	Dec. 2017	Dec. 2018	NA
Total	5,777,775					

	Share options start of period	Granted share options	Forfeited share Options	Exercised share options	Average exercise price	Remaining share options
Tranche I (IPO program 1)	683,333	-	-	16,667	15.50 NOK	666,666
Tranche II (IPO program 1)	683,333	-	50,000	16,623	15.50 NOK	616,710
Tranche III (IPO program 1)	683,333	-	50,000	-	15.50 NOK	633,333
Tranche I (IPO program 2)	33,333	-	-	33,333	15.50 NOK	-
Tranche II (IPO program 2)	33,333	-	-	33,333	15.50 NOK	-
Tranche III (IPO program 2)	33,333	-	-	33,333	15.50 NOK	-
Total	2,150,000	-	100,000	133,290		1,916,710

The options granted to VP digital & Cloud Services Strategy program were exercised in 2018.

STRIKE PRICE

	Remaining share options		Exercisable share option at the end of the period	
	2019	2018	2019	2018
15.50 NOK	1,916,709	2,150,000	1,283,376	683,333

VARIABLES IN THE MODEL FOR THE ALLOTMENT OF OPTIONS

	IPO Program 1			IPO program 2		
	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche III
Expected life (yrs)	1 - 5	2 - 5	3 - 5	1 - 5	2 - 5	3 - 5
Risk free interest rate	0.41% - 1.12%	0.61% - 1.12%	0.81% - 1.12%	1.07% - 1.44%	1.07% - 1.44%	1.07% - 1.44%
Volatility	0.26	0.26	0.26	0.25	0.25	0.25

AS OF 31.12.2019, THE FOLLOWING PRIMARY INSIDERS CURRENTLY HOLDS OPTIONS:

	Number of share options
Rune Syversen (Founder and deputy CEO)	300,000
Torgrim Takle (CEO)	200,000
Bente Liberg (COO)	100,000
Mattias Ödlund (CTO)	100,000
Jens Rugseth (chairman)	200,000
Eivind Roald (board member)	100,000
Dagfinn Ringås (board member)	60,000
Grethe Viksaas (board member)	40,000

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NOTE 7 Tangible assets

TANGIBLE ASSETS 2019

	Equipment		
	IT systems and equipment	Office furnishings, fixtures and cars	Total
<i>(In thousands of NOK)</i>			
Acquisition cost 01.01.2019	48,048	38,949	86,997
Additions	12,628	11,105	23,733
Disposals	(1,387)	(35)	(1,422)
Acquisition cost 31.12.2019	59,289	50,019	109,308
Accumulated depreciation 01.01.2019	35,094	26,169	61,263
Depreciation 2019	9,926	4,255	14,180
Disposals	(1,093)	(35)	(1,128)
Accumulated depreciation 31.12.2019	43,927	30,389	74,316
Net value per 31.12.2019 excl. currency translation	15,362	19,631	34,993
Currency translation	(50)	472	422
Net value per 31.12.2019 incl. currency translation	15,312	20,103	35,415
Depreciation period	1-5 years	1-5 years	
Depreciation method	Linear	Linear	

TANGIBLE ASSETS 2018

	Equipment		
	IT systems and equipment	Office furnishings, fixtures and cars	Total
<i>(In thousands of NOK)</i>			
Acquisition cost 01.01.2018	38,197	32,445	70,642
Additions	9,851	6,505	16,356
Disposals	-	(248)	(248)
Acquisition cost 31.12.2018	48,048	38,949	86,997
Accumulated depreciation 01.01.2018	27,979	21,703	49,682
Depreciation 2018	7,115	4,466	11,581
Accumulated depreciation 31.12.2018	35,094	26,169	61,263
Net value per 31.12.2018 excl. currency translation	12,954	12,533	25,487
Currency translation	(162)	(595)	(757)
Net value per 31.12.2018 incl. currency translation	12,792	11,938	24,729
Depreciation period	1-5 years	1-5 years	
Depreciation method	Linear	Linear	

Tangible assets are tested for impairment when there are indications that future earnings cannot justify the carrying amount. The difference between the carrying amount and recoverable amount is recognised as impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels where it is possible to distinguish independent cash flows (cash generating units). Possible reversal of previous impairment of non-financial assets (excluding goodwill) is evaluated on each reporting date.

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NOTE 8 Intangible assets

INTANGIBLE ASSETS 2019

<i>(In thousands of NOK)</i>	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Acquisition cost 01.01.2019	7,421	207,847	362,511	66,549	644,328
Additions	-	54,222	22,700	-	76,923
FX translation	-	200	586	1,051	1,837
Acquisition cost 31.12.2019	7,421	262,269	385,797	67,600	723,088
					-
Amortisation and impairment 01.01.2019	6,421	130,292	296,402	32,948	466,062
Amortisation	-	45,426	19,585	7,855	72,866
Accumulated amortisation and impairment 31.12.2019	6,421	175,718	315,987	40,803	538,929
Net value 31.12.2019	1,000	86,552	69,810	26,797	184,159
Amortisation period	None	3-10 years	5-10 years	3-10 years	
Amortisation method	None	Linear	Linear	Linear	

In 2019, the total capitalised development costs of NOK 54.2m consist of NOK 19.5m from capitalised internal hours and NOK 34.7m from capitalised external operating expenses.

Total non-capitalised development costs amounted to NOK 8.7m relating to the Norwegian SkatteFUNN projects.

INTANGIBLE ASSETS 2018

<i>(In thousands of NOK)</i>	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Acquisition cost 01.01.2018	7,421	159,780	361,725	65,874	594,800
Additions	-	48,079	535	-	48,614
FX translation	-	(12)	250	675	914
Acquisition cost 31.12.2018	7,421	207,847	362,511	66,549	644,328
Amortisation and impairment 01.01.2018	6,421	90,830	278,401	25,513	401,165
Amortisation	-	39,461	18,001	7,435	64,897
Accumulated amortisation and impairment 31.12.2018	6,421	130,292	296,402	32,948	466,062
Net value 31.12.2018	1,000	77,556	66,109	33,601	178,266
Amortisation period	None	3-10 years	5-10 years	3-10 years	
Amortisation method	None	Linear	Linear	Linear	

In 2018, the total capitalised development costs of NOK 48.1m consist of NOK 16.6m from capitalised internal hours and NOK 31.5m from capitalised external operating expenses.

Total non-capitalised development costs amounted to NOK 31.5m relating to the Norwegian SkatteFUNN projects.

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NOTE 9 Goodwill

The Group tests goodwill annually at year-end for impairment. The method used to estimate the recoverable amount is value in use, based on discounted cash flow analysis (DCF).

Based on the value-in-use calculation, the estimated recoverable amount exceeds the carrying amount with a significant headroom for most CGUs. An impairment loss of NOK 59.4m has been recognised in 2019 (2018: no impairment loss). The impairment loss relates to goodwill in Crayon UK from the Fast acquisition.

In connection with the impairment testing of goodwill, sensitivity analysis has been carried out. The sensitivity analysis has tested changes in WACC, gross profit, net working capital and EBITDA margins. There are relatively large headrooms on all CGUs except Crayon UK, which has been partially impaired. The estimates used to determine future cash flows and WACC when calculating value in use are subject to uncertainty. The assumptions are described below:

Budget and forecast period
The budget for each CGU is used as baseline for the financial prognosis and consists of one year. This is management's projected cash flow for each component. Previous year budgets are tested for reliability and adjusted in case of underperformance. The remaining four years of the forecast period are estimated based on budget and projected performance.

Local currency and FX rates
All CGU's forecasted projections are done using the functional currency of the CGU.

Growth rate
Growth rate is represented by five-year CAGR (Compound Annual Growth Rate), which was defined as average annual sales growth over a five-year forecasting period in 2018 and average annual gross profit growth over a five-year forecasting period in 2019. Average rates of growth in operating revenue and gross profit are based on management's expectations of future conditions in the markets in which the business operates.

EBITDA margins
EBITDA margins are based on the volume/margins achieved historically, adjusted for expected future developments in market conditions.

WACC
Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). The Group's pre-tax WACC is based on average interest rate applied by management and adjusted for country specific risks where necessary.

Sensitivity
At 31 December 2019, the Group's value in use for each CGU was significantly higher than the carrying amount of tested goodwill, except for Crayon UK which has been partially impaired in 2019. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. The calculation is most sensitive to changes in EBITDA margins. A reduction in EBITDA margins by 15 percentage points would still not indicate that the value of goodwill would be impaired, except for Crayon UK which will have an additional impairment.

