

Q2 2018

Crayon Group – Interim financial report

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Highlights

- Strong commercial momentum across all business areas and market clusters. Q2 2018 gross profit grew by 15% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the Software Direct and the Consulting business areas. From a market cluster perspective, Nordics was the most significant growth driver.
- Continued positive adjusted EBITDA development delivering a MNOK 14.5 improvement YoY, leading to last twelve months ("LTM") adjusted EBITDA of NOK 153m. The major contributor to the YoY EBITDA improvement was the Nordics market cluster



Key consolidated figures

	Q2 2018	Q2 2017	Year to date Q2 2018	Year to date Q2 2017	Full year 2017
(NOK in thousands, unless stated)	Un-audited	Un-audited	Un-audited	Un-audited	Audited
Revenue	3 125 307	2 401 719	4 981 019	3 760 251	7 301 712
Gross profit	408 454	356 555	718 677	626 359	1 215 776
EBITDA	91 155	77 110	101 666	81 763	103 842
Adjusted EBITDA	91 773	77 312	105 101	82 238	130 600
EBIT	72 699	60 000	65 499	49 378	32 158
Net income	49 185	17 392	36 997	(4 282)	(50 734)
Cash flow from operations	114 204	152 314	(136 991)	13 214	152 859
Gross profit margin (%)	13,1 %	14,8 %	14,4 %	16,7 %	16,7 %
Adjusted EBITDA margin (%)	2,9 %	3,2 %	2,1 %	2,2 %	1,8 %
Adjusted EBITDA / Gross profit margin (%)	22,5 %	21,7 %	14,6 %	13,1 %	10,7 %
Earnings per share (Nok per share)	0,61	0,28	0,46	(0,07)	(0,59)
			30 June 2018	30 June 2017	31 December 2017
Liquidity reserve			319 408	118 945	548 770
Net working capital			(182 219)	(288 623)	(405 301)
Average headcount (number of employees)			1 038	977	977

(See Alternative Performance Measures section in the note disclosure for definitions)

¹ Adjusted EBITDA is EBITDA excluding other income and expenses. Reference made to Alternative Performance Measures Section in note disclosure.

Business review

Q2 2018 represents another quarter of continued gross profit and adjusted EBITDA growth for Crayon, demonstrating the value of the global footprint and the strong market position in Nordics. Q2 2018 YoY revenue growth was 30% while gross profit growth was 15%, leading to a total Q2 2018 gross profit of NOK 408.5m. Adjusted EBITDA in Q2 2018 was NOK 91.8m, an increase of NOK 14.5m compared with Q2 2017.

The Group regularly reports on operating segments and geographical market clusters. The market clusters are composed of operating countries with similar maturity from inception. See Note 4 for additional information.

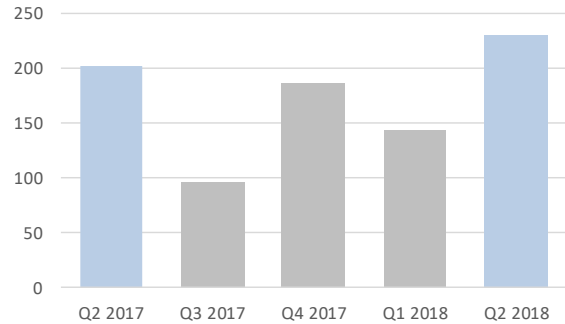
All market clusters, except from USA, had positive gross profit growth in Q2 2018 compared to Q2 2017. Nordics is the largest market cluster and delivered a strong 17% gross profit growth, while the Growth Markets and Start-Ups market cluster both delivered strong gross profit YoY growth of 14% and 11% respectively. The US market cluster had a gross profit YoY development rate of -2%.

Overall, the Software division saw growth of 13% YoY, primarily driven by Software Direct with 13% gross profit growth YoY, but also the Software Indirect business contributed positively with 13% gross profit growth YoY. Within the Software division overall, Start-Ups, Growth Markets, and the Nordics grew its gross profit in Q2 2018 with +4% YoY, +17% YoY and +13% YoY respectively, representing solid commercial performance. Software in the USA grew by 27% YoY, but then again from a small base of NOK 9m in Q2 2017. Within the Services division, the overall gross profit growth was 14%, driven by Consulting with 29% YoY growth and Software Asset Management ("SAM") at the same level as Q2 2017. Within the Services division, Nordics grew by 21% YoY, while Growth Markets and Start-Ups grew by 10% YoY and 38% YoY respectively. Services gross profit in the USA decreased by -10%.

