

Q4 2018

Crayon Group – Interim financial report

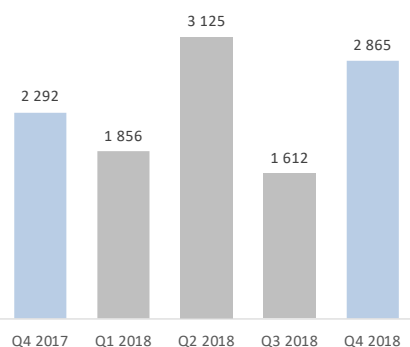
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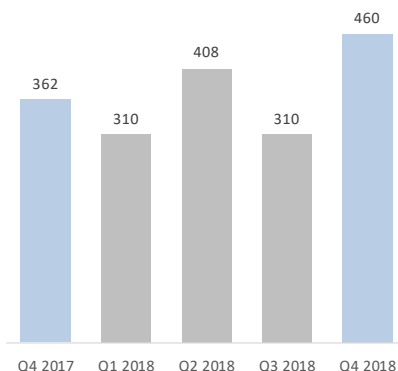
Highlights

- Strong commercial momentum across all business areas and market clusters. Q4 2018 gross profit grew by 27.1% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the Software Direct (NOK 42.6m/ +28.2% YoY) and Software Indirect (NOK 12.0m/ +34.1% YoY) segments. From a market cluster perspective, the Nordics experienced strong business momentum, leading to growth of NOK 46.2m/ +19.6% YoY. Start-Ups had the highest growth rate of NOK 13.5m/ 48% YoY.
- Continued positive EBITDA development delivering a NOK 20.0m improvement YoY in adjusted EBITDA, leading to last twelve months ("LTM") adjusted EBITDA of NOK 188.1m. The major contributor to the YoY EBITDA improvement was the Nordics market cluster.

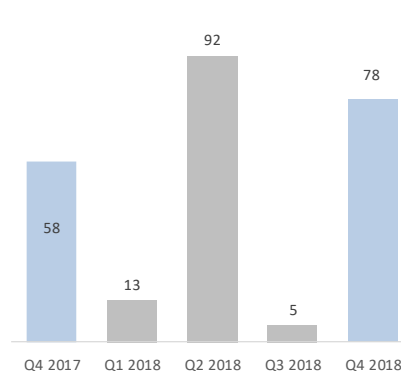
Consolidated Operating Revenue
NOK in millions



Consolidated Gross Profit
NOK in millions



Consolidated Adjusted EBITDA¹
NOK in millions



Key consolidated figures

(NOK in thousands, unless stated)	Q4 2018	Q4 2017	Full year	Full year
	Un-audited	Un-audited	2018	2017
			Un-audited	Audited
Revenue	2 865 478	2 291 729	9 458 293	7 301 712
Gross profit	459 821	361 665	1 488 474	1 215 776
EBITDA	76 141	42 130	177 055	103 842
Adjusted EBITDA	77 692	57 709	188 141	130 600
EBIT	55 280	19 009	100 576	32 158
Net income	4 690	5 788	11 000	(50 734)
Cash flow from operations	353 326	349 634	114 746	152 859
Gross profit margin (%)	16,0 %	15,8 %	15,7 %	16,7 %
Adjusted EBITDA margin (%)	2,7 %	2,5 %	2,0 %	1,8 %
Adjusted EBITDA / Gross profit margin (%)	16,9 %	16,0 %	12,6 %	10,7 %
Earnings per share (Nok per share)	0,08	0,10	0,20	(0,59)
			31 December 2018	31 December 2017
Liquidity reserve			515 708	548 770
Net working capital			(343 465)	(405 300)
Average headcount (number of employees)			1 128	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

Q4 2018 represents another quarter of continued gross profit and EBITDA growth for Crayon, demonstrating the value of the global footprint and the strong market position in Nordics. Q4 2018 YoY revenue growth was +25.0% while gross profit growth was +27.1%/ NOK 98.2m, leading to a total Q4 2018 gross profit of NOK 459.8m. Adjusted EBITDA in Q4 2018 was NOK 77.7m, an increase of NOK 20.0m compared with Q4 2017.