GOODWILL

(In thousands of NOK)	2019	2018
Acquisition cost 01.01	890,440	881,183
Additions	41,689	6,333
Currency translation	6,729	2,924
Acquisition cost 31.12	938,858	890,440
Impairment 01.01	50,139	50,139
Impairment	59,378	-
Accumulated impairment 31.12	109,517	50,139
Net value 31.12	829,341	840,301

GOODWILL SPLIT BY CGU

	2019	5 year sales CAGR assumption	Pre-tax WACC assumption	2018	5 year sales CAGR assumption	Pre-tax WACC assumption
Licensing Norway ¹	267,967	8.8%	12.2%	267,967	3.2%	10.1%
Consulting Norway ¹	149,713	13.5%	12.2%	149,713	9.8%	10.1%
Puzzlepart	5,927	27.0%	12.2%	5,927	18.9%	10.1%
Licensing Sweden ¹	52,991	9.3%	12.2%	52,991	1.9%	10.1%
Crayon Denmark ¹	91,170	6.2%	12.2%	91,897	4.5%	10.1%
Crayon Finland ¹	47,623	15.9%	12.2%	47,623	8.2%	10.1%
Crayon Germany ¹	15,948	12.9%	12.2%	15,948	20.5%	10.1%
Crayon UK (Fast PPA)	42,411	2.8%	11.0%	96,353	(10.9%)	10.1%
Kryptos Networks	23,510	21.9%	15.3%	23,699	31.4%	13.1%
Angelpoint (Anglepoint PPA)	75,516	12.9%	12.2%	73,493	18.9%	10.1%
Crayon US ²	8,490	59.5%	12.2%	8,355	47.1%	10.1%
Kryptos Technologies (India) ³	3,509	41.3%	15.3%	3,537	-	-
Crayon SG (Tribal Knowledge PPA) ³	2,877	49.6%	12.2%	2,796	-	-
Complit AS (Norway) ³	3,810	-	-	-	-	-
Sequent BV (the Netherlands) ³	37,879	-	-	-	-	-
Total	829,341			840,301		

¹ Inmeta Crayon PPA.
² Software Wholesale International PPA.
³ These are related to acquisitions in 2018 and 2019. Acquisitions occurred during the financial year are considered to market value, and no new impairment indicators as of December 31, 2019.

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NOTE 10 Acquisition of business

Sequit BV (the Netherlands)

On May 9, 2019 Crayon Group acquired 100% of the outstanding shares of Sequint, a leading Dutch IT channel software service provider. The acquisition cost of the shares was NOK 62.5m, out of which NOK 38m relates to an earn-out model based on the financial performance of the company during the next 24 months. The earn-outs are contingent considerations estimated to NOK 16.0m for 2019 performance and NOK 21.5m for 2020 performance, and are classified as short and long-term liabilities, accordingly. The Goodwill in the transaction was EUR 3.8m, which corresponds to NOK 37.8m at year end 2019.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

<i>(in thousands of NOK)</i>	Fair Value
Customer contracts	22,700
Property plant and equipment	866
Receivables	16,597
Cash	21,282
Deferred tax liability	(5,424)
Trade payables	(24,009)
Payables to participants	(4,174)
Other payables	(3,229)
Total identifiable net assets acquired at fair value	24,610
Goodwill	37,869
Purchase consideration transferred	62,479
Earn-out	37,820
Cash	24,659
Total consideration	62,479
Paid in cash	24,659
Cash received	(21,282)
Net decrease/(increase) in cash	3,376

Sequit BV has from the date of acquisition contributed to the Group's revenues and profit before tax by NOK 180 million and NOK 6 million respectively.

Customer contracts are identified as intangible assets which fulfil the recognition criteria under IAS 38.

Saudi-Arabia

Saudi-Arabia Crayon Group has acquired control of a company operating in Saudi-Arabia indirectly through a Fund-structure that is present and governed by the laws of Saudi-Arabia. The time of control was set to July 1, 2019, where the Group acquired control of the company by entering the Fund arrangement according to IFRS 10.

Complit AS (Norway)

On March 12, 2019 Crayon Group announced the acquisition of 100% of the shares in Complit AS, a leading Norwegian IT service desk company. The acquisition cost was NOK 8.3m, out of which NOK 3.3m is related to an earn-out model based on the financial performance of the company during the next 12 months. For the FY 2018, Complit posted revenues of approximately NOK 10m and an EBITDA of NOK 2m, implying a EV/EBITDA multiple of x4 as the company was acquired on a cash-free and debt-free basis. Complit AS is a related party acquisition, refer to [note 18](#) for information of related parties. The goodwill in the transaction was assessed to NOK 3.8m.

lotplan AS

On September 9, 2019 Crayon Group announced the acquisition of 100% of the shares in lotplan AS (previous Intelzone AS), and by that expanding into IoT market. Crayon acquired 100% of shares in lotplan AS at a value of NOK 0.4m, which is equivalent to the invested share capital in the company. At the time of acquisition total equity was NOK -0.4m. For the FY 2018, lotplan AS posted revenue of approximately NOK 0.7m and an EBITDA of NOK -1m. lotplan AS is a related party acquisition, refer to [note 18](#) for information of related parties.

Kryptos Technologies (India)

On March 9, 2018 Crayon Group announced the acquisition of Kryptos Technologies Pvt. Ltd ("Kryptos"). The Company is a specialist IT managed service provider headquartered in Chennai, India. Kryptos has approximately 60 employees and is a leading cloud migration specialist providing managed services centered around storage, server, network, and applications. Under the terms of the agreement, Crayon will initially acquire a majority stake (50.1%) in Kryptos through a share issue which will be purchased at approximately NOK 3.1m, with the option to buy-out minority shareholders based on financial performance of the company during the next 3-5 years. In 2017, Kryptos was in a ramp-up phase and posted revenue of approximately NOK 4m. The acquisition meets the definition of a business in accordance with IFRS 3.

Tribal Knowledge (Singapore)

In June 2018, Crayon Group acquired the Singapore consulting company Tribal Knowledge. The company is engaged in the business of IT services, particularly Software Asset Management Consulting. The acquisition was completed as an purchase of assets and the activities meet the definition of a business in accordance with IFRS 3. The business consists of contracts, employees, and assets. According to the asset purchase agreement, Crayon will purchase Tribal at a cash consideration of SGD 300,000, and a similar amount will be related to an earn-out model based on the financial performance of the Company during the next 12 months, which is reflected in our financial statements.

There were no further acquisitions of material impact performed during 2018 and 2019.

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NOTE 11 Equity

The company has 76,624,064 shares at a nominal value of NOK 1 (December 31, 2018: 75,394,108 shares at nominal value of NOK 1). In 2019 the company increased the share capital with 1,229,956 shares at nominal value of NOK 1. The total share capital amounts to NOK 76,624,064.

The company owns 10,100 of its own shares to facilitate management of employee share purchases.

The company decreased the numbers of own shares with 25,000, or 0.03% of total share capital, driven by share purchase from an employee.

SHARES

	Number of shares	Total nominal value	Statutory provisions on voting
Shares 2019	76,624,064	76,624,064	One share – one vote

The General Meeting on April 24, 2019 authorised the board of directors to increase the share capital in three different settings. All three authorisations are valid until the earlier of Crayon's annual general meeting in 2020 and June 30, 2020.

In relation to the Company's incentive schemes, the Board is granted an authorisation to increase the Company's share capital with up to NOK 4,526,646, provided that the authorisation cannot be used for an amount in excess of 6.0% of the Company's share capital as per January 1, 2019.

In connection with acquisitions, etc. The Board is granted an authorisation to increase the Company's share capital with up to NOK 7,539,411, provided that the authorisation cannot be used for an amount in excess of 10% of the Company's share capital as per January 1, 2019.

The board of directors is granted an authorisation to, on behalf of the Company, to repurchase treasury shares with a total nominal value of NOK 7,539,411, corresponding to 10% of the Company's share capital as per January 1, 2019.

In accordance with the Company's Articles of Association, the number of shares is the same as the number of ordinary shares issued and fully paid-up.

The company's major shareholders as of December 31, 2019, who own more than 1% of the share capital, are:

Shareholder's name	Total Shareholding
OEP ITS Holding B.V.	31.5%
SIX SIS AG	13.1%
KARBON INVEST AS	11.5%
DnB NOR Bank ASA	3.7%
HUMLE SMABOLAGSFOND	3.4%
Danske Invest Norge Vekst	2.4%
HSBC TTEE MARLB EUROPEAN TRUST	1.9%
ARCTIC FUNDS PLC	1.9%
Nordnet Bank AB	1.5%
VERDIPAPIRFONDET DNB SMB	1.3%
J.P. Morgan Bank Luxembourg S.A.	1.2%
Nordea Bank Abp	1.1%
The Bank of New York Mellon	1.0%
The Bank of New York Mellon SA/NV	1.0%

The company's trustees have shares in the company:

Officer	Total number of shares
Karbon Invest AS (Jens Rugseth and Rune Syversen)	8 835 221
Bente Liberg (COO), Goodcharma AS	415 898
Torgrim Takle (CEO)	373 417
Brit Smestad (employee representative)	140 843
Eivind Roald (board member)	135 256
Jon Birger Syvertsen (CFO)	103 334
Jens Rugseth (Chairman of the Board)	41 107
Camilla Magnus (board member)	32 667
Jan Henrik Emanuelsen (employee representative)	27 147
Dagfinn Ringås (board member), CDR Invest	25 806
Grethe Viksaas (board member)	19 334
Mattias Ödlund (CTO)	12 028
Bjørn Henry Rosvoll (COO I inmeta)	5 001

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NOTE 12 Earnings per share

The Group's earnings per share are calculated as:

<i>(In thousands of NOK)</i>	2019	2018
Net income	(19,289)	11,000
Non-controlling interests	(7,054)	(4,364)
Owners of Crayon Group Holding ASA	(12,235)	15,364
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 January	75,394	75,394
Effect of shares issued December 2019	27	-
Effect of exercise of share options	-	-
Effect of own shares held	(14)	(35)
Weighted average number of ordinary shares (basic) at 31 December	75,407	75,359
Basic earnings/(loss) per share (NOK)	(0.16)	0.20
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	75,407	75,359
Effect of share options on issue	964	68
Weighted average number of ordinary shares (diluted) at 31 December	76,371	75,427
Diluted earnings/(loss) per share (NOK)	(0.16)	0.20
Number of outstanding ordinary shares per 01.01	75,394,108	75,394,108
Number of outstanding ordinary shares per 31.12	76,624,064	75,394,108

NOTE 13 Accounts receivable

Accounts receivables relate to the sale of licenses or services that are within the normal operating cycle. If the settlement is expected within one year or less, the receivable is classified under current assets. If exceeding more than one year, the receivable is classified under long- term receivables.