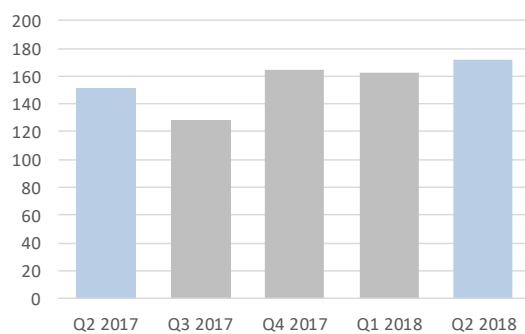
Q2 2018 adjusted EBITDA was NOK 91.8m (NOK +14.5m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +32m YoY), with slightly negative impact from Growth Markets (NOK -3m YoY) and Start-Ups (NOK -2m YoY). In the business area dimension, the adjusted EBITDA improvement was driven by Software Direct (NOK +13m YoY) and Consulting (NOK +12m YoY). SAM had a negative adjusted EBITDA development in Q2 2018 (NOK -6m), reflecting the investments in new services and customer acquisition.

The strong 2018 Q2 results is a clear demonstration of the relevant of Crayons global scale and business model.

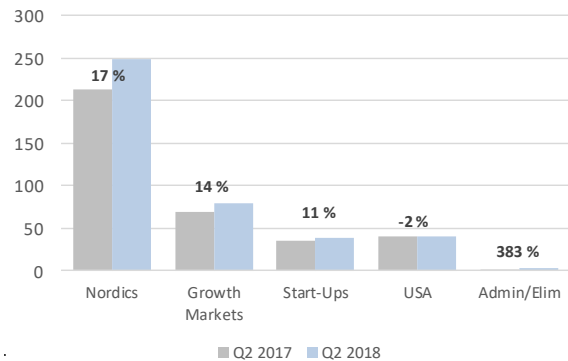
Software Gross Profit
In millions of NOK



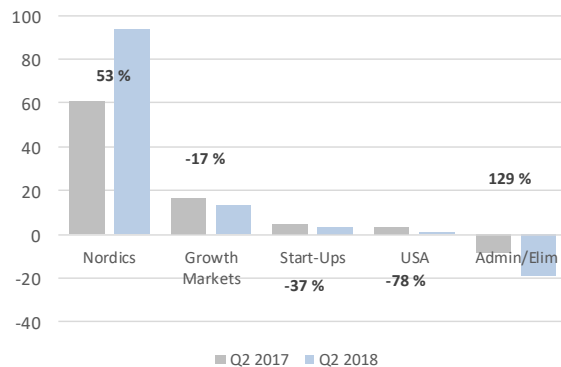
Services Gross Profit
In millions of NOK



Gross Profit per Market Cluster and growth (%)
In millions of NOK

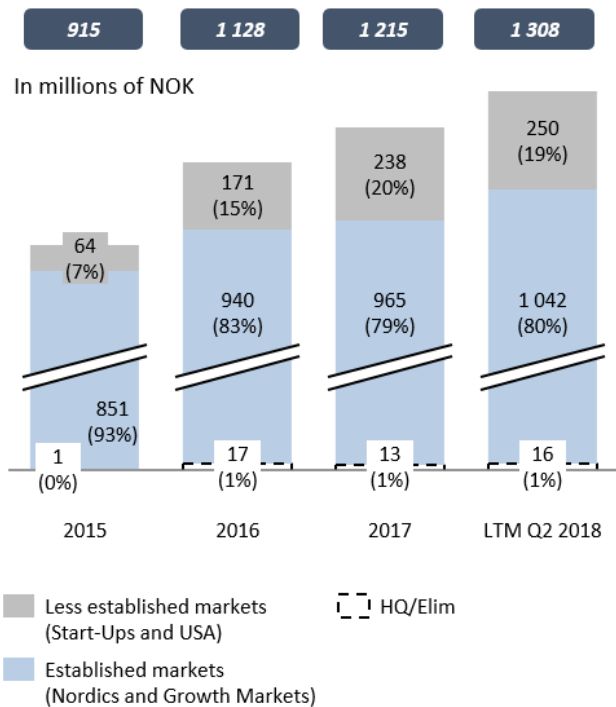


Adj. EBITDA per Market Cluster and growth (%)
In millions of NOK



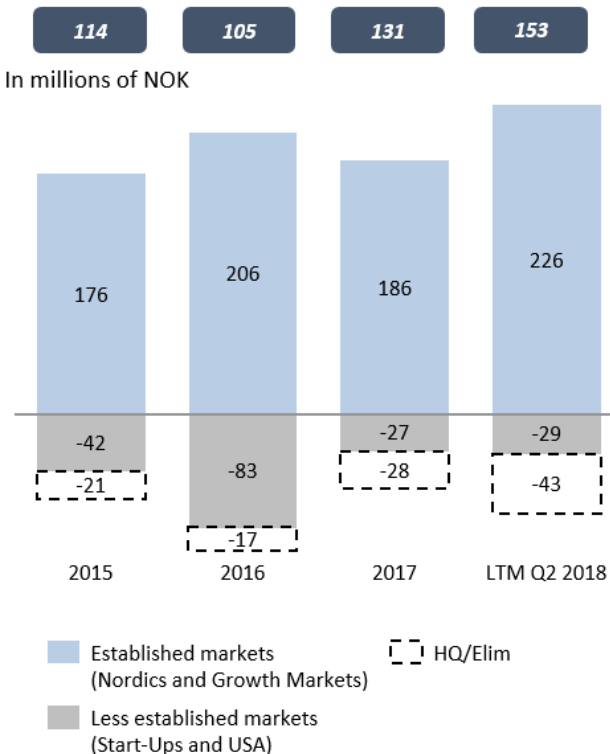
Financial review

Total Gross Profit per Market Cluster



The figure above shows gross profit per Market Cluster and the percentage of total gross profit per period, with the total gross profit for the period in the box above each bar.