As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. To compare the performance of the business across this seasonality the relevant comparison is the YoY, and in this perspective Q4 2018 represents strong financial performance from the business.

All market clusters (See Note 4 for additional information) had positive gross profit growth in Q4 2018 compared to Q4 2017. Nordics is the largest market cluster and delivered a +19.6% gross profit growth, while the Growth Markets and Start-Ups market cluster both delivered strong gross profit YoY growth of +43.9% and +48% respectively. The US market cluster had a gross profit YoY development of +37.2%.

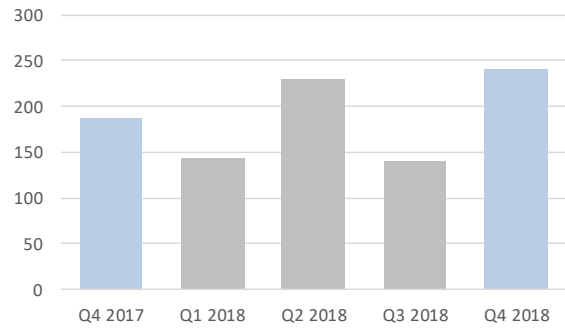
The Software division overall, had a very strong growth of +29.3% YoY, composed of Software Direct with +28.2% gross profit growth YoY, and Software Indirect with +34.1% gross profit growth YoY. Within the Software segment, gross profit in Start-Ups grew with +36% YoY, Growth Markets +53% YoY and the Nordics +18% YoY. Software in the USA grew by +104% YoY, although from a small base of NOK 5m in Q4 2017. Across all market clusters, this represents solid commercial performance in the Software segment. Within the Services segment, the overall gross profit growth was +23.8%, driven by Consulting with +29.1% YoY growth and Software Asset Management ("SAM") of +17.6% YoY growth. Within the Services segment, Nordics grew by +22% YoY, while Growth Markets, Start-Ups and USA grew by +19% YoY, +61% YoY and +24% YoY respectively.

Q4 2018 adjusted EBITDA was NOK 77.7m (NOK +20.0m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +22m YoY), Growth Markets (NOK +13m YoY), Start-Ups (NOK +4m YoY) and USA (NOK -3 YoY). USA is experiencing significant commercial momentum (gross profit +37% YoY), however profitability is still negatively impacted by the ramp-up of resources to drive further growth. In the business area segment, the adjusted EBITDA improvement was driven by Software Direct (NOK +23m YoY), Software Indirect (NOK +10 YoY) and Consulting (NOK +7m YoY), and SAM (NOK +1m).

The Q4 2018 results follows a set of strong results for every quarter in 2018, and in total the 2018 performance is a clear demonstration of the relevance of Crayons global scale and business model.