RECEIVABLES OUTSTANDING

<i>(In thousands of NOK)</i>	2019	%	2018	%
Not due	1,919,396	75%	1,437,065	77%
1-30 days overdue	232,450	9%	260,914	14%
30-60 days overdue	75,593	3%	54,306	3%
60-90 days overdue	33,321	1%	30,471	2%
90-120 days overdue	60,557	2%	21,338	1%
More than 120 days overdue	232,189	9%	71,870	4%
Closing balance 31.12	2,553,506		1,875,963	

ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE BALANCE SHEET

<i>(In thousands of NOK)</i>	2019	2018
Opening balance 01.01	(11,051)	(2,833)
Net reversal / (allowance)	(19,062)	(8,218)
Closing balance 31.12	(30,113)	(11,051)

PROFIT & LOSS EFFECT OF BAD DEBT

<i>(In thousands of NOK)</i>	2019	2018
Realised losses	6,274	978
Allowance for doubtful accounts	15,918	8,437
Net accounting losses on receivables	22,192	9,415

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The Group has historically recognised few losses on receivables. Regarding credit risk please see [note 23](#).

The Group has applied the IFRS 9 simplified approach to trade receivables with no significant financing component. The analysis is performed on each subsidiary by determining appropriate groupings, considering estimated future macro-economic factors and adjusting historical loss rates for current and forward-looking information.

The conclusion is that there are minor losses historically, which is also expected going forward taken into consideration forward looking information. However, the cyclical business model with high volumes, some major clients and some countries where there are higher acceptance for longer repayments indicates caution and higher provisions.

The current provision is in accordance with IFRS 9 and assessed to be best estimate when taking into consideration a cautious approach. (See [note 2](#) regarding further information of IFRS 9).

In 2018 Crayon finalised a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of December 31, 2019 factoring is improving our Accounts Receivables by NOK 145m (2018: NOK 100m).

Implementing factoring by selling our invoices to BNP, means Crayon, receives most of the invoices upfront of the invoices sold. When the customer has fully paid the invoice to BNP, Crayon receives the remaining part. This is risk minimising the payment process for outstanding receivables for Crayon.

NOTE 14 Cash & cash equivalents

NOK 20.5m of the total bank deposits as of December 31, 2019 is restricted cash. As of December 31, 2018 restricted cash was NOK 17.4m. The amount fully consists of employee taxes withheld. Further information regarding liquidity reserve is shown in detail in [note 25](#).

Free available cash: Cash and cash equivalents less restricted cash
Liquidity reserve: Free available cash and available credit facilities
Available credit facility: Credit facility less guarantees

Liquidity reserve is a useful measure as it provides information of the Group's financing capabilities.

(In thousands of NOK)	2019	2018
Cash & cash equivalents	238,817	379,282
Restricted cash	(20,522)	(17,358)
Free available cash	218,295	361,923
Available credit facility	248,352	153,785
Liquidity reserve	466,646	515,708

NOTE 15 Collateral and guarantees

DEBT

(In thousands of NOK)	2019	2018
Bond loan	300,000	450,000
Transactional costs ¹	(6,812)	(3,442)
Debts secured by collateral	293,188	446,558

¹ The bond loan is initially measured at fair value net of transaction costs, and is subsequently measured at amortised cost using the effective interest rate method. Consequently, the transaction cost will be amortised over the life of the bond loan. Carrying amount of the bond loan will be equal to principal amount of NOK 300 million at maturity in FY 2022.

As security for the Crayon Group's Super Senior Multicurrency Revolving Credit Facility Agreement (RCF), Crayon Group AS has provided a first priority assignment agreement with respect to the top account in the cash pool agreement to which it is a party. Furthermore, the liability of each Guarantor, listed below, shall be limited to NOK 750 million plus any unpaid amount of interest, fees, liability, premium, and expenses. For further information see [note 16](#).

- List of guarantors**
Crayon Group Holding ASA
Crayon Group AS
Crayon AS
Inmeta Consulting AS
Crayon A/S
Crayon AB

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Additionally, the Group has provided guarantees for the following creditors:

<i>(In thousands)</i>	Creditor	Amount	Currency	Amount (NOK)
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Guarantee for Business associates

Purchase of goods	Citrix Syst. Int Gmbh	500	USD	4,390
Purchase of goods	Adobe	1,500	USD	13,171

Crayon Group Holding ASA (parent company) guarantees to Microsoft the full and promptly payment of a number of the parent company's affiliates' outstanding debt and performance obligations, related to the normal core of business of the Group and recognised as part of accounts payable in the statement of the financial position. At year end, the total outstanding debt and obligations of the relevant parent company's affiliates amounted to NOK 603m.

Subsidiaries

Crayon DMCC	Kofax, Primary Guarantee	3,000	USD	26,341
Crayon India, Guarantee credit facility	Indsind bank Limited	392,000	INR	48,269
Crayon Group, House rental	Sandakerveien 114 A	6,380	NOK	6,380
Crayon UK	Bacstel, UK	350	GBP	4,077
Crayon UK	National and Kapodistrian	1	EUR	10
Crayon UK	Aristotle University	1	EUR	10
Crayon UK	Greek Ministry of Health	2	EUR	16
Crayon UK	University of Piraeus	2	EUR	20
Crayon UK	Aristotle University	52	EUR	516
Crayon UK	Aristotle University	1	EUR	5
Crayon UK	Aristotle University	3	EUR	26
Crayon UK	University of Ioannina	2	EUR	18
Crayon UK	Hellenic Open University	0	EUR	4
Crayon UK	University of Peloponnese	2	EUR	19
Crayon DE, Rental guarantee	Kapfinger	2	EUR	20
Crayon DE, Rental guarantee	Dussten	17	EUR	163
Crayon DE, Rental guarantee	Schroder	12	EUR	118
Crayon DE, Rental guarantee	WCP Munich	106	EUR	1,043
Inmeta Consulting, Rental guarantee	Utstillingsplassen Eiendom AS	479	EUR	4,714

NOTE 16 Debt

In November 2019, the company successfully completed the issuance of a NOK 300m senior unsecured bond, with a NOK 600m borrowing limit.

The bonds have a floating coupon rate of 3 months NIBOR + 350 bps. p.a.(CRAYON 03). Any outstanding bonds is to be repaid in full at maturity date. The bond is in process to be listed on the Oslo Stock Exchange.

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

In light of the refinancing mentioned above, the Group also increased its revolving credit facility from NOK 200m to NOK 350m in November 2019.

The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying cash flow of the company, and is recognised as the actual value representing future liabilities based on the exchange rates at the balance sheet date. In accordance with IFRS 9, the transactional costs (NOK ~ 7 m) related to the bond issue which was settled on November 22, 2019 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 300m nominal value at maturity in Q4 2022.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

<i>(in thousands of NOK)</i>	Long-term bond loan	Short-term interest bearing debt	Lease liabilities	Total liabilities from financing activities
December 31, 2018	446,558	39,992	108,323	594,873
Proceeds from issuance of interest bearing debt	300,000	-	36,412	336,412
Repayment of interest bearing debt ¹	(450,000)	-	(23,076)	(473,076)
Derecognition amortisation cost ¹	3,442	-	-	3,442
Amortisations	(6,812)	-	-	(6,812)
Credit facility India	-	5,096	-	5,096
December 31, 2019	293,188	45,088	121,659	459,935

¹ This is related to the repayment of the CRAYON02 in November 2019.

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NOTE 17 Other long-term liabilities and current liabilities

OTHER LONG-TERM LIABILITIES

<i>(In thousands of NOK)</i>	2019	2018
Contingent consideration ¹	21,502	-
Deferred revenue	-	844
Contract liability	-	20,601
Customer contract financing	15,637	-
Other	4,819	3,536
Total	41,958	24,982

¹ See [note 10](#) Acquisitions for the Sequent acquisition.

OTHER CURRENT LIABILITIES

<i>(In thousands of NOK)</i>	2019	2018
Employee benefits related accruals	172,882	139,135
Other accruals and prepayments	203,650	103,527
Other current liabilities	64,198	43,887
Total	440,730	286,549

The public duties amount recognised in the consolidated statement of the financial position corresponds mainly to NOK 176m payable VAT (2018: NOK 169m) and employee taxes.

NOTE 18 Related parties

Crayon Group Holding ASA has entered into transactions with related parties in 2019. Related party transactions are carried out in accordance with the arm's length principle.