Total Adj. EBITDA per Market Cluster



The figure above shows adjusted EBITDA per Market Cluster, with the total adjusted EBITDA for the period in the box above each bar.

Items below the EBITDA line

Depreciation and amortization was in line with expectations, with the NOK 1.3m YoY increase in amortizations driven by investments in recent periods into platforms and ERP systems.

Interest expenses are reduced YoY with NOK 2.8m, primarily because of the refinancing of the bond in April 2017 and the deleveraging of the bond following the IPO in November 2017.

Other financial expenses, net is reduced YoY with NOK 25m due to cost relating to the refinancing of the bond loan in April 2017, and changes in the value of the swaps relating to the bond loan.

Taxes in the period was in line with management's expectations.

This results in net earnings in the period of NOK 49m, an improvement of NOK 32m from Q2 2017.

The improvement in net earnings is partly offset by a larger number of shares following the IPO in November 2017. Despite the effect from a larger number of shares, earnings per share improved from 0.28 per share in Q2 2017 to 0.61 per share in Q2 2018.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 0.6 in Q2 2018. These items are one off items outside of the ordinary course of business, and are excluded from the Adjusted EBITDA.

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

Balance sheet

As of Q2 2018 Crayon had assets of NOK 3 605m which primarily is composed of accounts receivables NOK 2 264m and goodwill NOK 828m. Total liabilities as of Q2 2018 is NOK 3 013m, consisting primarily of accounts payable NOK 2 008m and a bond loan NOK 445m.

Trade working capital increased YoY with NOK 134m. The increase is primarily driven by the strong revenue growth, and was further compounded by the quarter closing ended on weekend, shifting payments from customers into early July.

Management is continuing its efforts to control working capital, in particular in light of the growth in emerging markets with different credit risks and payment cycles.

Crayon has also finalized a non-recourse factoring arrangement with BNP with a potential EUR 120m scope. As a first step, management is implementing a pilot during Q2 and Q3 for a set of customers in the Norwegian market to ensure the use of factoring does not interfere with our operations or customer relationships.

Leverage

Net interest-bearing debt as end of end June 2018 was NOK 305m with a net cash position of NOK 166m (the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”), corresponding to a leverage ratio of 2.8x EBITDA¹. The company had no drawdown on the RCF as of the end of Q2 2018, and the Group had significant headroom with regards to its bank covenants as of quarter end.

Cash flow

In line with the underlying seasonality of the business, Q2 2018 had positive cash flow from operations. Cash flow from operations in Q2 2018 was NOK 114m, compared with NOK 152 in Q2 2017. The difference of NOK -38m is mainly explained by differences in change of NWC NOK -63m, partly offset by higher earnings in the period.

The net cash position as of 30 June 2018 was NOK 166m (the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”)) compared to NOK 368m at the beginning of the year and NOK 205m on 30 June 2017.

The liquidity position of the group remains strong, with a total liquidity reserve as of June 30, 2018 of NOK 319m, compared to NOK 549m as of 31 December 2017 and NOK 119m as of end Q2 2017. For more information on the definition of liquidity reserve, please see the ‘Alternative Performance Measures’ section in this report.

Employees

Crayon is a “people business” with teammates being our greatest asset. We strive to continuously attract, develop, and retain top talent, but perhaps even more importantly, we empower our employees to do their best every single day at work.

The average number of employees for Q2 2018 was 1 057, compared to an average for Q2 2017 of 984. This represents a YoY increase of 73 employees (an increase of 7.4%). The biggest increase was among client facing employees within the Software business division with a total increase in average employees of 41 YoY, representing a 11% increase. The average number of employees in the Services business division increased YoY by 14 employees, whilst other employees increased by 17 from an average of 143 in Q2 2017 to 160 in Q2 2018.