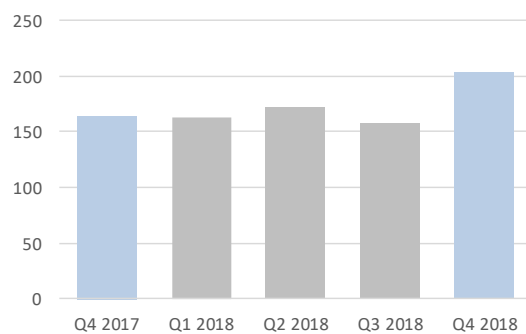
Software Gross Profit

In millions of NOK



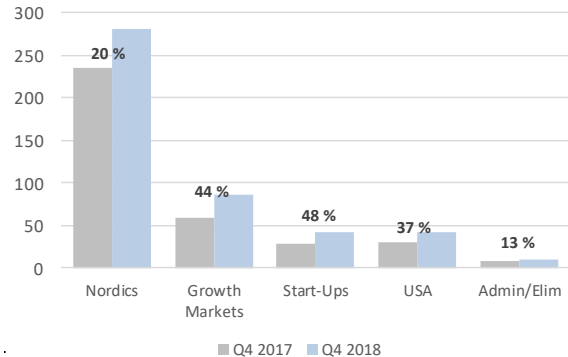
Services Gross Profit

In millions of NOK



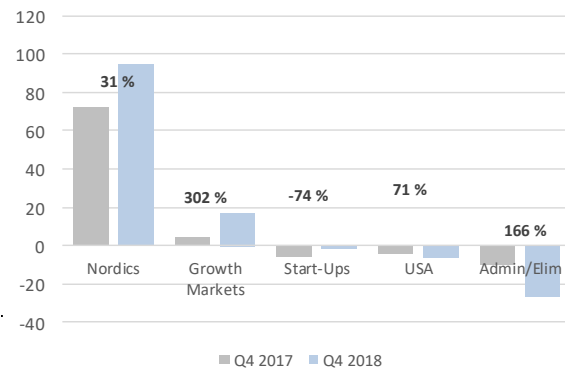
Gross Profit per Market Cluster and growth (%)

In millions of NOK



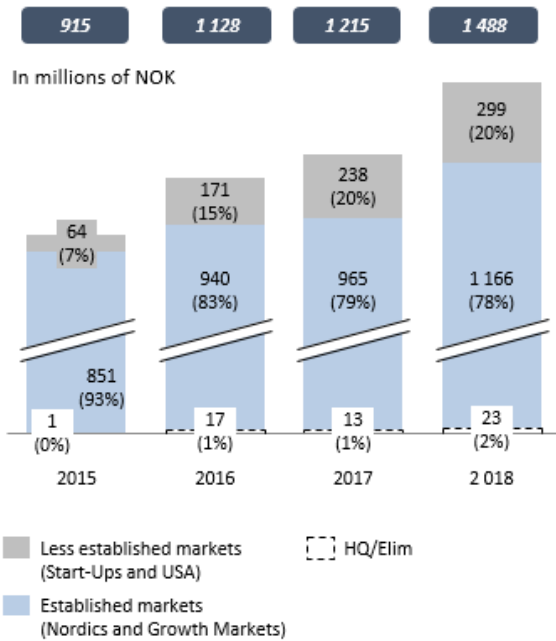
Adj. EBITDA per Market Cluster and growth (%)

In millions of NOK



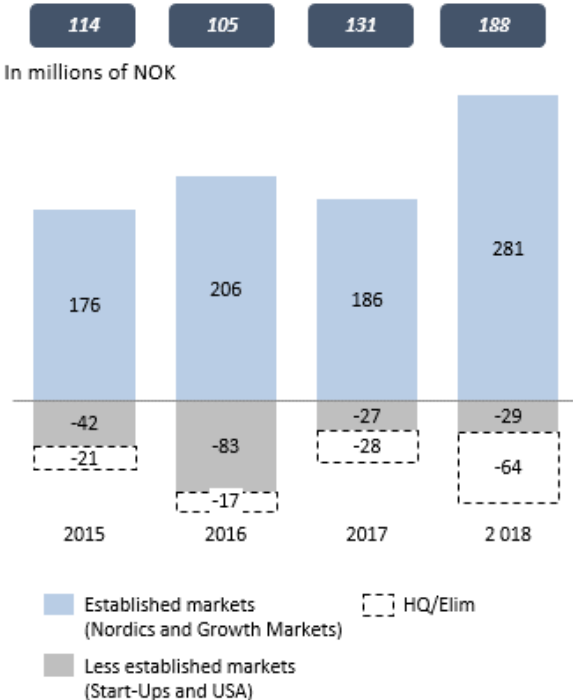
Financial review

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 -2.3 m YoY decrease. The increase of depreciation is driven by higher investments in recent periods into platforms and ERP systems. Impairment is decreased by the impairment of IP in Q4 2017 (see note 6 for further explanation).

Interest expenses are reduced YoY with NOK 6.7m, primarily due to the refinancing of the bond ("CGH01") in April 2017 and the deleveraging of the bond ("CRAYON02") following the IPO in November 2017.

