Q1 2019

Crayon Group – Interim financial report

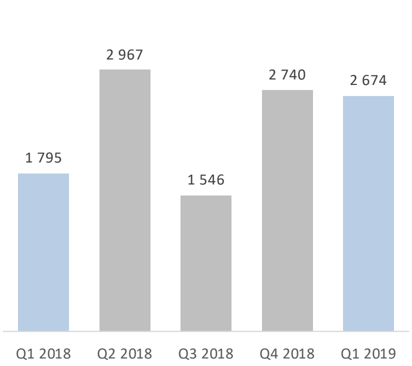
Content

This document contains the un-audited consolidated quarterly financial statements and notes for Crayon Group Holding ASA. The below commentary should be read in conjunction with definitions and further disclosure as provided in the notes.

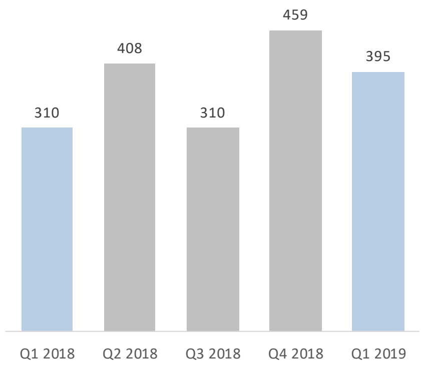
Highlights

- Strong commercial momentum across all business areas and market clusters. Q1 2019 gross profit grew by 27.6% compared to the same quarter last year (year-over-year, “YoY”), driven by strong growth in the Software Direct (NOK 22.7m/ +21.1% YoY) and Software Indirect (NOK 13.9m/ +39.3% YoY) segments. From a market cluster perspective, the Nordics experienced strong business momentum, leading to gross profit growth of NOK 43.8m/ +22.2% YoY. Start-Ups had the highest growth rate of NOK 18.9m/ 72% YoY.
- Positive start of the new year, with adjusted EBITDA[1] improving with NOK 22.5m YoY. The major contributor to the YoY EBITDA improvement was the Nordics market cluster.

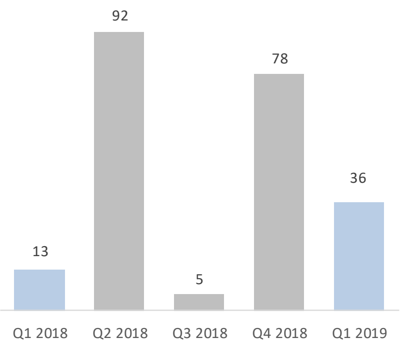
Consolidated Operating Revenue
NOK in millions



Consolidated Gross Profit
NOK in millions



Consolidated Adjusted EBITDA [1]
NOK in millions



Key consolidated figures

	Q1 2019	Q1 2018	Full year 2018
(NOK in thousands, unless stated)	Un-audited	Un-audited	Audited
Revenue	2 674 146	1 795 082	9 047 526
Gross profit	395 254	309 736	1 486 108
EBITDA	29 316	10 511	177 055
Adjusted EBITDA	35 781	13 328	188 141
EBIT	2 879	(7 200)	100 576
Net income	(9 013)	(12 188)	11 000
Cash flow from operations	(238 108)	(251 195)	114 746
Gross profit margin (%)	14,8 %	17,3 %	16,4 %
Adjusted EBITDA margin (%)	1,3 %	0,7 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	9,1 %	4,3 %	12,7 %
Earnings per share (Nok per share)	(0,10)	(0,15)	0,20
	31 March 2019	**31 March 2018**	**31 December 2018**
Liquidity reserve	180 221	223 014	515 708
Net working capital	(65 234)	(137 499)	(343 216)
Average headcount (number of employees)	1 273	1 008	1 128

(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. Please note that NOK 6.8m improvement in adjusted EBITDA is driven by the implementation of IFRS 16, as detailed in note 13.