Significant transactions in 2019 are listed below:

- Transactions with Basefarm companies have been carried out as part of normal operations at market terms. Board of Director in this company is, among others, Grethe Helene Viksaas (member of Board of Directors in Crayon Group Holding ASA) is also Board member of Basefarm. Sales to Basefarm, or one of its subsidiaries, amounted to NOK 43.9m in 2019, and accounts receivables as of December 31, 2019 were NOK 6.2m. There were no expenses or accounts payable as of December 31, 2019.
- Transactions with company Techstep Norway AS have been carried out as part of normal operations at market terms. Shareholders in this company are, among others, Rune Syversen, Founder and deputy CEO of Crayon Group, and Jens Rugseth, Chairman of Crayon Group Holding ASA. Sales to Techstep Norway AS and/or one of its subsidiaries, amounted to NOK 8.9m in 2019, and accounts receivables as of December 31, 2019 of NOK 0.5m. Expenses from Techstep were NOK 0.2m, and accounts payable at December 31, 2019 were NOK 0.03m.
- Transactions with company Sysco AS have been carried out as part of normal operations at market terms. Shareholder in this company is, among others, Dagfinn Ringås, Member of Board of Directors of Crayon Group. Sales to Sysco AS, or one of its subsidiaries, amounted to NOK 7.6m in 2019, and accounts receivables as of December 31, 2019 of NOK 1.2m. There were no expenses or Accounts payable as of December 31, 2019.
- Transactions with company Karbon Invest AS have been carried out as part of normal operations at market terms. Shareholders in this company is, among others, Rune Syversen, Founder and deputy CEO of Crayon Group, and Jens Rugseth, Chairman of Crayon Group Holding ASA. Purchase of services from Karbon Invest AS amounted to NOK 0.5m in 2019, and other short term liabilities at December 31, 2019 were NOK 0.5m.
- Transactions with shareholders of Complit AS and lotplan AS were carried out as acquisitions of business combinations at market terms. See [note 10](#) for additional information.

For information related to remuneration to executive management and the Board of Directors see [note 5](#).

NOTE 19 Tax

Net income tax expense consists of the following:

TAX EXPENSE

<i>(In thousands of NOK)</i>	2019	2018
Income tax on net profit	23,290	35,768
Deferred taxes	5,588	7,005
Total	28,878	42,773

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

RECONCILIATION OF TAX CHARGE

<i>(In thousands of NOK)</i>	2019	2018
Net income before income tax expense	9,589	53,773
Norwegian statutory rate	22%	23%
Provision for income taxes at statutory rate	2,110	12,368

Increase (decrease) in income taxes from:

Effect of tax rates other than statutory tax rate in Norway	1,603	(2,209)
Unrecognised deferred tax assets	19,267	27,936
Other permanent items	5,899	4,678
Total income tax expense	28,878	42,773

The Group subsidiaries Crayon AS, Crayon Group AS, Inmeta Consulting AS, and Esito AS receive tax deductions from the Norwegian SkatteFUNN scheme for hours and operating expenses spent on approved projects relating to R&D. Under the SkatteFUNN scheme, business enterprises engaged in research and development activity may apply for a tax deduction. As described by the Research Council of Norway, the primary objective of the SkatteFUNN scheme is to provide support to R&D projects carried out by companies, enhance innovation in Norwegian trade, industry, and services, foster the development of good business ideas, motivate Norwegian companies to make their R&D efforts more strategic and targeted, and encourage greater use of development and research as strategic instruments to improve competitiveness. The total tax receivable from the SkatteFUNN scheme amounted to NOK 9.2m as of December 31, 2019.

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The tax effects of the Group's temporary differences are as follows:

BASIS FOR RECOGNISED DEFERRED TAX ASSETS

	2019	2018
Current assets	1,975	1,709
Fixed assets	8,726	9,745
Shares and other securities	114	3,260
Interest restriction IC	5,138	5,138
Long-term debt	(6,812)	(3,442)
Tax losses carried forward	102,525	117,630
Total basis for recognised deferred tax assets	111,666	134,040

Deferred tax asset	23,195	29,417
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Tax expense and changes in deferred tax assets posted as correction from 2018 direct to equity is NOK 3.4m.

BASIS FOR RECOGNISED DEFERRED TAX LIABILITIES

	2019	2018
Current assets	(949)	169
Purchase price allocations (intangible assets)	98,997	98,684
Other fixed assets	7,007	6,062
Total basis for recognised deferred tax liabilities	105,054	104,915

Deferred tax liabilities	29,703	30,336
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Crayon Group recognises deferred tax assets on its balance sheet when it's highly probable that the operations in the individual country will generate a taxable profit that the tax loss carry forward can be used to offset. Taking into account the stable historical gain, the management consider the future taxable profit as probable.

Basis for not recognised tax assets as of December 31, 2019: NOK 164.5m.

NOTE 20 Financial income and expenses

FINANCIAL INCOME

(In thousands of NOK)	2019	2018
Interest income from bank deposits	4,344	1,064
Interest swap income	5,106	6,563
Interest income from accounts receivable	2,237	1,236
Total interest income	11,688	8,864
Foreign currency gain ¹	153,515	103,916
Other financial income	154	610
Other financial income	153,669	104,525
Total financial income	165,356	113,389

FINANCIAL EXPENSES

(In thousands of NOK)	2019	2018
Interest expense credit institutions	19,500	8,644
Interest swap expense	1,260	5,822
Interest leases	8,945	-
Interest promissory note	-	286
Interest bond loan	30,105	29,324
Total interest expense	59,810	44,077
Foreign currency loss ¹	158,483	107,128
Other financial expenses	14,531	8,989
Total other financial expenses	173,015	116,116
Total financial expenses	232,825	160,193

¹ Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Profit and Loss 1.1-31.12 foreign currency is presented net.

Interest swap is posted through the Consolidated Statement of profit or loss.

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NOTE 21 Leases

IFRS 16 was implemented for the Group with effect as of 1 January 2019. Accounting principles applied are described in [note 2](#).

On transition to IFRS 16, the Group recognised NOK 118.3m in right-of-use assets and NOK 121.7m as lease liabilities. Profit of the period is not affected significantly. The change to IFRS 16 will have no significant effect on the estimated tax expense.

The Group leases several assets such as buildings, equipment and vehicles. In the annual financial statements for the year ended December 31, 2018 the discounted effect was estimated to NOK 129.1m on implementation. The deviation from this projection is mainly related to renewed assessment and classification of the different leases due to practical expedients.

A reconciliation from last year reported operational lease commitments to the recognised lease liability according to IFRS 16 is presented as follows:

<i>(In thousands of NOK)</i>	
Operating lease commitments disclosed 31.12.2018	159,339
Extensions and termination options reasonable certain to be exercised	2,097
Discount rate	(26,905)
Currency translation	(3,324)
Renewed assessments on leases, practical expedients and exemptions	(22,885)
Lease liability recognised at 01.01.2019	108,323
Non-current lease liability 01.01.2019	85,246
Current lease liability 01.01.2019	23,076
Instalments	(23,076)
Additions	36,412
Lease liability recognised at 31.12.2019	121,658
Non-current lease liability 31.12.2019	95,516
Current lease liability 31.12.2019	26,142

The movements of the Group's right-of-use assets and lease liabilities are presented below.

RIGHT OF USE ASSETS

<i>(In thousands of NOK)</i>	Leased premises	Other leased items	Total
Acquisition cost 01.01.2019	101,646	6,677	108,323
Additions	31,234	5,178	36,412
Acquisition cost 31.12.2019	132,880	11,855	144,735
Depreciation 2019	23,535	2,909	26,444
Accumulated depreciation 31.12.2019	23,535	2,909	26,444
Net value per 31.12.2019	109,345	8,946	118,291
Net value per 31.12.2019	109,345	8,946	118,291
Depreciation period ¹	1-12 years	1-12 years	
Depreciation method	Linear	Linear	

¹ Lower of remaining lease term or economic life.

AMOUNTS RECOGNISED IN PROFIT AND LOSS

<i>(In thousands of NOK)</i>	2019
Depreciation right-of-use assets	26,444
Interest on lease liabilities	8,945

The total cash outflow for leases for 2019 amounted NOK 32m.

The lease agreements do not impose any covenants. The weighted average discounted on lease liabilities is 7%.

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NOTE 22 Financial instruments

Currency swaps

Crayon Group Holding ASA has swapped approximately 33% of the NOK 300.0m bond principal into the following currencies: SEK and DKK. The outstanding bond principal (NOK) has been hedged against the aforementioned currencies reflecting the underlying cash flow of the company.

The currency swap is recognised in the balance sheet at fair value, representing future liabilities based on the exchange rates at the balance sheet date. Given the development of these currencies vs NOK, the total obligation to be repaid at maturity in NOK has increased by NOK 0.03m from when the swap agreements were executed to December 31, 2019.

Interest swaps

Approximately 25% of the NOK 300.0m bond principal is interest hedged. The effective interest rate for the bond as of December 31, 2019 was approximately 5.4%.

The interest swap is recognised in the balance sheet at fair value, representing future liabilities based on the interest rates at the balance sheet date. As a consequence of a higher interest on the company's fixed interest products compared to the floating rate, the company per December 31, 2019 has as a future liability until due date of the fixed interest products amounting to NOK 0.08m.