Other financial expenses, net is increased YoY with NOK 13.6m due to foreign exchange effects and changes in the value of the swaps relating to the bond loan (see note 11 for further explanation).

Net income before tax increases YoY by NOK 29.3m to NOK 42.0m.

Taxes in the period are affected by reversals of deferred tax assets in markets where Crayon does not expect to be able to utilize these tax losses in the near future. As a result of this reversal, income tax expenses increase by NOK 30.4m YoY.

This results in net earnings in the period of NOK +4.7m, a decrease of NOK -1.1m from Q4 2017.

Earnings per share decreased from 0.1 per share in Q4 2017 to 0.08 per share in Q4 2018.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 1.6m in Q4 2018.

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

Balance sheet

Comparable figures presented in paranthesis. As of 31.12.2018 Crayon had assets of NOK 3 646m (NOK 3 087m) which primarily is composed of accounts receivables NOK 2 062m (NOK 1 541m), goodwill NOK 840m (NOK 831m) and Cash & cash equivalents NOK 379m (NOK 368m). Total liabilities as of 31.12.2018 is NOK 3 060m (NOK 2 520m), consisting primarily of accounts payables NOK 1 995m (NOK 1 601m) and a bond loan NOK 447m (NOK 442m).

Trade working capital increased YoY with NOK 108m, which is a strong result given the strong underlying business growth.

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.

Leverage

As of 31.12.2018, Crayon's net debt as of December 2018 was NOK 130.1m with a net cash position of NOK 379.3m (the Company reports its cash balance net of drawdown on its

revolving credit facility ("RCF"), corresponding to a leverage ratio of 2.5x EBITDA¹. 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, Q4 2018 had positive cash flow from operations. Cash flow from operations in Q4 2018 was NOK +353.3m, compared with NOK 349.6m in Q4 2017. The difference of NOK 3.7m is mainly explained by differences in change of net working capital NOK - 11m.

The net cash position as of 31 December 2018 was NOK 379.3m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 368.4m as of 31 December 2017.

The liquidity position of the group remains strong, with a total liquidity reserve as of December 31, 2018 of NOK 516m, compared to NOK 549m as of 31 December 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 during 2018 was 1 128, compared to an average during 2017 of 977. This represents a YoY increase of 151 employees (+15.4%). The Software business division had a total increase in average employees of 56 YoY, representing a 16% increase. The average number of employees in the Services business division increased YoY by 76 employees², whilst other employees increased by 19 YoY.

¹ On a LTM basis, excluding share based compensation and other income and expenses and non-controlling interest. Also, adjusted for restricted cash of NOK 17m.

² Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended		Year to date ended	
		31 December,		31 December,	
		Un-audited 2018	Un-audited 2017	Un-audited 2018	Audited 2017
Operating revenue	4	2 865 478	2 291 729	9 458 293	7 301 712
Materials and supplies		2 405 658	1 930 064	7 969 819	6 085 935
Gross profit		459 821	361 665	1 488 474	1 215 776
Payroll and related cost		326 856	268 594	1 105 772	940 464
Other operating expenses		55 272	35 362	194 560	144 711
Share based compensation		936	3 945	3 261	3 945
Other income and expenses		615	11 634	7 825	22 813
EBITDA		76 141	42 130	177 055	103 842
Depreciation and amortization	6	20 861	23 120	76 479	71 684
Operating profit/EBIT		55 280	19 009	100 576	32 158
Interest expense		10 205	16 925	44 077	60 721
Other financial expense, net	7	3 046	(10 590)	2 727	25 109
Net income before tax		42 029	12 673	53 773	(53 673)
Income tax expense on ordinary result		37 339	6 885	42 773	(2 939)
Net income		4 690	5 788	11 000	(50 734)
Allocation of net income					
Non-controlling interests		(1 668)	(2 013)	(4 364)	(6 105)
Owners of Crayon Group Holding ASA		6 358	7 801	15 364	(44 629)
Total net income allocated		4 690	5 788	11 000	(50 734)
Earnings per share (NOK per share)		0,08	0,10	0,20	(0,59)
Comprehensive income					
Currency translation, net of tax		20 994	6 802	6 953	9 263
Total comprehensive income		25 684	12 591	17 953	(41 471)
Allocation of Total comprehensive income					
Non-controlling interests		(5 284)	(3 346)	(6 832)	(6 873)
Owners of Crayon Group Holding ASA		30 968	15 936	24 785	(34 598)
Total comprehensive income allocated		25 684	12 591	17 953	(41 471)