Business review

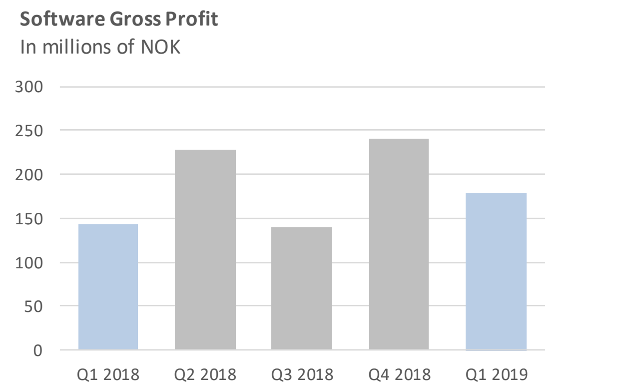
The growth trajectory Crayon saw in 2018, continues in Q1 2019, with another quarter of strong gross profit and EBITDA growth. Q1 2019 YoY revenue growth was +49.0% while gross profit growth was +27.6%/ NOK 85.5m, leading to a total Q1 2019 gross profit of NOK 395.3m. Adjusted EBITDA in Q1 2019 was NOK 35.8m (NOK 29.0m), an increase of NOK 22.5m (NOK 15.7m) compared with Q1 2018. Numbers adjusted for IFRS 16 impact informed in parenthesis.

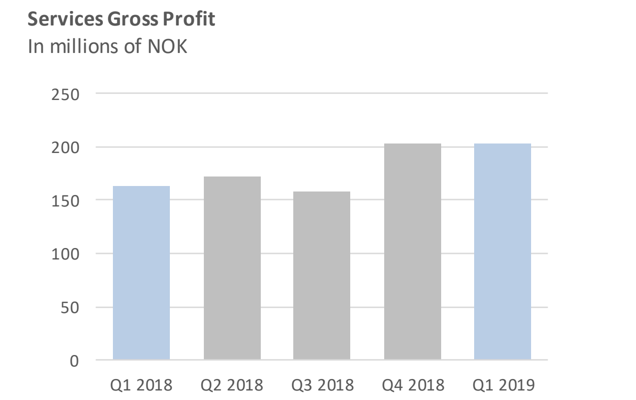
As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. To compare the performance of the business across this seasonality the relevant comparison is the YoY, and in this perspective Q1 2019 represents strong financial performance from the business.

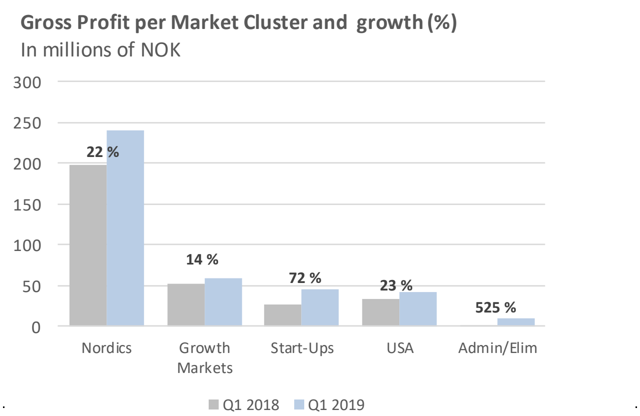
All market clusters (See Note 4 for additional information) had positive gross profit growth in Q1 2019 compared to Q1 2018. Nordics is the largest market cluster and delivered a +22.2% gross profit growth, reflecting the strong market position in the Nordics. Growth Markets and Start-Ups market cluster both delivered strong gross profit YoY growth of +13.9% and +72.0% respectively, while the US market cluster had a gross profit YoY development of +23.5%.

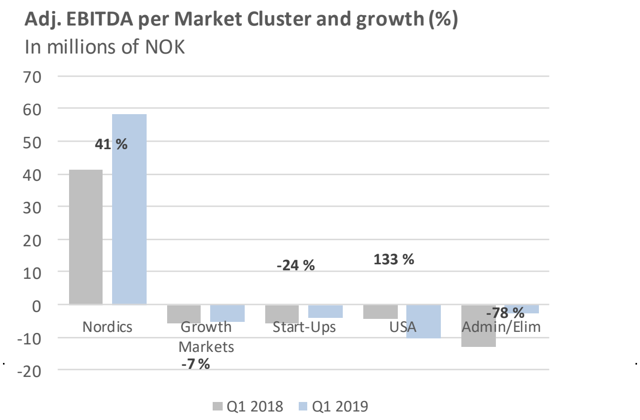
The Software division overall, had a strong growth of +25.6% YoY, composed of Software Direct with+21.1% gross profit growth YoY, and Software Indirect with +39.3% gross profit growth YoY. Within the Software segment, gross profit in Start-Ups grew with +60.5% YoY, Growth Markets +19.1% YoY and the Nordics +16.6% YoY. Software in the USA grew by +64.5% YoY, although from a small base of NOK 6m in Q1 2018. Across all market clusters, this represents solid commercial performance in the Software segment. Within the Services segment, the overall gross profit growth was +25.3%, driven by Consulting with +36.6% YoY growth and Software Asset Management ("SAM") of +11.3% YoY growth. Within the Services segment, Nordics grew by +27.1% YoY, while Growth Markets, Start-Ups and USA grew by +6.3% YoY, +100.5% YoY and +14.2% YoY respectively.