¹ On a LTM basis, excluding share based compensation and other income and expenses and non-controlling interest. Also, adjusted for restricted cash of MNOK 16.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended		Year to date ended		Year ended
		30 June,		30 June,		31 December,
		Un-audited	Un-audited	Un-audited	Un-audited	Audited
		2018	2017	2018	2017	2017
Operating revenue	4	3 125 307	2 401 719	4 981 019	3 760 251	7 301 712
Materials and supplies		2 716 853	2 045 164	4 262 342	3 133 892	6 085 935
Gross profit		408 454	356 555	718 677	626 359	1 215 776
Payroll and related cost		269 508	243 979	525 881	472 410	940 464
Other operating expenses		47 173	35 264	87 695	71 712	144 711
Share based compensation		849	-	1 684	-	3 945
Other income and expenses		(231)	203	1 751	475	22 813
EBITDA		91 155	77 110	101 666	81 763	103 842
Depreciation and amortization	6	18 456	17 109	36 167	32 386	71 684
Operating profit/EBIT		72 699	60 000	65 499	49 378	32 158
Interest expense		10 848	13 658	21 843	29 978	60 721
Other financial expense, net	7	(2 891)	22 525	(2 896)	22 355	25 109
Net income before tax		64 742	23 817	46 552	(2 956)	(53 673)
Income tax expense on ordinary result		15 557	6 425	9 555	1 327	(2 939)
Net income		49 185	17 392	36 997	(4 282)	(50 734)
Allocation of net income						
Non-controlling interests		3 207	2 796	2 186	(381)	(6 105)
Owners of Crayon Group Holding ASA		45 978	14 596	34 811	(3 902)	(44 629)
Total net income allocated		49 185	17 392	36 997	(4 282)	(50 734)
Earnings per share (NOK per share)		0,61	0,28	0,46	(0,07)	(0,59)
Comprehensive income						
Comprehensive income		(814)	4 306	(9 752)	4 910	9 263
Total comprehensive income		48 371	21 698	27 245	627	(41 471)
Allocation of Total comprehensive income						
Non-controlling interests		4 607	2 450	3 652	(957)	(6 873)
Owners of Crayon Group Holding ASA		43 764	19 248	23 593	1 584	(34 598)
Total comprehensive income allocated		48 371	21 698	27 245	627	(41 471)

For description of other income and expenses, see Alternative Performance Measures section

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	30 June		31 December
		Un-audited 2018	Un-audited 2017	Audited 2017
ASSETS				
<i>Non-current assets:</i>				
Development Costs	9	76 754	62 709	68 950
Technology and software	9	35 924	44 082	40 361
Contracts	9	73 293	92 191	83 324
Software licenses (IP)	9	1 000	7 421	1 000
Goodwill	10	827 743	828 445	831 044
Deferred tax asset		49 911	28 714	45 252
Total intangible assets		1 064 625	1 063 562	1 069 931
Tangible assets				
Equipment		23 193	20 387	20 204
Total tangible assets		23 193	20 387	20 204
Other long-term receivables		10 953	4 841	4 771
Total financial assets		10 953	4 841	4 771
Total non-current assets		1 098 771	1 088 789	1 094 906
<i>Current assets:</i>				
Inventory		22 589	24 042	26 287
Accounts receivable		2 263 783	1 573 682	1 541 436
Other receivables		54 550	45 936	55 815
Income tax receivable		-	2 854	-
Total receivable		2 340 921	1 646 514	1 623 539
Cash & cash equivalents		165 512	204 721	368 442
Total current assets		2 506 433	1 851 235	1 991 981
Total assets		3 605 205	2 940 025	3 086 887

(In thousands of NOK)	Note	30 June		31 December
		Un-audited 2018	Un-audited 2017	Audited 2017
LIABILITIES AND SHAREHOLDERS' EQUITY				
<i>Shareholders' equity:</i>				
Share capital		75 394	52 476	75 394
Own shares		(3)	(9)	(3)
Share premium		588 051	262 334	588 051
Sum paid-in equity		663 442	314 800	663 442
Retained Earnings				
Other Equity		(82 039)	(49 963)	(105 597)
Total retained earnings		(82 039)	(49 963)	(105 597)
Total equity attributable to parent company shareholders		581 403	264 837	557 845
Non-controlling interests		11 060	8 867	8 153
Total shareholders' equity		592 463	273 704	565 998
<i>Long-term liabilities:</i>				
Bond loan	11	445 281	590 333	442 058
Derivative financial liabilities		(3 020)	1 382	3 638
Deferred tax liabilities		32 925	37 572	39 167
Other long-term liabilities		14 415	1 398	7 188
Total long-term liabilities		489 601	630 684	492 050
<i>Current liabilities:</i>				
Accounts payable		2 008 046	1 453 584	1 600 566
Income taxes payable		6 701	-	4 800
Public duties		254 206	254 545	229 057
Other current liabilities		254 189	227 008	194 416
Short-term debt		-	100 500	-
Total current liabilities		2 523 141	2 035 637	2 028 839
Total liabilities		3 012 741	2 666 321	2 520 889
Total equity and liabilities		3 605 205	2 940 025	3 086 887