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

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	31 December	
		Un-audited 2018	Audited 2017
ASSETS			
<i>Non-current assets:</i>			
Development Costs	9	77 556	68 950
Technology and software	9	33 601	40 361
Contracts	9	66 109	83 324
Software licenses (IP)	9	1 000	1 000
Goodwill	10	840 301	831 044
Deferred tax asset		29 417	45 252
Total intangible assets		1 047 983	1 069 931
Tangible assets			
Equipment		24 978	20 204
Total tangible assets		24 978	20 204
Other long-term receivables			
		22 658	4 771
Total financial assets		22 658	4 771
Total non-current assets		1 095 620	1 094 906
<i>Current assets:</i>			
Inventory		8 625	26 287
Total inventory		8 625	26 287
Accounts receivable		2 061 931	1 541 436
Other receivables	13	100 460	55 815
Total receivable		2 162 391	1 597 251
Cash & cash equivalents	13	379 282	368 442
Total current assets		2 550 298	1 991 981
Total assets		3 645 917	3 086 887

(In thousands of NOK)	Note	31 December	
		Un-audited 2018	Audited 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Shareholders' equity:</i>			
Share capital		75 394	75 394
Own shares		(35)	(3)
Share premium		588 051	588 051
Sum paid-in equity		663 410	663 442
Retained Earnings			
Other Equity		(75 496)	(105 597)
Total retained earnings		(75 496)	(105 597)
Total equity attributable to parent company shareholders		587 915	557 845
Non-controlling interests		(1 606)	8 153
Total shareholders' equity		586 309	565 998
<i>Long-term liabilities:</i>			
Bond loan	11	446 558	442 058
Derivative financial liabilities		3 260	3 638
Deferred tax liabilities		30 336	39 167
Other long-term liabilities		24 982	7 188
Total long-term liabilities		505 136	492 050
<i>Current liabilities:</i>			
Accounts payable		1 995 466	1 600 566
Income taxes payable	13	20 311	4 800
Public duties		209 594	229 057
Other short-term interest bearing debt	13	39 992	-
Other current liabilities		289 109	194 416
Total current liabilities		2 554 472	2 028 839
Total liabilities		3 059 608	2 520 889
Total equity and liabilities		3 645 917	3 086 887

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended		Year to date ended	
	31 December,		31 December,	
	Un-audited	Un-audited	Un-audited	Audited
	2018	2017	2018	2017
Cash flows provided by operating activities:				
Net income before tax	42 029	12 673	53 773	(53 673)
Taxes paid	(6 714)	2 259	(23 625)	(11 869)
Depreciation and amortization	20 861	23 120	76 479	71 684
Net interest to credit institutions and interest on bond loan	7 839	10 944	35 213	50 645
Changes in inventory, accounts receivable/payable	90 841	188 095	(107 933)	33 064
Changes in other current accounts	198 471	112 542	80 839	63 008
Net cash flow from (used in) operating activities	353 326	349 634	114 746	152 859
Cash flows used in investing activities:				
Acquisition of assets	(15 475)	(15 228)	(62 199)	(51 238)
Acquisition of subsidiaries	178	(22 656)	(7 311)	(22 656)
Divestments	-	378	-	378
Net cash flow from (used in) investing activities	(15 298)	(37 507)	(69 510)	(73 516)
Cash flow used in financing activities:				
Net interest paid to credit institutions and interest to bond loan	(9 069)	(15 702)	(40 709)	(56 982)
New equity	-	348 612	-	348 612
Proceeds from issuance of interest bearing debt	-	-	-	589 746
Repayment of interest bearing debt	-	(155 335)	-	(827 663)
Other Financial items	(3 582)	5 595	616	(3 405)
Net cash flow from (used in) financing activities	(12 651)	183 170	(40 093)	50 308
Net increase (decrease) in cash and cash equivalents	325 377	495 297	5 143	129 651
Cash and cash equivalents at beginning of period	33 855	(136 426)	368 442	227 905
Currency translation	20 049	9 571	5 697	10 886
Cash and cash equivalents at end of period	379 282	368 442	379 282	368 442