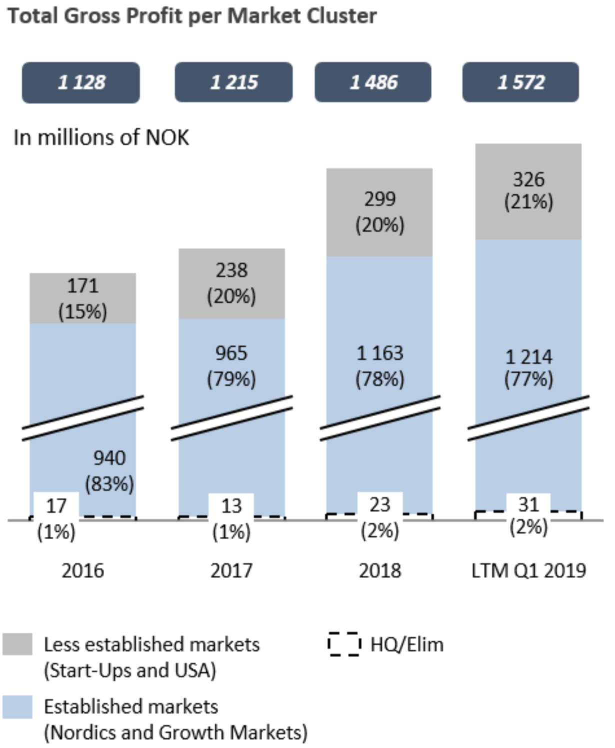
Q1 2019 adjusted EBITDA was NOK 35.8m (NOK +22.5.0m YoY). Of this improvement, NOK 6.8m is driven by the implementation of IFRS 16, leaving the direct comparable YoY improvement at NOK +15.7m. The IFRS 16 impact is not allocated at either market or operating segment, but at consolidated level[1]. The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +16.8m YoY), Growth Markets (NOK +0.4m YoY), Start-Ups (NOK +1.3m YoY) and USA (NOK -5.9 YoY). USA is experiencing significant commercial momentum (gross profit +23.5% 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 +17.2m YoY), Software Indirect (NOK +9.2 YoY) and Consulting (NOK +12.7m YoY), and SAM (NOK -5.4m).



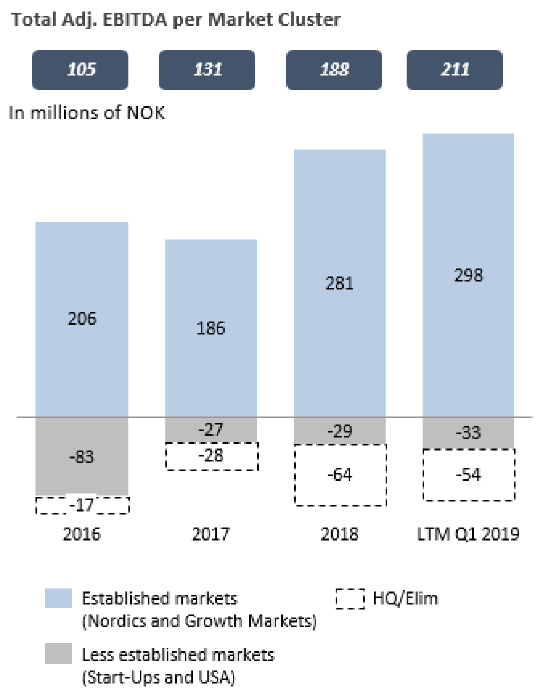








The figure above shows gross profit per Market Cluster and the percentage of total gross profit per period, with the total gross profit for the period in the box above each bar.



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

Financial review

Items below the EBITDA line

Depreciation and amortization was in line with expectations, with the NOK 8.7 m YoY increase. The increase of depreciation is driven by higher investments in recent periods into platforms and ERP systems, but also impact from IFRS 16 of NOK 5,6m. (see note 13 for further explanation).