The total financial liabilities relating to the bond loan amounted to the following as at December 31:

(In thousands of NOK)	2019	2018
Bond principal	300,000	450,000
Currency swap	35	3,041
Interest swap	80	219
Transaction cost ¹	(6,812)	(3,442)
Total financial liabilities	293,303	449,818

¹ The bond loan is initially measured at fair value net of transaction costs, and is subsequently measured at amortised cost using the effective interest rate method. Consequently, the transaction cost will be amortised over the life of the bond loan. Carrying amount of the bond loan will be equal to principal amount of NOK 300 million at maturity in FY 2022. The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying rates at the balance sheet date.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH THE STATEMENT OF INCOME

(In thousands of NOK)	2019	2018
Level 1	-	-
Level 2	114	3,260
Level 3	37,499	-
Total	37,616	3,260

The fair value hierarchies are defined as follows:
Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. [IFRS 13:76]
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. [IFRS 13:81]
Level 3 inputs are unobservable inputs for the asset or liability. [IFRS 13:86]

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NOTE 23 Financial risk

The Group's covenants are attached to the credit facilities and bond loan. The credit facilities of NOK 350m are used for working capital and short-term financing purposes. The Group's interest-bearing bond loan is shown in detail in [note 16](#). Crayon's activities expose the company to financial risks such as market risks (including interest rate risk and currency risk), liquidity risk, and credit risk.

1 Currency risk

The Group is exposed to currency fluctuations due to the international nature of its operations. The Group had swapped approximately 33% of its bond principal (NOK 300m) into the following currencies: SEK 51.0m and DKK 39.0m.

A natural hedge is achieved as the bond principal swapped into non-NOK currencies reflects the underlying cash generation by the Group. Further, larger transactions involving currency risk are hedged by the means of forward contracts. Other than the above, the Group does not have any financial instruments in foreign currencies beyond the trading activities arising from ordinary operation.

The Group buys most of its products in NOK, EUR, SEK, DKK and USD. The inventory is minimal, but the exchange rate on the Group's key currency pairs, e.g. NOK/EUR, NOK/SEK, NOK/DKK and NOK/USD, can have an impact on the financial statements as the exchange rates may appreciate or depreciate in value. To counteract this, significant orders are secured by means of confirmed orders in those respective currencies.

2 Interest rate risk

The Group's borrowings are linked to NIBOR, STIBOR and CIBOR, which means that the Group is exposed to interest rate fluctuations. Approximately 25% of the principal amount of the loan (NOK 300m) was interest hedged in 2019, while the remaining borrowings use floating interest. The Group considers the interest rate risk to be at an acceptable level.

3 Liquidity risk

To secure financial flexibility, management of liquidity risk is an area awarded high priority. The cash flow from operating activities is impacted by a number of factors including changes in working capital, and this is managed at operational level by the individual companies.

The Finance Department monitors liquidity flows in its short-term and long-term reporting. The Group also has significant liquidity reserves available through credit facilities with its primary bank, as a result of which liquidity risk is deemed to be low.

4 Credit risk

The Group has historically had low losses on receivables. The Group has not experienced materially greater losses on receivables in 2019 than in previous years, however given increased operations of the Group in new markets outside the core Nordic region, which also entails different credit risk environments, the Group has intensified its efforts to collect outstanding receivables. The Group deems credit risk to be at an acceptable level. See further information in [note 13](#).

5 Sensitivity

The Group has identified currency risk (foreign exchange risk, primarily with respect to EUR, SEK, DKK, GBP, and USD) and floating interest rate risk as the two important financial risk factors it is exposed to.

TABLE A

<i>(In thousands of NOK)</i>	2019 EBITDA ¹	NOK appreciates 10%	NOK depreciates 10%	2018 EBITDA ¹	NOK appreciates 10%	NOK depreciates 10%
SEK	67,024	(6,702)	6,702	62,872	(6,287)	6,287
DKK	40,828	(4,083)	4,083	22,781	(2,278)	2,278
GBP	3,492	(349)	349	(1,192)	119	(119)
EUR	51,072	(5,107)	5,107	18,753	(1,875)	1,875
USD	(9,087)	909	(909)	(16,929)	1,693	(1,693)
INR	22,306	(2,231)	2,231	9,269	(927)	927
CHF	6,848	(685)	685	3,953	(395)	395
Effect of sensitivity		(18,248)	18,248		(9,951)	9,951

¹ [Note 3](#)

TABLE B

<i>(In thousands of NOK)</i>	Effect on net financial income and expenses ¹	
	+100bps	-100bps
NIBOR	(3,375)	3,375
STIBOR	136	(136)
CIBOR	111	(111)
Effect of sensitivity	(3,129)	3,129

¹ Compared to interest levels as of 31.12.2019

TABLE C

The following table presents the maturity profile of the group's financial liabilities based on contractual payments and non-cancellable lease commitments. All amounts presented in the table are undiscounted cash flows in NOK thousands:

MATURITY PROFILE

<i>(In thousands of NOK)</i>	2020	2021	2022	2023 ->	TOTAL
Interest-bearing bond loan	16,020	16,020	316,020	-	348,060
Other financial liabilities	-	41,958	-	-	41,958
Accounts payable	2,361,188	-	-	-	2,361,188
Non-cancellable lease commitments ¹	34,412	32,814	30,005	58,231	155,463
Total	2,411,620	90,793	346,025	58,231	2,906,669

¹ No purchase options are part of the estimated maturity analysis. See [note 21](#)

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NOTE 24 Subsidiaries and non-controlling interests

The Crayon Group consists of the following subsidiaries as of December 31:

SUBSIDIARY

	Office location	Ownership % 2019	Ownership % 2018
Nordics			
Crayon Group AS	Oslo	100%	100%
Crayon AS	Oslo	100%	100%
Inmeta Consulting AS	Oslo	89%	89%
Esito AS	Oslo	89%	89%
Rewired AS¹	Oslo	75%	97%
Puzzlepart AS	Oslo	100%	54%
Crayon Consulting A/S	Copenhagen	100%	100%
Crayon A/S	Copenhagen	100%	100%
Crayon AB	Stockholm	100%	100%
Crayon OY	Helsinki	100%	100%
Crayon Iceland ehf.	Reykjavik	100%	100%
Ice Distributions hf	Reykjavik	100%	100%
COMPLIT AS	Oslo	100%	0%
lotplan AS	Oslo	100%	0%
Europe			
Crayon UK Ltd	London	100%	100%
Crayon France SAS	Paris	79%	80%
Crayon Deutschland GmbH	Munich	100%	100%
Crayon Cloud Consulting GmbH	Munich	100%	100%
Crayon Austria GmbH	Vienna	100%	88%
Crayon Schweiz AG	Altdorf	88%	88%
Crayon Software Experts Spain SL	Madrid	86%	96%
Crayon Software Licensing Unipessoal LDA	Lisbon	86%	86%
Crayon BV	Amsterdam	80%	80%
Crayon Serbia	Beograd	100%	90%
Crayon Bulgaria	Sofia	90%	90%
SEQUINT BV	Rotterdam	100%	0%
Crayon Macedonia	Skopje	100%	0%
SIA “Crayon Latvia”	Riga	100%	0%
Crayon Software Experts Romania S.R.L.	Bucharest	100%	0%
Crayon Poland sp. z o.o.	Warszawa	99%	0%
Crayon Czech Republic and Slovakia s.r.o.	Prague	100%	0%
Crayon LLC	Moscow	99%	0%

	Office location	Ownership % 2019	Ownership % 2018
APAC & MEA			
Crayon DMCC	Dubai	80%	80%
Crayon Abu Dhabi	Abu Dhabi	100%	100%
Atria Technologies Pte Ltd	Singapore	100%	100%
Crayon Pte Ltd	Singapore	100%	100%
Kryptos Networks Pvt Ltd	Chennai	100%	100%
Kryptos Technologies Private Limited	Mumbai	50%	50%
Crayon Software Experts India Pvt Ltd	New Delhi	100%	100%
Crayon Software Experts Philippines Inc	Makati City	97%	82%
Atria Solutions Sdn Bhd	Kuala Lumpur	100%	100%
Crayon Software Experts Malaysia Sdn Bhd	Kuala Lumpur	90%	100%
Crayon Australia PTY LTD	Sydney	76%	0%
Crayon Mauritius Ltd	Port Louis	100%	0%
Crayon Africa SA	Johannesburg	100%	0%
Crayon Arabia	Riyadh	95%	0%
Crayon Sri Lanka	Colombo	99%	99%

U.S.

Crayon Software Experts Holding LLC	Dallas	100%	100%
Crayon Software Experts LLC	Dallas	77%	77%
Anglepoint Group Inc	San Francisco	77%	77%
Software Wholesale International Inc	Denver	77%	77%
Crayon Global Services GmbH	Munich	77%	77%

Crayon UK Ltd

Under section 479A of the UK Companies Act 2006, Crayon UK Ltd (registration number: 4055519) has availed exemption for audit of their statutory financial statements pursuant to guarantees issued by Crayon Group to indemnify the subsidiary of any losses towards third parties that may arise in the financial year ended December 31, 2019 for this subsidiary.