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 30 June,		Year to date ended 30 June,		Year ended 31 December,
	Un-audited 2018	Un-audited 2017	Un-audited 2018	Un-audited 2017	Audited 2017
Cash flows provided by operating activities:					
Net income before tax	64 742	23 817	46 552	(2 956)	(53 673)
Taxes paid	(6 407)	(1 394)	(13 002)	(10 854)	(11 869)
Depreciation and amortization	18 456	17 109	36 167	32 386	71 684
Net interest to credit institutions and interest to bond loan	8 801	15 081	17 620	27 348	50 645
Changes in inventory, accounts receivable/payable	(127 095)	(63 860)	(311 168)	(143 919)	33 064
Changes in other current accounts	155 707	161 561	86 839	111 209	63 008
Net cash flow from (used in) operating activities	114 204	152 314	(136 991)	13 214	152 859
Cash flows used in investing activities:					
Acquisition of assets	(14 271)	(14 480)	(32 528)	(24 609)	(51 238)
Acquisition of subsidiaries	(4 320)	-	(7 492)	-	(22 656)
Divestments	-	-	-	-	378
Net cash flow from (used in) investing activities	(18 591)	(14 480)	(40 019)	(24 609)	(73 516)
Cash flow used in financing activities:					
Net interest paid to credit institutions and interest to bond loan	(9 982)	(14 912)	(19 752)	(27 632)	(56 982)
New equity	-	-	-	-	348 612
Proceeds from issuance of interest bearing debt	-	591 600	-	591 600	589 746
Repayment of interest bearing debt	-	(571 829)	-	(571 829)	(827 663)
Other Financial items	7 105	(9 658)	7 105	(9 554)	(3 405)
Net cash flow from (used in) financing activities	(2 877)	(4 798)	(12 647)	(17 414)	50 308
Net increase (decrease) in cash and cash equivalents	92 736	133 036	(189 657)	(28 809)	129 651
Cash and cash equivalents at beginning of period	76 441	66 515	368 442	227 905	227 905
Currency translation	(3 665)	5 170	(13 273)	5 625	10 886
Cash and cash equivalents at end of period	165 512	204 721	165 512	204 721	368 442

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending 30 June, 2017

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding ASA					
	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
Balance at January 1, 2017	52 476	(12)	262 320	(53 605)	11 194	272 373
Opening balance adj.	-	-	-	920	-	920
Share repurchase (net)	-	3	14	3	-	20
Net income	-	-	-	(3 902)	(381)	(4 282)
Currency translation	-	-	-	5 486	(576)	4 910
Other	-	-	-	1 134	(1 371)	(237)
Balance as of end of period	52 476	(9)	262 334	(49 963)	8 867	273 704

Year End 2017

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding ASA					
	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
Balance at January 1, 2017	52 476	(12)	262 320	(53 605)	11 194	272 373
Opening balance adj.	-	-	-	920	-	920
Adjustment	-	-	-	(13 467)	3 832	(9 635)
Share repurchase (net)	-	9	38	29	-	76
Capital increase expenses	-	-	-	(9 516)	-	(9 516)
Share based compensation	-	-	-	4 639	-	4 639
Net income	-	-	-	(44 629)	(6 105)	(50 734)
Share issues	22 919	-	325 693	-	-	348 612
Currency translation	-	-	-	10 031	(768)	9 263
Balance as of end of period	75 394	(3)	588 051	(105 597)	8 153	565 998

30 June, 2018

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding ASA					
	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
Balance at January 1, 2018	75 394	(3)	588 051	(105 597)	8 153	565 998
Opening balance adj.	-	-	-	1 324	-	1 324
Adjustment	-	-	-	(134)	(750)	(884)
Share based compensation	-	-	-	1 684	-	1 684
Net income	-	-	-	34 811	2 186	36 997
Acquisitions & divestments	-	-	-	(2 908)	4	(2 904)
Currency translation	-	-	-	(11 218)	1 466	(9 752)
Balance as of end of period	75 394	(3)	588 051	(82 039)	11 060	592 463

Notes

Note 1 Corporate information

The condensed interim consolidated financial statements of Crayon Group Holding ASA for the three months ended 30 June 2018 were authorised for issue on 21 August 2018. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA ("Crayon") is a public limited company registered in Norway. The Company is a leading IT advisory firm in software and digital transformation services. Crayon optimises its clients' return on investment ("ROI") from complex software technology investments by combining extensive experience within volume software licensing optimization, digital engineering, and predictive analytics. Headquartered in Oslo, Norway, the company has approximately 1,100 team members in 43 offices worldwide.

Note 2 Basis of preparation

The consolidated condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU.

They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year end 31 December 2017.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2017.

Assessment of effects of the new and revised International Financial Reporting Standards (IFRS) from 1 January 2018 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2017. The implementation of these accounting policies, IFRS 15, 'Revenue from Contracts with Customers' and IFRS 9, 'Financial instruments' do not have any significantly impact on the financial statement of Crayon Group.

The implementation of IFRS 16, Leases is mandatory from 1 January 2019. The new standard requires companies to bring most of its leases on-balance sheet. Preliminary assessment of this new standard indicates that a significant portion of the groups operational lease commitments disclosed in note 21 of the 2017 annual report will be presented as a financial lease in the balance sheet.

Note 3 Estimates

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the company based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgments used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2017.

Note 4 Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in functional operating segments and geographical market clusters to the Board of Directors (the Group's chief operating decision makers). While Crayon uses all three measures to 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 (Software Direct and Software Indirect), Services (SAM and Consulting) and Admin/Eliminations (Admin & Shared services and Eliminations).