Interest expenses are increase YoY with NOK 3.3m, whereof IFRS 16 impact is NOK 1.8m.

Net income before tax increases YoY by NOK 8.6m to NOK -9.6m, while income tax expenses for Q1 2019 is NOK -0.6m.

Net earnings in the period was NOK -9.0m, an improvement from NOK -12.2m in Q1 2018.

Earnings per share improved from -0.2 per share in Q1 2018 to -0.1 per share in Q1 2019.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 6.5m in Q1 2019.

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

Balance sheet

Comparable figures presented in paranthesis. As of 31.03.2019 Crayon had assets of NOK 3 041m (NOK 2 377m) which primarily is composed of accounts receivables NOK 1 674m (NOK 1 132m), goodwill NOK 840m (NOK 823m) and Cash & cash equivalents NOK 84m (NOK 76m). Total liabilities as of 31.03.2019 is NOK 2 473m (NOK 1 827m), consisting primarily of accounts payables NOK 1 353m (NOK 1 003m) and a bond loan NOK 447m (NOK 445m).

Trade working capital increased YoY with NOK 184m, which is a reflection of the strong underlying business growth with 49% YoY revenue 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

Net interest-bearing debt as end of end March 2019 was NOK 427m with a net cash position of NOK 84m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")), corresponding to a leverage ratio of 2.5x EBITDA[1]. The company had a NOK 44m drawdown on the RCF as of the end of Q1 2019. The Group had significant headroom with regards to its bank covenants as of quarter end.

[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 12.6m.

Cash flow

In line with the underlying seasonality of the business, Q1 2019 had negative cash flow from operations. Cash flow from operations in Q1 2019 was NOK -238.1m, compared with NOK -251.2m in Q1 2018. The improvement of NOK 13.1m is mainly driven by an improvement in net profit before tax. Implementation of IFRS 16 has a positive impact on cash flow from operations of NOK 6.8m, and a negative impact on cash flow from financing activities of NOK 6.8m.

The net cash position as of 31 March 2019 was NOK 84.0m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 76.4m as of 31 March 2018.

The liquidity position of the group remains strong, with a total liquidity reserve as of March 31, 2019 of NOK 180m, compared to NOK 223m as of March 31, 2018. For more information on the definition of liquidity reserve, please 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 Q1 2019 was 1 273, compared to an average during Q1 2018 of 1 008. This represents a YoY increase of 265 employees /+26.3%. The Software business division had a total increase in average employees of 89 YoY, representing a 24% increase. The average number of employees in the Services business division increased YoY by 137 employees [2], whilst other employees increased by 39 YoY.

[2] Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended 31 March, Un-audited 2019	Quarter ended 31 March, Un-audited 2018	Year ended 31 December, Audited 2018
Operating revenue	4	2 674 146	1 795 082	9 047 526
Cost of sales		2 278 892	1 485 346	7 561 419
Gross profit		**395 254**	**309 736**	**1 486 108**
Payroll and related cost		306 786	256 373	1 105 772
Other operating expenses	13	52 687	40 034	192 194
Share based compensation		895	835	3 261
Other income and expenses		5 571	1 982	7 825
EBITDA		**29 316**	**10 511**	**177 055**
Depreciation and amortisation	6,13	26 437	17 711	76 479
Operating profit/EBIT		**2 879**	**(7 200)**	**100 576**
Interest expense		14 260	10 995	44 077
Other financial expense, net	7	(1 810)	(5)	2 727
Net income before tax		**(9 571)**	**(18 190)**	**53 773**
Income tax expense on ordinary result		(558)	(6 002)	42 773
Net income		**(9 013)**	**(12 188)**	**11 000**
Allocation of net income				
Non-controlling interests		(1 313)	(1 021)	(4 364)
Owners of Crayon Group Holding ASA		(7 700)	(11 167)	15 364
Total net income allocated		**(9 013)**	**(12 188)**	**11 000**
Earnings per share (NOK per share)		(0,10)	(0,15)	0,20
Comprehensive income				
Currency translation, net of tax		785	(8 938)	6 953
Total comprehensive income		**(8 228)**	**(21 126)**	**17 953**
Allocation of Total comprehensive income				
Non-controlling interests		(938)	(955)	(6 832)
Owners of Crayon Group Holding ASA		(7 290)	(20 171)	24 785
Total comprehensive income allocated		**(8 228)**	**(21 126)**	**17 953**