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The non-controlling interest share of the net income for 2019 and equity as of December 31, 2019 is detailed below:

SPECIFICATION OF NON-CONTROLLING INTERESTS 2019

	NCI ownership share	NCI share of equity (kNOK)	NCI share of net income (kNOK)
Nordics			
Inmeta Consulting AS	10.8%	(7,155)	(2,463)
Rewired AS ¹	25.5%	(1,964)	(1,641)
Esito AS	10.8%	(33)	(323)
Europe			
Crayon BV	20.0%	4,347	745
Crayon Schweiz AG	12.5%	1,728	(495)
Crayon Software Licensing Unipessoal LDA	14.0%	742	(40)
Crayon Software Experts Spain SL	14.0%	3,472	1,074
Crayon France SAS	21.0%	(2,168)	(618)
Crayon Poland sp. z o.o.	1.0%	(17)	10
Crayon LLC	1.0%	17	45
Crayon Bulgaria	10.0%	(198)	(192)
APAC & MEA			
Crayon DMCC	20.0%	3,089	1,308
Crayon Sri Lanka	1.0%	12	10
Kryptos Technologies Private Limited	49.9%	(754)	(200)
Crayon Software Experts Philippines Inc.	3.0%	146	16
Crayon Software Experts Malaysia Sdn Bhd	10.0%	747	199
Crayon Australia PTY LTD	24.0%	463	1,916
Crayon Arabia	5.0%	53	-
U.S.			
Crayon Software Experts LLC	23.3%	5,539	7,269
Anglepoint Group Inc	23.3%	(2,436)	375
Software Wholesale International Inc	23.3%	618	-
Crayon Global Services GmbH	23.3%	1,811	58
Total		8,059	7,054

¹ Formerly known as Map License AS

Written Put Options over Non-Controlling Interests

Anglepoint
In September 2015, Crayon Group AS acquired 100% of the shares in Anglepoint Group Inc. through its wholly owned subsidiary Crayon Software Experts LLC. As part of the consideration, the shareholders of Anglepoint received a 26% (in 2017 reduced to 23.3%) non-controlling interest in Crayon Software Experts LLC. Simultaneously, Crayon Group Holding ASA issued written put options over the non-controlling interests in Crayon Software Experts LLC. The put options will be settled by non-controlling interests selling their shares in Crayon Software Experts LLC in exchange for cash or shares in Crayon Group Holding ASA.

The written put options over non-controlling interest are a current obligation for Crayon Group Holding ASA to purchase equity instruments from non-controlling interest with settlement in own shares (or cash at the discretion of the Group), and classified as derivative financial liabilities and presented on net basis at fair value. The accounting policy applied for written put options over non-controlling interests is stated in [note 2](#).

The number of put shares to be issued shall be such number of put shares whose fair market value is equal to the fair market value of the share units being exchanged by the non-controlling interests. Hence, the fair value of the written put options over non-controlling interests is zero as at December 31, 2019.

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NOTE 25 Financial assets and liabilities

Financial instruments, and contracts accounted for as such, are in the balance sheet included in several line items and classified in categories for accounting treatment. A reconciliation of the financial instruments in Crayon Group is presented below:

2019

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
Financial assets				
Other long-term receivables	-	25,617	-	25,617
Accounts receivable	-	2,553,506	-	2,553,506
Other current receivables	-	156,327	-	156,327
Cash and cash equivalent	-	238,817	-	238,817
Total financial assets	-	2,974,267	-	2,974,267

Financial liabilities

Bond loan	-	-	293,188	293,188
Derivative financial liabilities	114	-	-	114
Other long-term liabilities	21,502	-	20,456	41,958
Other current liabilities (excl.non financial liabilities)	15,997	-	-	15,997
Accounts payable	-	-	2,361,188	2,361,188
Total financial liabilities	37,614	-	2,674,833	2,712,446

2018

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
Financial assets				
Other long-term receivables	-	22,658	-	22,658
Accounts receivable	-	1,875,963	-	1,875,963
Other current receivables	-	75,998	-	75,998
Cash and cash equivalent	-	379,282	-	379,282
Total financial assets	-	2,353,901	-	2,353,901

Financial liabilities

Bond loan (Long-term)	-	-	446,558	446,558
Derivative financial liabilities (Long-term)	3,260	-	-	3,260
Other long-term liabilities	-	-	24,982	24,982
Accounts payable	-	-	1,787,346	1,787,346
Total financial liabilities	3,260	-	2,258,886	2,262,145

NOTE 26 Subsequent events

As at December 31, 2019, China had alerted the World Health Organisation of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as the SARS-CoV-2 virus only came to light in early 2020.

The coronavirus pandemic (Covid-19) continues to spread in many countries by the time Crayon's 2019 financial statements are issued.

This pandemic situation represents a challenge to the global economy with no historic precedent and has thus created a significant uncertainty on future economic outlook globally, with scenarios ranging from rapid recovery to a prolonged economic downturn.

At the date of this report, all Crayon employees are safe and remains productive. Crayon has taken measures to protect employees and support the ongoing efforts to contain the Covid-19 pandemic in line with local and global health authorities, and the transition to remote work has so far been seamless for our employees, customers and business partners.

In terms of business impact, Crayon has so far seen very limited impact as the demand for software and related services has remained strong. However, the long-term impact will depend on the overall development of the pandemic itself and the public measures taken to contain the spread of the virus, which in some scenarios could impact Crayon through lower growth rates, increasing credit risk and challenges in recruiting and onboarding new staff. The board continues to monitor the situation carefully in order to ensure appropriate actions are taken as the situation unfolds during 2020.

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Alternative performance measures

Crayon Goup Holding’s 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 a number of alternative performance measures (APMs) that are regularly reviewed by management. 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 financial reporting framework (IFRS).

Crayon uses the following APM’s:

Gross Profit
Gross profit is calculated as operating revenue less materials and supplies. The Group's revenue is recognised either gross or net depending on revenue streams. As a result, management prepares budgets on gross profit rather than gross revenue. Management uses gross profit as a key performance measure in order to create a unified performance measure across business areas. Crayon believes that the measure provides useful and necessary information to investors and other related parties based on the following reasons:

- it displays the Group's performance independently of types of revenue streams
- it is necessary in order to understand the Group’s financials
- it is used for internal performance analysis

EBIT: Earnings before interest expense, other financial items and income taxes
EBITDA: Earnings before interest expense, other financial items, income taxes, depreciation and amortisation

EBITDA before other income and other expenses (Adjusted EBITDA)
Earnings before interest, tax, depreciations and amortisations (EBITDA) is a key financial parameter for Crayon. EBITDA before other income and other expenses is defined as EBITDA less refinancing cost, M&A and strategy cost and extraordinary personell cost. This measure is useful to users of Crayon's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past, non-recurring items, as well as evaluating operating performance in relation to Crayon's competitors.

The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

<i>(In thousands of NOK)</i>	2019	2018
EBITDA	249,926	177,055
Other Income and Expenses	42,316	11,086
Adjusted EBITDA	292,242	188,141

Other income and expenses: Specification of items defined as adjustments. See table below.

<i>(In thousands of NOK)</i>	2019	2018
Specific M&A costs and legal structuring	22,112	962
IPO Cost 2017 (Project Elevate)	481	310
Share based compensation	19,723	3,261
Extraordinary personell costs	-	6,554
Other income and expenses	42,316	11,086

Net working capital: Non interest bearing current assets, net of cash less non interest bearing current liabilities. Net working capital gives a measure of the funding required by the operations of the business.

<i>(In thousands of NOK)</i>	2019	2018
Inventory	13,968	8,625
Accounts receivable	2,553,506	1,875,963
Other receivables	156,327	75,998
Income taxes payable	(24,405)	(20,311)
Accounts payable	(2,361,188)	(1,787,346)
Public duties	(235,188)	(209,594)
Other current liabilities	(440,730)	(286,549)
Net working capital	(337,712)	(343,216)

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“Watching our partners and customers find value in what we do and watching their businesses grow is an amazing experience. I am proud to work for a company that is focused on selling digital transformation the right way and that has a customer-first and partner-first mentality.”

REGINA MANFREDI
Senior Vice President of US Sales

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Crayon Group Holding ASA
Statement of Income 1.1 - 31.12

<i>(In thousands of NOK)</i>	<i>Note</i>	2019	2018
Operating income and expenses			
Payroll expenses	<u>2</u> , <u>3</u>	5,108	2,110
Other operating expenses	<u>3</u>	25,434	5,848
Total operating income and expenses		30,542	7,958
Operating profit/EBIT			
		(30,542)	(7,958)
Financial income and expenses			
Income from subsidiaries and other group companies	<u>4</u> , <u>2</u>	-	38,140
Interest income from group companies	<u>2</u>	44,614	30,175
Other interest income		6,666	6,962
Other financial income		4,638	8,216
Total financial income		55,918	83,494
Other Interest expenses to group companies		13,391	5,149
Other Interest expenses		38,180	39,402
Other financial expenses		13,596	17,729
Total financial expenses		65,167	62,280
Net financial income and expenses			
		(9,249)	21,214
Net income before tax			
		(39,792)	13,256
Income tax expense on net income	<u>5</u>	(8,042)	4,516
Net income			
		(31,750)	8,740
Brought forward			
To other equity	<u>6</u>	-	8,740
Loss brought forward	<u>6</u>	(31,750)	-
Net brought forward		(31,750)	8,740

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Crayon Group Holding ASA
Balance Sheet as of 31.12