- **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 Indirect** is Crayon's offering towards hosters, system integrators and ISVs, which includes licence advisory/optimization, software licence sales and access to Crayons proprietary tools and IP.
- **Software Asset Management (SAM)** 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 Solution Consulting services related to infrastructure consulting, cloud migration and deployment, bespoke software deployment and follow-up of applications.
- **Admin & Shared services** includes administrative income and costs, corporate administrative costs (excluding other income and expenses), unallocated global shared costs and eliminations.
- The geographical market clusters are composed of operating countries with similar maturity. The Nordics is composed of Norway, Sweden, Denmark, Finland and Iceland (excluding Ice Distribution). Growth Markets is composed of Germany, Middle East, France and UK. Start-Ups is composed of markets with an inception point during 2014-2015 timeframe (i.e. India, Singapore, Malaysia, Philippines, Austria, Netherlands, Spain, Portugal, Switzerland and Ice Distribution). USA 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.

Year to date ended 30 June, 2018	Operating Revenue per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Operating Revenue
(In thousands of NOK)				
- Nordics	2 261 900	297 093	3 834	2 562 827
- Growth	1 331 164	42 800	1 785	1 375 749
- Start-Ups	737 754	17 771	1 228	756 753
- USA	292 212	60 434	36	352 682
- HQ	(1 183)	-	42 478	41 294
- Eliminations	-	-	(108 286)	(108 286)
Total Operating Revenue	4 621 847	418 098	(58 925)	4 981 019

Year to date ended 30 June, 2017	Operating Revenue per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Operating Revenue
(In thousands of NOK)				
- Nordics	1 724 010	248 070	4 402	1 976 482
- Growth	888 316	37 245	2 960	928 520
- Start-Ups	671 456	14 283	426	686 165
- USA	148 182	63 466	275	211 922
- HQ	60	-	33 412	33 472
- Eliminations	-	-	(76 311)	(76 311)
Total Operating Revenue	3 432 024	363 064	(34 837)	3 760 250

Year to date ended 30 June, 2018	Gross Profit per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Gross Profit
(In thousands of NOK)				
- Nordics	217 491	225 213	3 058	445 762
- Growth	90 214	38 202	1 787	130 203
- Start-Ups	47 911	16 168	620	64 699
- USA	17 760	55 526	36	73 322
- HQ	(1 537)	(9)	32 249	30 702
- Eliminations	-	-	(26 012)	(26 012)
Total Gross Profit	371 839	335 101	11 738	718 677

Year to date ended 30 June, 2017	Gross Profit per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Gross Profit
(In thousands of NOK)				
- Nordics	194 958	189 059	3 265	387 282
- Growth	72 146	35 706	2 923	110 775
- Start-Ups	40 587	12 652	412	53 651
- USA	13 843	58 462	274	72 579
- HQ	60	-	26 818	26 878
- Eliminations	-	-	(24 806)	(24 806)
Total Gross Profit	321 595	295 878	8 886	626 359

See Alternative Performance Measures section in the note disclosure for definitions.

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
Operating Revenue per Operating Segment	2018	2017	2018	2017
- Software Direct	3 473 613	2 564 532	2 317 580	1 774 487
- Software Indirect	1 148 233	867 492	622 040	473 336
Total Revenue - Software	4 621 847	3 432 024	2 939 620	2 247 823
- SAM	162 467	160 652	83 675	85 435
- Consulting	255 630	202 412	133 710	101 438
Total Revenue - Services	418 098	363 064	217 384	186 873
Admin & shared services	49 361	41 474	27 570	20 435
Eliminations	(108 286)	(76 311)	(59 267)	(53 411)
Total Operating Revenue	4 981 019	3 760 251	3 125 307	2 401 719

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
Gross Profit per Operating Segment	2018	2017	2018	2017
- Software Direct	296 379	253 905	188 596	166 398
- Software Indirect	75 459	67 690	40 044	35 550
Total Gross profit - Software	371 839	321 595	228 639	201 949
- SAM	148 871	144 669	75 969	76 257
- Consulting	186 230	151 209	96 428	74 860
Total Gross profit - Services	335 101	295 878	172 398	151 118
Admin & shared services	37 749	33 692	20 144	16 394
Eliminations	(26 012)	(24 806)	(12 727)	(12 906)
Total Gross Profit	718 677	626 359	408 454	356 555

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
Adjusted EBITDA per Operating Segment	2018	2017	2018	2017
- Software Direct	137 785	113 351	106 968	93 472
- Software Indirect	27 760	29 164	16 308	15 620
Total EBITDA - Software	165 544	142 515	123 276	109 092
- SAM	13 430	21 137	6 368	12 653
- Consulting	23 044	7 163	13 572	1 216
Total EBITDA - Services	36 474	28 300	19 939	13 869
Admin & shared services	(96 918)	(88 577)	(51 443)	(45 649)
Eliminations	-	-	-	-
Total Adjusted EBITDA	105 101	82 238	91 773	77 312

See Alternative Performance Measures section in the note disclosure for definitions.