Condensed Consolidated Statement of Changes in Shareholder's Equity

**Year to date period ending
31 December, 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

31 December, 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
Adjustment ¹	-	-	-	2 677	(3 233)	(556)
Share repurchase (net)	-	(32)	-	(520)	-	(552)
Share based compensation	-	-	-	3 261	-	3 261
Net income	-	-	-	15 364	(4 364)	11 000
Acquisitions & divestments	-	-	-	(101)	306	205
Currency translation	-	-	-	9 421	(2 468)	6 953
Balance as of end of period	75 394	(35)	588 051	(75 496)	(1 606)	586 309

¹ Mainly due to currency effects and change in ownership

Notes

Note 1 Corporate information

The condensed interim consolidated financial statements of Crayon Group Holding ASA for the three months ended 31 December 2018 were authorised for issue on 11th of February 2019. 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 1,200 employees in 45 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 significant 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). (Further information is found in note 2.3. in the Annual report for 2017)

- **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 Crayon's 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 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 31 December, 2018	Operating Revenue per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Operating Revenue
(In thousands of NOK)				
- Nordics	4 373 816	616 015	6 948	4 996 779
- Growth	2 415 034	86 494	6 210	2 507 738
- Start-Ups	1 340 577	47 750	4 000	1 392 327
- USA	553 643	133 678	1 474	688 795
- HQ	(1 521)	-	92 194	90 673
- Eliminations	-	-	(218 020)	(218 020)
Total Operating Revenue	8 681 549	883 937	(107 194)	9 458 293

Year to date ended 31 December, 2017	Operating Revenue per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Operating Revenue
(In thousands of NOK)				
- Nordics	3 391 276	503 413	5 797	3 900 486
- Growth	1 823 518	74 481	4 488	1 902 487
- Start-Ups	1 162 184	29 844	526	1 192 554
- USA	254 094	116 810	885	371 789
- HQ	60	-	87 711	87 771
- Eliminations	-	-	(153 376)	(153 376)
Total Operating Revenue	6 631 132	724 548	(53 968)	7 301 712

Year to date ended 31 December, 2018	Gross Profit per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Gross Profit
(In thousands of NOK)				
- Nordics	433 307	464 340	4 318	901 965
- Growth	180 467	78 320	5 040	263 826
- Start-Ups	105 046	37 090	2 344	144 481
- USA	36 272	117 257	1 474	155 003
- HQ	(2 156)	(37)	75 063	72 869
- Eliminations	-	-	(49 671)	(49 671)
Total Gross Profit	752 936	696 969	38 569	1 488 474

Year to date ended 31 December, 2017	Gross Profit per Market Cluster and Operating Segment			
	Software	Services	Admin/ Eliminations	Total Gross Profit
(In thousands of NOK)				
- Nordics	373 077	383 061	4 465	760 603
- Growth	129 139	70 510	4 335	203 984
- Start-Ups	78 576	25 881	495	104 953
- USA	23 212	108 879	884	132 975
- HQ	(235)	-	63 742	63 507
- Eliminations	-	-	(50 246)	(50 246)
Total Gross Profit	603 769	588 331	23 676	1 215 776