(In thousands of NOK)	Note	2019	2018
Assets			
Non-current assets			
<i>Intangible assets</i>			
Deferred tax asset	<u>5</u>	17,473	13,022
Total intangible assets		17,473	13,022
<i>Financial assets</i>			
Investments in subsidiaries	<u>4</u>	797,040	787,496
Loan to group companies	<u>2</u>	4,352	4,124
Total financial assets		801,393	791,620
Total non-current assets		818,866	804,641
Current assets			
Accounts receivable		974	-
Other receivables	<u>1, 2</u>	151,565	85,366
Total receivables		152,538	85,366
Cash & cash equivalents	<u>1</u>	35,532	248,749
Total current assets		188,070	334,115
Total assets		1,006,936	1,138,757

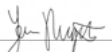



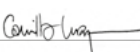

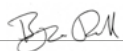


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Crayon Group Holding ASA
Balance Sheet as of 31.12

(In thousands of NOK)	Note	2019	2018
Equity and liabilities			
Paid-in equity			
Share capital	6, 7	76,624	75,394
Own shares	6, 7	(10)	(35)
Share premium	6	622,150	588,051
Total paid-in equity		698,764	663,410
Retained earnings			
Other equity	6	477	5,036
Total retained earnings		477	5,036
Total equity		699,240	668,446
Long-term liabilities			
Bond loan	8, 9	293,188	446,558
Derivative financial liabilities	8	114	3,260
Total long-term liabilities		293,303	449,818
Current liabilities			
Accounts payable		415	423
Other short term liabilities	2	13,978	20,070
Total current liabilities		14,393	20,493
Total liabilities		307,696	470,310
Total equity and liabilities		1,006,936	1,138,757

Oslo, March 30, 2020

 Jens Rugseth (Chairman)	 Eivind Roald (Board Member)	 Dagfinn Ringås (Board Member)	 Grethe H. Viksaas (Board Member)	 Camilla E. Magnus (Board Member)
 Jan Henrik Emanuelsen (Employee Representative)	 Bjørn H. Rosvoll (Employee Representative)	 Brit B. Smestad (Employee Representative)	 Torggrim Takle (CEO)	

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Crayon Group Holding ASA
Cash Flow Statement

	01.01-31.12 2019	01.01-31.12 2018
<i>(In thousands of NOK)</i>		
Cash flow from operating activities		
Net income before tax	(39,792)	13,256
Net interest paid to credit institutions and interest to bond loan	31,514	32,440
Paid interest to group companies	13,391	5,149
Received interest from group companies	(44,614)	(30,175)
Changes in inventory, accounts receivable/ payable	(982)	(17,197)
Changes in other current accounts	(9,942)	(27,108)
Net cash provided by operating activities	(50,424)	(23,636)
Cash flow from investing activities		
Purchase of own shares	388	520
Net cash from investing activities	388	520
Cash flow from financing activities		
Net interest paid to credit institutions and interest to bond loan	(31,514)	(32,440)
Paid interest to group companies	(13,391)	(5,149)
Received interest from group companies	44,614	30,175
New equity	34,966	-
Net change in cash pool, group companies	(102,581)	103,165
Proceeds from issuance of interest bearing debt	(153,370)	-
Reiceived group contribution	58,096	38,140
Net cash from financing activities	(163,180)	133,891
Net increase (decrease) in cash and cash equivalents	(213,216)	110,775
Cash and cash equivalents at beginning of period	248,750	137,973
Cash and cash equivalents end of period	35,535	248,750

¹ Received group contribution has been reclassified from operating to financing activites
² Group receivables/ liabilities within the Cashpool, have been reclassified from operating activites to financing activities

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NOTE 1 Accounting principles

The financial statements have been prepared in accordance with the Accounting Act (Norway) and generally accepted accounting principles in Norway.

Non-current debt

Non-current debt is initially valued at transaction value less attributable transaction costs. Subsequent to initial recognition, interest-bearing long-term debt is recognised at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

Current assets and liabilities

Current assets and liabilities are comprised of items receivable/due within one year and items related to the circular flow of goods. Current assets are valued at the lower of cost and market value.

Investment in subsidiaries

Subsidiaries are valued at cost. If actual value is below cost value and this continues over time, the investment in subsidiaries will be impaired. Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends or group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and is recognised as a reduction in carrying value of the investment.

Foreign currency

Transactions in foreign currency are converted at the exchange rate applicable on the transaction date. Monetary items in a foreign currency are converted to NOK using the exchange rate applicable on the balance sheet date. Non-monetary items measured at the historical rate expressed in a foreign currency are converted into NOK using the exchange rate applicable on the transaction date. Non-monetary items measured at fair value expressed in a foreign currency are converted at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period, and are presented as financial items.

Cash flow

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term, highly liquid investments.

Receivables

Accounts receivable and other receivables are recorded in the balance sheet at nominal value, minus a provision for bad debt. Provision for bad debt is determined on the basis of an individual assessment of receivables. Other receivables are valued using the same principle. Bank accounts included in cashpool are classified as other receivables.

Taxes

The income tax expense is comprised of both taxes payable (22%) for the period, which will be due in the next financial year, and changes in deferred tax. Deferred tax is determined on the basis of existing temporary differences between booked net income and taxable net income, including year-end loss carry-forwards, calculated at 22%. Temporary differences, both positive and negative, which will be reversed, or are likely to be reversed, in the same period, are recorded net.

NOTE 2 Transactions with related parties

ACCOUNTS RECEIVABLE AND PAYABLE TO GROUP COMPANIES:

(In thousands of NOK)	2019	2018
Receivables		
Received group contribution	-	38,140
Other receivables ¹	152,635	49,826
Total receivables	152,635	87,966
Liabilities		
Other payables	-	4
Other short term liabilities ¹	8,293	9,712
Total liabilities	8,293	9,716

Liabilities not recognised in the balance sheet

See [note 8](#).

TRANSACTIONS WITH RELATED PARTIES:

(In thousands of NOK)	2019	2018
Purchases of services:		
Purchases from Crayon Group AS	1,900	1,529
Guarantee fees	3,874	4,332
Total purchases	5,774	5,862
Financial items		
Income from subsidiaries and other group companies	-	38,140
Interest income from group companies	44,614	30,175
Other Interest expenses to group companies	13,391	5,149
Total net financial items	31,223	63,167

¹ Other receivables consist of receivables within the cash pool, where the Top Account belongs to Crayon Group AS.

Interest income and expenses are related to the receivables in the cash pool.

Increase in interest income from group companies from 2018 to 2019 is due to changes in cash pool structure. Due to refinancing in November 2019, cash pool was transferred to Crayon Group AS.

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NOTE 3 Other operating expenses

The company has no employees. Compensation to the members of the Board amounted to NOK 1.8m in 2019, and NOK 0.8m in 2018. The company has paid remuneration to the auditor in the following amounts:

<i>(In thousands of NOK)</i>	2019	2018
Audit fee	1,529	800
Other assurance services	0	552
Tax services	186	-
Other services	7,463	-
Total	9,178	1,352

Fees are quoted excluding VAT.

Regarding employee benefit, please see group [note 5](#).

NOTE 4 Investment in subsidiaries

The company is the parent company to Crayon Group AS. The company owns shares in:

<i>(In thousands of NOK)</i>	Registered office	Historical cost	Book value	Ownership interest and voting rights	Net profit/loss	Company's equity
Company						
Crayon Group AS	Oslo	783,903	796,790	100%	80,920	739,955
ICE Distribution hf	Reykjavik	3,145	251	100%	2,040	(1,182)
			797,040			

Crayon Group Holding ASA has received the following group contributions:

<i>(In thousands of NOK)</i>	2019	2018
Crayon Group AS	-	37,821
Rewired AS	-	319
Total	-	38,140

Group accounts have been made for Crayon Group Holding ASA. Accounts are available from:
Crayon Group Holding ASA
Sandakerveien 114 A
0484 OSLO

NOTE 5 Tax

<i>(In thousands of NOK)</i>	2019	2018
Taxes payable on profit for the year	-	-
Change in deferred tax	(8,042)	4,516
Total taxes for the year	(8,042)	4,516

Specification of the tax base:

Net income before income tax	(39,792)	13,256
+ Permanent differences	94	(34,714)
+ Changes in temporary differences	(3,370)	4,500
+ Received group contributions	-	38,140
- Use of losses carry-forward	-	(21,182)
= Tax base	(43,068)	0

Specification of tax expenses:

Taxes payable in the balance sheet	-	-
= Total taxes payable	-	-
+/- Changes in tax rate	-	592
+/- Change in deferred tax/tax assets	(4,452)	3,924
+/- Change in deferred tax/tax assets correction from last year	(3,590)	-
= Income tax expense	(8,042)	4,516

DEFERRED TAX/DEFERRED TAX ASSETS

<i>(In thousands of NOK)</i>	2019	2018
Accumulated tax losses to be brought forward	(80,984)	(54,234)
Shares and other securities	(114)	(3,260)
Other differences	6,812	3,442
Limited deduction for interest on related parties	(5,138)	(5,138)
= Basis for deferred tax	(79,424)	(59,189)
Deferred tax	-	-
Negative basis for deferred tax	79,424	59,189
= Basis for deferred tax asset	79,424	59,189
Deferred tax asset	17,473	13,022
Tax rate December 31 (%)	22%	22%

Deferred tax assets can be set off against future income.