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
	2018	2017	2018	2017
Operating Revenue per Market Cluster:				
- Nordics	2 562 827	1 976 482	1 434 914	1 106 683
- Growth Markets	1 375 749	928 520	1 017 874	697 774
- Start-Ups	756 753	686 165	483 639	483 346
- USA	352 682	211 922	225 550	139 620
- HQ	41 294	33 472	22 598	27 708
- Eliminations	(108 286)	(76 311)	(59 267)	(53 411)
Total Operating Revenue	4 981 019	3 760 250	3 125 307	2 401 719

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
	2018	2017	2018	2017
Gross Profit per Market Cluster				
- Nordics	445 762	387 282	248 806	212 173
- Growth Markets	130 203	110 775	78 360	68 470
- Start-Ups	64 699	53 651	38 513	34 745
- USA	73 322	72 579	39 572	40 504
- HQ	30 702	26 878	15 931	13 569
- Eliminations	(26 012)	(24 806)	(12 727)	(12 906)
Total Gross Profit	718 677	626 359	408 454	356 555

(In thousands of NOK)	Year to date ended		Quarter ended	
	30 June,		30 June,	
	2018	2017	2018	2017
Adjusted EBITDA per Market Cluster				
- Nordics	134 815	90 185	93 316	60 897
- Growth Markets	8 023	12 156	13 554	16 335
- Start-Ups	(2 445)	(3 217)	3 056	4 878
- USA	(3 698)	(633)	770	3 450
- HQ	(31 594)	(16 253)	(18 924)	(8 248)
- Eliminations	-	-	-	-
Total Adjusted EBITDA	105 101	82 238	91 773	77 312

See Alternative Performance Measures section in the note disclosure for definitions.

Note 5 Share options

Share incentive scheme:

2.3 million 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. A cost of NOK 0.8 m (including accrued social security tax) has been charged as an expense in the profit and loss statement in Q2 2018. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price (NOK 15.50), the term of the option (5 years), the impact of dilution (where material), the share price at the grant date (NOK 15.50), 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 is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding IPO, see www.newsweb.no. In total, the board of directors and management were allotted 0.4 million and 0.85 million share options, respectively.

Note 6 Depreciation and amortization

Depreciation and amortization consists of the following:

(In thousands of NOK)	Year to date ended 30 June,		Quarter ended 30 June,		Year ended 31 December,
	2018	2017	2018	2017	2017
Depreciation	5 104	4 859	2 560	2 419	9 702
Amortization of intangibles (incl. write-down)	31 063	27 526	15 896	14 690	61 982
Total	36 167	32 386	18 456	17 109	71 684

Note 7 Other financial expense, net

Other financial expense, net consists of the following:

(In thousands of NOK)	Year to date ended 30 June,		Quarter ended 30 June,		Year ended 31 December,
	2018	2017	2018	2017	2017
Interest income	4 223	2 630	2 047	(1 422)	7 829
Other financial income	4 019	153	2 902	(705)	1 445
Other financial expenses	(5 346)	(25 138)	(2 058)	(20 398)	(34 383)
Total financial income / (Expense)	2 896	(22 355)	2 891	(22 525)	(25 109)

Note 8 Seasonality of operations

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

Note 9 Intangible assets

2018	Software licences (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	7 421	159 780	361 725	65 874	594 800
Additions	-	26 145	-	-	26 145
FX translation	-	-	(1 045)	(755)	(1 800)
Aquisition cost at the end of the period	7 421	185 925	360 680	65 119	619 145
Amortization and impairment 01.01	6 421	90 830	278 401	25 513	401 165
Amortization	-	18 395	8 987	3 681	31 063
Impairment	-	-	-	-	-
Accumulated amortization and impairment	6 421	109 226	287 387	29 194	432 228
Net value at the end of the period	1 000	76 754	73 293	35 924	186 971
Amortization period	None	1-10 years	1-10 years	1-10 years	
Amortization method	None	Linear	Linear	Linear	

The company recognises intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the company and the assets acquisition cost can be measured reliably.

Intangible assets with a limited useful life are measured at their acquisition cost, minus accumulated amortization and impairments. Amortization is recognised linearly over the estimated useful life. Amortization period and method are reviewed annually. Intangible assets with an indefinite useful economic life are not amortized, but are tested annually for impairment. The company divides its Intangible Assets into the following categories in the balance sheet:

Technology and software:

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

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

Software licences (IP):

Software Licences (IP) relates to intangible assets recognised in relation to Genova. Genova is part of Esito's developed software used as an internal tool to serve its customer base, and is expected to generate future economic benefits for the Group. The intangible assets have an indefinite life and therefore, are not amortized. The assets are tested annually for impairment.

Contracts:

Per IFRS 3, the Group has assessed if there are any identifiable intangible assets separable from Goodwill arising from business combinations.

The Group has determined that the contractual customer relationships identified in the business combinations of Anglepoint, Inmeta, FAST and Again meet the recognition requirements under IAS38 as separately identifiable intangible assets. These contractual relationships are all expected to generate future economic benefits to the Group.