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

(In thousands of NOK)	Year to date ended		Quarter ended	
	31 December,		31 December,	
	2018	2017	2018	2017
Operating Revenue per Operating Segment				
- Software Direct	6 251 498	4 856 457	1 933 961	1 596 978
- Software Indirect	2 430 051	1 774 675	686 479	492 523
Total Revenue - Software	8 681 549	6 631 132	2 620 440	2 089 501
- SAM	355 475	310 680	107 572	82 386
- Consulting	528 462	413 869	159 056	123 940
Total Revenue - Services	883 937	724 548	266 628	206 326
Admin & shared services	110 827	99 407	30 539	36 918
Eliminations	(218 020)	(153 376)	(52 130)	(41 016)
Total Operating Revenue	9 458 293	7 301 712	2 865 478	2 291 729

(In thousands of NOK)	Year to date ended		Quarter ended	
	31 December,		31 December,	
	2018	2017	2018	2017
Gross Profit per Operating Segment				
- Software Direct	585 978	470 411	193 973	151 356
- Software Indirect	166 958	133 359	47 092	35 111
Total Gross profit - Software	752 936	603 769	241 065	186 467
- SAM	310 036	282 213	88 135	74 973
- Consulting	386 933	306 118	115 552	89 491
Total Gross profit - Services	696 969	588 331	203 686	164 464
Admin & shared services	88 240	73 922	27 225	23 737
Eliminations	(49 671)	(50 246)	(12 156)	(13 002)
Total Gross Profit	1 488 474	1 215 776	459 821	361 665

(In thousands of NOK)	Year to date ended		Quarter ended	
	31 December,		31 December,	
	2018	2017	2018	2017
Adjusted EBITDA per Operating Segment				
- Software Direct	246 875	189 030	93 870	70 728
- Software Indirect	66 383	50 055	19 424	9 522
Total EBITDA - Software	313 258	239 084	113 294	80 250
- SAM	20 390	27 862	8 528	7 149
- Consulting	51 652	25 760	17 949	11 217
Total EBITDA - Services	72 042	53 623	26 477	18 366
Admin & shared services	(197 159)	(162 107)	(62 080)	(40 907)
Eliminations	-	-	-	-
Total Adjusted EBITDA	188 141	130 600	77 692	57 709

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

(In thousands of NOK)	Year to date ended 31 December,		Quarter ended 31 December,	
	2018	2017	2018	2017
Operating Revenue per Market Cluster:				
- Nordics	4 996 779	3 900 486	1 662 004	1 323 788
- Growth Markets	2 507 738	1 902 487	688 602	545 571
- Start-Ups	1 392 327	1 192 554	355 645	334 809
- USA	688 795	371 789	188 206	93 608
- HQ	90 673	87 771	23 151	34 969
- Eliminations	(218 020)	(153 376)	(52 130)	(41 016)
Total Operating Revenue	9 458 293	7 301 712	2 865 478	2 291 729

(In thousands of NOK)	Year to date ended 31 December,		Quarter ended 31 December,	
	2018	2017	2018	2017
Gross Profit per Market Cluster				
- Nordics	901 965	760 603	281 449	235 257
- Growth Markets	263 826	203 984	85 215	59 198
- Start-Ups	144 602	104 953	41 590	28 093
- USA	155 003	132 975	41 815	30 470
- HQ	72 869	63 507	21 907	21 650
- Eliminations	(49 671)	(50 246)	(12 156)	(13 002)
Total Gross Profit	1 488 595	1 215 776	459 821	361 665

(In thousands of NOK)	Year to date ended 31 December,		Quarter ended 31 December,	
	2018	2017	2018	2017
Adjusted EBITDA per Market Cluster				
- Nordics	266 032	181 013	94 365	72 199
- Growth Markets	14 732	4 576	17 254	4 296
- Start-Ups	(7 440)	(13 855)	(1 369)	(5 270)
- USA	(21 316)	(13 245)	(6 170)	(3 608)
- HQ	(63 868)	(27 889)	(26 388)	(9 908)
- Eliminations	-	-	-	-
Total Adjusted EBITDA	188 141	130 600	77 692	57 709

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

Note 5 Share options

Share incentive scheme:

2.15 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 0.9 m (including accrued social security tax) has been charged as an expense in the profit and loss statement in Q4 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 0.5 million share options, respectively.