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NOTE 6 Equity

<i>(In thousands of NOK)</i>	Share capital	Own shares	Share premium	Other equity	Total equity
Per 01.01.2019	75,394	(35)	588,051	5,036	668,446
Adjustment					-
Share issues	1,230	-	33,736	-	34,966
Share repurchase (net)	-	25	363	-	388
Other	-	-		575	575
Sharebased compensation	-	-		10,249	10,249
Corr last year	-	-		16,366	16,366
+ net profit 2019	-	-		(31,750)	(31,750)
Per 31.12.2019	76,624	(10)	622,150	477	699,240

NOTE 7 Share capital

The company has 76,624,064 shares at a nominal value of NOK 1. The total share capital amounts to NOK 76,624,064.

The company owns 10,000 of its own shares to facilitate management of employee share purchases.

The company decreased the numbers of own shares with 25,000, or 0.03% of total share capital, driven by employee share purchases.

Shares	Number of shares	Total nominal value	Statutory provisions on voting
Shares	76,624,064	76,624,064	One share – one vote

The General Meeting on April 24, 2019 authorised the board of directors to increase the share capital in three different settings. All three authorisations are valid until the earlier of Crayon's annual general meeting in 2020 and June 30, 2020:

In relation to the Company's incentive schemes, the Board is granted an authorisation to increase the Company's share capital with up to NOK 4,526,646, provided that the authorisation cannot be used for an amount in excess of 6.0% of the Company's share capital as per January 1, 2019.

In connection with acquisitions, etc. The Board is granted an authorisation to increase the Company's share capital with up to NOK 7,539,411, provided that the authorisation cannot be used for an amount in excess of 10% of the Company's share capital as per January 1, 2019

The board of directors is granted an authorisation to, on behalf of the Company, to repurchase treasury shares with a total nominal value of NOK 7,539,411, corresponding to 10% of of the Company's share capital as per January 1, 2019.

In accordance with the company's Articles of Association, the number of shares is the same as the number of ordinary shares issued and fully paid-up.

The company's major shareholders as of 31.12.2019, who own more than 1% of the share capital, are:

Name of shareholder	Ownership interest
OEP ITS Holding B.V.	31.5 %
SIX SIS AG	13.1 %
KARBON INVEST AS	11.5 %
DnB NOR Bank ASA	3.7 %
HUMLE SMABOLAGSFOND	3.4 %
Danske Invest Norge Vekst	2.4 %
HSBC TTEE MARLB EUROPEAN TRUST	1.9 %
ARCTIC FUNDS PLC	1.9 %
Nordnet Bank AB	1.5 %
VERDIPAPIRFONDET DNB SMB	1.3 %
J.P. Morgan Bank Luxembourg S.A.	1.2 %
Nordea Bank Abp	1.1 %
The Bank of New York Mellon	1.0 %
The Bank of New York Mellon SA/NV	1.0 %

The company's trustees (Board Members, general manager) hold ownership interests and rights to shares:

Officer	Total number of shares
Karbon Invest AS (Jens Rugseth and Rune Syversen)	8,835,221
Bente Liberg (COO), Goodcharma AS	415,898
Torgrim Takle (CEO)	373,417
Brit Smestad (employee representative)	140,843
Eivind Roald (board member)	135,256
Jon Birger Syvertsen (CFO)	103,334
Jens Rugseth (Chairman of the Board)	41,107
Camilla Magnus (board member)	32,667
Jan Henrik Emanuelsen (employee representative)	27,147
Dagfinn Ringås (board member), CDR Invest	25,806
Grethe Viksaas (board member)	19,334
Mattias Ödlund (CTO)	12,028
Bjørn Henry Rosvoll (COO I inmeta)	5,001

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NOTE 8 Financial instruments

The total financial liabilities relating to the bond loan amounted to the following as at December 31:

<i>(In thousands of NOK)</i>	2019	2018
Bond principal	300,000	450,000
Currency swap	35	3,041
Interest swap	80	219
Transaction cost	(6,812)	(3,442)
Total financial liabilities	293,303	449,818

Further information regarding currency swap, interest swap and revolving credit facility, please see group [note 22](#).

Guarantee
Crayon Group Holding ASA (parent company) guarantees to Microsoft the full and promptly payment of a number of the parent's company affiliates outstanding debt and performance obligations, related to the normal core of business of the Group and recognised as part of account payables in the statement of the financial position. At year end, the total outstanding debt and obligations of the relevant parent company affiliates amounted to NOK 603m.

NOTE 9 Issuance of bond loan

In November 2019, the company successfully completed the issuance of a NOK 300m senior unsecured bond, with a NOK 600m borrowing limit.

The bonds have a floating coupon rate of 3 months NIBOR + 350 bps. p.a.(CRAYON 03). Any outstanding bonds is to be repaid in full at maturity date. The bond is in process to be listed on the Oslo Stock Exchange.

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

In light of the refinancing mentioned above, the group also increased its revolving credit facility from NOK 200m to NOK 350m in November 2019.


The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying cash flow of the company, and is recognised as the actual value representing future liabilities based on the exchange rates at the balance sheet date. In accordance with IFRS 9, the transactional costs (NOK ~ 7 m) related to the bond issue which was settled on November 22, 2019 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 300m nominal value at maturity in Q4 2022.

Further information regarding currency swap, interest swap and revolving credit facility, please see group [note 22](#).

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Auditor’s Report



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To the General Meeting of Crayon Group Holding ASA

Independent auditor’s report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crayon Group Holding ASA, which comprise:

- The financial statements of the parent company Crayon Group Holding ASA (the Company), which comprise the balance sheet as at 31 December 2019, the statement of income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Crayon Group Holding ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters


Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Statautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Ålesund	Finnesse	Molde	Strømme
Bergen	Hamar	Skiel	Tromsø
Bodø	Haugesund	Sandnessjøen	Trondheim
Drammen	Kristiansund	Sandnessjøen	Tyssef
		Stavanger	Ålesund



Independent Auditor’s Report - 2019
Crayon Group Holding ASA

Valuation of goodwill

Refer to Note 2 Accounting principles, critical estimates and judgements, and Note 9 Goodwill

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The impairment assessment of goodwill, with a carrying value of NOK 829 million, is considered to be a risk area due to the size of the balances as well as the judgmental nature of the recoverable amount.</p> <p>Management has performed impairment testing of goodwill for all the Group's cash generating units in the fourth quarter. Impairment indicators related to cash generating units have been assessed. Where impairment indicators are identified, management assesses the recoverable amount of the relevant assets.</p> <p>Management's determination of the recoverable amount of goodwill requires the exercise of significant judgment related to the expected timing of future cash flows and key assumptions, such as revenue growth rates, margins and discount rates.</p> <p>The Group is operating in several markets, and their market position has reached different levels of maturity throughout the Group. Management applies a higher level of judgment in estimating future cash flows related to growth markets than in mature markets, as the timing of cash flows, growth rates and margins for cash generating units in these markets are less predictable.</p> <p>For this reason there is some degree of uncertainty related to the recoverable amount of some of the Group's cash generating units. Changes in key assumptions can lead to an impairment, therefore valuation of goodwill is considered a key audit matter.</p> <p>The Group has recognised impairment charges in respect of goodwill during the year of NOK 59 million.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none">Assessing management's process and results for identification and classification of cash generating units and assessing whether they were appropriate and in accordance with relevant accounting standards;Evaluating and challenging management's assessment of impairment indicators;Evaluating management's retrospective reviews of the accuracy of estimates in terms of timing of cash flows and other assumptions where historical data is available;Evaluating and challenging the forecasted cash flows including timing of future cash flows and growth rates applied in the models with reference to approved business plans;Testing the sensitivity of movements in key assumptions;Assessing, with the assistance of KPMG valuation specialists, the mathematical and methodological integrity of management's impairment models and the reasonableness of discount rates applied with reference to market data; andAssessing the adequacy of the disclosures related to goodwill and impairment.

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Revenue recognition

Refer to Note 2 Accounting principles, critical estimates and judgements, and Note 3 Segment information

The key audit matter	How the matter was addressed in our audit
<p>The Group's revenue, which comprises revenue from sale of software and services, including software licenses and value-added services and consulting, totalled NOK 13.6 billion for the year ended 31 December 2019.</p> <p>The Group holds many different types of contracts with customers and has applied judgment in assessing key elements of the contracts in respect of revenue recognition. Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled sales packages, particularly for software and cloud license arrangements bundled with value-add services. Assessing whether or not the Group is acting as an agent or principal in its contracts with customers requires significant judgment, as this determines whether revenue is presented on a gross or net basis. Furthermore, there is a high degree of judgement in determining the number of performance obligations which can impact the timing and amount of revenue recognition for certain contracts.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none">Applying professional scepticism and critically assessing the accounting judgments against the requirements of IFRS 15;Challenging management's assessment of agent versus principal, revenue recognition criteria for licenses and services, and the identification of performance obligations; andInspecting a sample of contracts with customers, in order to assess whether the assessments regarding the identification of performance obligations and the method for revenue recognition was appropriate, with focus on the assessment of the contract under the licensing criteria, allocation of revenue to the individual performance obligations and timing of revenue recognition.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 March 2020
KPMG AS

Julie Berg
State Authorised Public Accountant

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“When I started, I was able to build the business the way I wanted while sticking with Crayon’s core philosophies. I like being an entrepreneur and creating a place where we bring a lot of flavor to people who join us; the flavor to be successful, innovative and to think outside of the box.”

VIKAS BHONSLE
CEO India



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