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

Note 10 Goodwill

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

(In thousands of NOK)	Goodwill
Acquisition cost at 01.01	881 183
Additions	4 353
Currency translation	(7 654)
Acquisition cost at the end of the period	877 882
Impairment at 01.01	50 139
Impairment during the period	
Accumulated Impairment at the end of the period	50 139
Net book value at the end of the period	827 743

The Group performs an impairment test for goodwill on an annual basis or when there are circumstances which would indicate that the carrying value of goodwill may be impaired. When assessing impairment, assets are grouped into cash generating units (CGU's), the lowest levels at which it is possible to distinguish between cash flows.

Impairment of goodwill is tested by comparing the carrying value of Goodwill for each CGU to the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

The impairment assessment is built on a discounted cashflow model (DCF), with the model assumptions relating to WACCC and CAGR specified per CGU below.

Note 11 Debt

In March 2017, the company successfully completed the issuance of a NOK 600m senior secured bond in the Nordic market, which has since been deleveraged to NOK 450m with proceeds from the IPO. Net proceeds from the bond issues were used to refinance the outstanding NOK 650m bond issued in July 2014.

In light of the refinancing mentioned above, the group also increased its revolving credit facility to NOK 200m in Q3 2017.

Settlement for the initial loan amount was 6 April 2017, with final maturity 6 April 2020. The initial loan amount has a coupon of 3 months NIBOR +550bps. p.a. Any outstanding bonds is to be repaid in full at maturity date. The bonds are in process to be listed on the Oslo Stock Exchange. For further information about the Bond, we refer to the Bond terms.

The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying cash flow of the company, and is booked as the actual value representing future liabilities based on the exchange rates at the balance sheet date. In accordance with IAS 39, the transactional costs (NOK ~ 10 million) related to the bond issue which was settled on April 6th 2017 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 450m nominal value at maturity in FY 2020.

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

(In thousands of NOK)	Year to date ended		Year ended
	30 June,		31 December,
	2018	2017	2017
Long-term interest debt	454 196	605 525	455 595
Cash and cash equivalents	(165 512)	(204 721)	(368 442)
Restricted cash	15 825	117 357	18 725
Net interest bearing debt	304 509	518 161	105 878

Note 12 Financial Risk

Crayon Group is exposed to a number of risks, including currency risk, Interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the group manages these risks, please see the annual report for 2017.

Note 13 Events after the balance sheet

No significant events have occurred subsequent to the balance sheet date that would have an impact on the interim financial statements.

Alternative Performance Measures

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

Crayon uses the following APM's:

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

(In thousands of NOK)	Year to date ended 30 June,		Year ended 31 December,
	2018	2017	2017
EBITDA	101 666	81 763	103 842
Other Income and Expenses	3 434	475	26 758
Adjusted EBITDA	105 101	82 238	130 600

Other Income and expenses: Income and expenses which are considered to be one off items outside the ordinary course of business. See table below.

(In thousands of NOK)	Year to date ended 30 June,		Year ended 31 December,
	2018	2017	2017
Refinancing	-	102	152
General M&A and strategy costs	29	221	348
IPO Cost 2017 (Project Elevate)	137	152	16 149
Share based compensation	1 684		3 945
Extraordinary personell costs	1 423	-	6 164
Other	162	-	-
Other income and expenses	3 434	475	26 758

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.

(In thousands of NOK)	Year to date ended 30 June,		Year ended 31 December
	2018	2017	2017
Inventory	22 589	24 042	26 287
Accounts receivable	2 263 783	1 573 682	1 541 436
Other receivables	54 550	45 936	55 815
Income tax receivable/ payable	(6 701)	2 854	(4 800)
Accounts payable	(2 008 046)	(1 453 584)	(1 600 566)
Public duties	(254 206)	(254 545)	(229 057)
Other current liabilities	(254 189)	(227 008)	(194 416)
Net working capital	(182 219)	(288 623)	(405 300)

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

Liquidity reserve: Freely available cash and credit facilities. 2017 figures are changed compared to previously reported figures as they now include an unused credit reserve in India.

(In thousands of NOK)	Year to date ended 30 June,		Year ended 31 December
	2018	2017	2017
Cash and cash equivalents	165 512	204 721	368 442
Restricted cash	(15 825)	(117 357)	(18 725)
Freely available cash	149 687	87 364	349 717
Available credit facility	169 721	31 581	199 053
Liquidity reserve	319 408	118 945	548 770

Responsibility statement by the Board and CEO

The Board and CEO have considered and approved the condensed set of financial statements for the period 1 January to 30 June 2018. We confirm to the best of our knowledge that the condensed set of financial statements for the above-mentioned period:

- Has been prepared in accordance with IAS 34 (Interim Financial Reporting)
- Gives a true and fair view of the Group's assets, liabilities, financial position, and overall result for the period viewed in in their entirety
- That the interim management report includes a fair review of any significant events that arose during the above-mentioned period and their effect on the financial report
- Gives a true picture of any significant related parties' transactions, principal risks and uncertainties faced by the Group

Oslo, August 21, 2018



Grethe Viksaas



Jens Rugseth
Chairman



Dagfinn Ringås



Eivind Roald



Camilla Magnus



Bjørn Rosvoll



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