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

Condensed Consolidated Balance Sheet Statement

		31 March		31 December
		Un-audited	Un-audited	Audited
(In thousands of NOK)	Note	2019	2018	2018
ASSETS				
Non-current assets:				
Development Costs	9	78 779	74 879	77 556
Technology and software	9	31 901	37 446	33 601
Contracts	9	61 394	77 946	66 109
Software licenses (IP)	9	1 000	1 000	1 000
Goodwill	10	840 131	823 757	840 301
Deferred tax asset		30 629	54 062	29 417
Total intangible assets		**1 043 835**	**1 069 090**	**1 047 983**
Tangible assets				
Equipment		28 622	20 869	24 729
Right of use assets	13	102 746	-	-
Total tangible assets		**131 368**	**20 869**	**24 729**
Other long-term receivables		17 148	6 494	22 658
Total financial assets		**17 148**	**6 494**	**22 658**
Total non-current assets		**1 192 350**	**1 096 453**	**1 095 370**
Current assets:				
Inventory		15 417	23 595	8 625
Total inventory		**15 417**	**23 595**	**8 625**
Accounts receivable		1 673 925	1 131 574	1 875 963
Other receivables		75 425	48 574	75 998
Total receivable		**1 749 350**	**1 180 148**	**1 951 961**
Cash & cash equivalents	11	84 034	76 441	379 282
Total current assets		**1 848 802**	**1 280 183**	**2 339 867**
Total assets		**3 041 152**	**2 376 636**	**3 435 237**

		31 March		31 December
		Un-audited	Un-audited	Audited
(In thousands of NOK)	Note	2019	2018	2018
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity:				
Share capital		75 394	75 394	75 394
Own shares		(10)	(3)	(35)
Share premium		588 414	588 051	588 051
Sum paid-in equity		**663 798**	**663 442**	**663 410**
Retained Earnings				
Other Equity		(88 229)	(123 664)	(72 521)
Total retained earnings		**(88 229)**	**(123 664)**	**(72 521)**
Total equity attributable to parent company shareholders		**575 569**	**539 778**	**590 890**
Non-controlling interests		(7 472)	9 539	(4 581)
Total shareholders' equity		**568 096**	**549 318**	**586 309**
Long-term liabilities:				
Bond loan	11	447 214	444 658	446 558
Derivative financial liabilities		(1 226)	(425)	3 260
Deferred tax liabilities		28 456	34 690	30 336
Other long-term liabilities		18 256	7 154	24 982
Lease liabilities	13	88 748	-	-
Total long-term liabilities		**581 448**	**486 077**	**505 136**
Current liabilities:				
Accounts payable		1 352 558	1 002 724	1 787 346
Income taxes payable		14 457	278	20 311
Public duties		190 469	156 149	209 594
Other short-term interest bearing debt	11	46 949	-	39 992
Current lease liabilities	13	14 656	-	-
Other current liabilities		272 517	182 090	286 549
Total current liabilities		**1 891 607**	**1 341 241**	**2 343 793**
Total liabilities		**2 473 055**	**1 827 318**	**2 848 929**
Total equity and liabilities		**3 041 152**	**2 376 636**	**3 435 237**

Condensed Consolidated Statement of Cash Flows

	Quarter ended 31 March,		Year ended 31 December,
	Un-audited	Un-audited	Audited
(In thousands of NOK)	2019	2018	2018
Cash flows from operating activities:			
Net income before tax	(9 571)	(18 190)	53 773
Taxes paid	(8 318)	(6 595)	(23 625)
Depreciation and amortisation [1]	26 437	17 711	76 479
Net interest to credit institutions and interest on bond loan [1]	11 825	8 819	35 213
Changes in inventory, accounts receivable/payable	(239 542)	(185 287)	(130 084)
Changes in other current accounts	(18 939)	(67 653)	102 990
Net cash flow from operating activities	**(238 108)**	**(251 195)**	**114 746**
Cash flows from investing activities:			
Acquisition of assets	(30 215)	(21 428)	(69 510)
Net cash flow from investing activities	**(30 215)**	**(21 428)**	**(69 510)**
Cash flow from financing activities:			
Net interest paid to credit institutions and interest to bond loan	(8 275)	(9 770)	(40 709)
Repayment of interest bearing debt [1]	(6 754)	-	-
Other Financial items	(2 920)	-	616
Net cash flow from financing activities	**(17 949)**	**(9 770)**	**(40 093)**
Net increase (decrease) in cash and cash equivalents	**(286 272)**	**(282 394)**	**5 143**
Cash and cash equivalents at beginning of period	379 282	368 442	368 442
Currency translation	(8 975)	(9 608)	5 697
Cash and cash equivalents at end of period	**84 034**	**76 441**	**379 282**