Note 6 Depreciation and amortization

Depreciation and amortization consists of the following:

(In thousands of NOK)	Year to date ended 31 December,		Quarter ended 31 December,	
	2018	2017	2018	2017
Depreciation	11 581	9 702	3 461	2 452
Amortization of intangibles (incl. write-down)	64 897	61 982	17 400	20 668
Total	76 479	71 684	20 861	23 120

See note 9 for breakdown of intangible assets.

Note 7 Other financial expense, net

Other financial expense, net consists of the following:

(In thousands of NOK)	Year to date ended 31 December,		Quarter ended 31 December,	
	2018	2017	2018	2017
Interest income	8 864	7 829	2 367	3 734
Other financial income	610	1 445	(264)	1 150
Other financial expenses	(12 201)	(34 383)	(5 148)	5 705
Total financial income / (Expense)	(2 727)	(25 109)	(3 046)	10 590

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	-	48 079	535	-	48 614
FX translation	-	(87)	250	675	839
Aquisition cost at the end of the period	7 421	207 772	362 511	66 549	644 253
Amortization and impairment 01.01	6 421	90 830	278 401	25 513	401 165
Amortization	-	39 461	18 001	7 435	64 897
Impairment	-	-	-	-	-
Accumulated amortization and impairment	6 421	130 292	296 402	32 948	466 062
Net value at the end of the period	1 000	77 556	66 109	33 601	178 266
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
Aquisition cost at 01.01	881 183
Additions	6 124
Currency translation	3 133
Aquisition cost at the end of the period	890 440
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	840 301

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.

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 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 IFRS 9, 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	
	31 December,	
	2018	2017
Long-term interest debt	452 798	455 595
Short-term interest debt	39 992	-
Cash and cash equivalents	(379 282)	(368 442)
Restricted cash	17 358	18 725
Net interest bearing debt	130 866	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 Reclassifications

Cash & cash equivalents is presented net in 2017. The credit facility in India has been reclassified as other interest bearing short-term liabilities in Q4 2018. Figures are not restated due to immateriality for 2017.

Tax payables and tax receivables (included in other receivables) are presented gross from Q4 2018, compared to net previous periods. Figures are not restated due to immateriality for 2017.

Note 14 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 31 December,	
	2018	2017
EBITDA	177 055	103 842
Other Income and Expenses	11 086	26 758
Adjusted EBITDA	188 141	130 600

Other Income and expenses: Specifications of items defined as adjustments. See table below.

(In thousands of NOK)	Year to date ended 31 December,	
	2018	2017
Refinancing	-	152
Specific M&A costs and legal structuring	962	348
IPO Cost 2017 (Project Elevate)	310	16 149
Share based compensation	3 261	3 945
Extraordinary personnel costs	6 554	6 164
Other income and expenses	11 086	26 758

Net Working Capital: Non- interest bearing current assets less non- interest bearing current liabilities. Net Working Capital gives a measure of the funding required by the operations of the business.

(In thousands of NOK)	Year to date ended 31 December,	
	2018	2017
Inventory	8 625	26 287
Accounts receivable	2 061 931	1 541 436
Other receivables	100 460	55 815
Income tax receivable/ payable	(20 311)	(4 800)
Accounts payable	(1 995 466)	(1 600 566)
Public duties	(209 594)	(229 057)
Other current liabilities	(289 109)	(194 416)
Net working capital	(343 465)	(405 300)

Cash & cash equivalents: Cash & cash equivalents is presented net in 2017. The credit facility in India has been reclassified as other interest bearing short-term liabilities in Q4 2018. Figures are not restated due to immateriality for 2017.

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 include an unused credit reserve in India.

(In thousands of NOK)	Year to date ended	
	31 December,	
	2018	2017
Cash and cash equivalents	379 282	368 442
Restricted cash	(17 358)	(18 725)
Freely available cash	361 923	349 717
Available credit facility	153 785	199 053
Liquidity reserve	515 708	548 770

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