[1] *Impact of IFRS 16, see note 13*

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending 31 March, 2018

	Attributable to equity holders of Crayon Group Holding ASA					
(In thousands of NOK)	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.	-	-	-	1 270	-	1 270
Adjustment	-	-	-	-	(750)	(750)
Share based compensation	-	-	-	835	-	835
Net income	-	-	-	(11 167)	(1 021)	(12 188)
Acquisitions & divestments	-	-	-	-	3 091	3 091
Currency translation	-	-	-	(9 004)	66	(8 938)
Balance as of end of period	**75 394**	**(3)**	**588 051**	**(123 664)**	**9 539**	**549 318**

Year End 2018

	Attributable to equity holders of Crayon Group Holding ASA					
(In thousands of NOK)	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	-	-	-	194	(750)	(556)
Share repurchase (net)	-	(32)	-	(520)	-	(552)
Share based compensation	-	-	-	3 261	-	3 261
Net income	-	-	-	15 364	(4 364)	11 000
Acquisitions & divestments	-	-	-	5 357	(5 152)	205
Currency translation	-	-	-	9 421	(2 467)	6 954
Balance as of end of period	**75 394**	**(35)**	**588 051**	**(72 521)**	**(4 581)**	**586 309**

31 March, 2019

	Attributable to equity holders of Crayon Group Holding ASA					
(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
Balance at January 1, 2019	**75 394**	**(35)**	**588 051**	**(72 521)**	**(4 581)**	**586 309**
Share repurchase (net)	-	25	363	-	-	388
Net income	-	-	-	(7 700)	(1 313)	(9 013)
Share based compensation				895		895
Acquisitions & divestments	-	-	-	(8 666)	(1 953)	(10 619)
Currency translation	-	-	-	(237)	375	138
Balance as of end of period	**75 394**	**(10)**	**588 414**	**(88 229)**	**(7 472)**	**568 096**

Notes

Note 1 Corporate information

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2019 for publication on May 8, 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 and estimates

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement, and should be read in accordance with the Group's Annual Report for 2018, which has been prepared according to IFRS as adopted by EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the 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 2018.

Assessment of effects of implementation of IFRS 16, Leases (note 13), which was implemented in the Group with effect from 1 January 2018 are described in Note 2 – Summary of significant accounting principles – in the Annual report for 2018.

Note 3 Significant accounting principles

The accounting policies applied in the preparation of the consolidated interim financial statement are consistent with those applied in the preparation of the annual IFRS financial statement for the year ended 31 December 2018.

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2019 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

The Group adopted IFRS 16 1 January 2019 using the modified retrospective approach and has not restated comparative amounts for the year prior to first adoption, see note 13.

The main leases recognized in the balance sheet are the different office leases. The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., copy machines, coffee machines etc.) that are considered of low value.

The present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method.

The right-of-use asset is recognized within fixed assets and is set equal to the financial liability at the date of implementation. The right-of-use asset is depreciated on a straight line basis over the lease term or, if it is shorter, over the useful life of the leased asset.

If the expected lease payments change as a result of index-linked consideration, the liability is remeasured. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 7.00 % p.a.

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 in the Annual report for 2018).

See note 14 regarding impact of Operating revenue, and Gross profit due to adjustments related to reported quarterly financial information.

- **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 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.

Quarter ended 31 March, 2019	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	1 371 058	181 381	1 114	1 553 553
- Growth	523 698	22 596	522	546 816
- Start-Ups	384 569	16 032	1 792	402 393
- USA	216 094	35 428	221	251 743
- HQ	2 433	290	23 339	26 062
- Eliminations	-	-	(50 782)	(50 782)
- Adjustments [1]	-	-	(55 638)	(55 638)
Total Operating Revenue	**2 497 852**	**255 727**	**(79 432)**	**2 674 146**

Quarter ended 31 March, 2018	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	982 596	143 693	1 625	1 127 914
- Growth	322 287	20 452	870	343 609
- Start-Ups	265 607	7 018	488	273 113
- USA	97 668	29 353	111	127 132
- HQ	0	-	18 697	18 697
- Eliminations	-	-	(57 755)	(57 755)
- Adjustments [1]	-	-	(37 628)	(37 628)
Total Operating Revenue	**1 668 159**	**200 515**	**(73 593)**	**1 795 081**

Quarter ended 31 March, 2019	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	100 277	139 551	945	240 772
- Growth	37 693	20 023	756	58 472
- Start-Ups	31 483	12 537	1 017	45 037
- USA	9 982	31 474	221	41 678
- HQ	104	(9)	22 345	22 439
- Eliminations	-	-	(13 145)	(13 145)
Total Gross Profit	**179 539**	**203 575**	**12 140**	**395 254**

Quarter ended 31 March, 2018	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	85 965	109 835	1 156	196 956
- Growth	31 641	18 843	871	51 355
- Start-Ups	19 618	6 253	316	26 186
- USA	6 067	27 572	111	33 751
- HQ	(380)	-	15 151	14 771
- Eliminations	-	-	(13 284)	(13 284)
Total Gross Profit	**142 910**	**162 504**	**4 320**	**309 736**

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

[1] *Impact of IFRS 15, ref. note 14*

(In thousands of NOK)	Quarter ended 31 March,	
Operating Revenue per Operating Segment	2019	2018
- Software Direct	1 755 158	1 142 431
- Software Indirect	742 694	525 728
Total Revenue - Software	2 497 852	1 668 159
- SAM	93 520	78 594
- Consulting	162 207	121 921
Total Revenue - Services	255 727	200 515
Admin & shared services	26 988	21 791
Eliminations	(50 782)	(57 755)
Adjustments [1]	(55 638)	(37 628)
Total Operating Revenue	**2 674 146**	**1 795 081**

(In thousands of NOK)	Quarter ended 31 March,	
Gross Profit per Operating Segment	2019	2018
- Software Direct	130 271	107 547
- Software Indirect	49 267	35 363
Total Gross profit - Software	179 539	142 910
- SAM	80 941	72 703
- Consulting	122 635	89 802
Total Gross profit - Services	203 575	162 504
Admin & shared services	25 285	17 605
Eliminations	(13 145)	(13 284)
Total Gross Profit	**395 254**	**309 736**

(In thousands of NOK)	Quarter ended 31 March,	
Adjusted EBITDA per Operating Segment	2019	2018
- Software Direct	47 966	30 817
- Software Indirect	20 698	11 451
Total EBITDA - Software	68 664	42 268
- SAM	1 709	7 062
- Consulting	22 192	9 472
Total EBITDA - Services	23 901	16 534
Admin & shared services [2]	(56 784)	(45 475)
Eliminations	-	-
Total Adjusted EBITDA	**35 781**	**13 328**

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

[1] *Impact of IFRS 15, ref. note 14/* [2] *IFRS 16 impact included i these numbers, ref. note 13*

(In thousands of NOK)	Quarter ended 31 March,	
Operating Revenue per Market Cluster:	2019	2018
- Nordics	1 553 553	1 127 914
- Growth Markets	546 816	343 609
- Start-Ups	402 393	273 113
- USA	251 743	127 132
- HQ	26 062	18 697
- Eliminations	(50 782)	(57 755)
- Adjustments [1]	(55 638)	(37 628)
Total Operating Revenue	**2 674 146**	**1 795 081**

(In thousands of NOK)	Quarter ended 31 March,	
Gross Profit per Market Cluster	2019	2018
- Nordics	240 772	196 956
- Growth Markets	58 472	51 355
- Start-Ups	45 037	26 186
- USA	41 678	33 751
- HQ	22 439	14 771
- Eliminations	(13 145)	(13 284)
Total Gross Profit	**395 254**	**309 736**

(In thousands of NOK)	Quarter ended 31 March,	
Adjusted EBITDA per Market Cluster	2019	2018
- Nordics	58 312	41 499
- Growth Markets	(5 171)	(5 532)
- Start-Ups	(4 162)	(5 501)
- USA	(10 412)	(4 469)
- HQ [2]	(2 786)	(12 670)
- Eliminations	-	-
Total Adjusted EBITDA	**35 781**	**13 328**

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

[1] *Impact of IFRS 15, ref. note 14/* [2] *IFRS 16 impact included i these numbers, ref. note 13*

Note 5 Share options

Share incentive scheme:
2.05 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 Q1 2019. 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 amortisation

Depreciation and amortization consists of the following:

	Quarter ended 31 March,		Year ended 31 December,
(In thousands of NOK)	2019	2018	2018
Depreciation	9 153	2 544	11 581
Amortisation of intangibles (incl. impairment)	17 283	15 167	64 897
Total	**26 437**	**17 711**	**76 479**

See note 9 for breakdown of intangible assets.

Note 7 Other financial income and expenses

Other financial income and expenses, consists of the following:

	Quarter ended 31 March,		Year ended 31 December,
(In thousands of NOK)	2019	2018	2018
Interest income	2 434	2 176	8 864
Other financial income	19 456	23 095	104 526
Other financial expenses	(20 081)	(25 267)	(116 116)
Total financial income / (Expense)	**1 810**	**5**	**(2 726)**

Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Income 1.1-31.3 foreign currency is presented net.

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

2019	Software licences (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	7 421	207 847	362 511	66 549	644 328
Additions	-	12 033	-	-	12 033
FX translation	-	(32)	(143)	235	60
Aquisitition cost at the end of the period	**7 421**	**219 847**	**362 368**	**66 784**	**656 420**
Amortisation and impairment 01.01	6 421	130 292	296 402	32 948	466 062
Amortisation	-	10 776	4 572	1 935	17 283
Impairment	-	-	-	-	-
Accumulated amortisation and impairment	**6 421**	**141 068**	**300 974**	**34 883**	**483 346**
Net value at the end of the period	**1 000**	**78 779**	**61 394 -**	**31 901**	**173 075**
Amortisation period	None	3-10 years	5-10 years	3-10 years	
Amortisation 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	890 440
Additions	
Currency translation	(169)
Aquisition cost at the end of the period	**890 270**
Impairment at 01.01	50 139
Impirment during the period	
Accumulated Impairment at the end of the period	**50 139**
Net book value at the end of the period	**840 131**

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 Q2 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.

	Quarter ended 31 March,		Year ended 31 December,
(In thousands of NOK)	2019	2018	2018
Long-term interest debt	451 399	455 595	452 798
Short-term interest debt	46 949	-	39 992
Cash and cash equivalents	(84 034)	(76 441)	(379 282)
Restricted cash	12 599	9 507	17 358
Net interest bearing debt	**426 913**	**388 662**	**130 866**

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 2018.

Note 13 Right-of-use assets and lease liabilities

IFRS 16 was implemented for the Group with effect as of 1 January 2019.

On transition to IFRS 16, the Group recognized NOK 102.7m in right-of-use assets and NOK 103.4m as lease liabilities. Profit for the period is not affected significantly. The change to IFRS 16 will have no significant effect on the estimated tax expense.

Acconting principles applied are described in the annual IFRS financial statements for the year ended 31 December 2018.

The Group leases several assets such as buildings, equipment and vehicles. In the annual IFRS financial statements for the year ended 31 December 2018 the discounted effect of IFRS 16 was estimated to NOK 129,1 million on implementation. The deviation from this projection is mainly related to renewed assessment and classification of the different leases due to practical expedients, i.e. leases below 12 months.

The Group leases several assets such as buildings, equipment and vehicles. The movements of the Group's right-of-use assets and lease liabilities are presented below:

Right of use asset 01.01.2019	108 323
Depreciation	(5 577)
Right of use asset 31.3.2019	**102 746**
Lower of remaning lease term or economic life	0-12 years
Depreciation method	Linear
Total lease liabilities:	
Current lease liabilities <1 year	14 656
Non-current lease liability >1 year	88 748
Total lease liabilities 31.3.2019	**103 404**

IFRS 16 effects on the income statement Q1 2019

Operating expenses	6 754
Depreciation	(5 577)
Net interest to credit institutions	(1 836)
Effect on profit before income tax in the period	**(659)**

Note 14 Adjustment and reclassification

Adjustment to reported quarterly financial information:

Reclassifications:

1). Reclassification of loan from cash & cash equivalents to other interest-bearing short-term liabilities, see Alternative Performance section.

Credit facilty in India was in Q1 2018 reported as net Cash & cash equivalents. From Q4 2018 this is reported as short-term interest bearing debt. Due to immateriality Q1 2018 (NOK 30m) figures are not restated.

2). Reclassification of tax assets and liabilities to correct for netting

Tax payables and tax receivables (included in other receivables) are presented gross from Q4 2018, compared to Q1 2018 Figures are not restated due to immateriality for Q1 2018 (Gross value Tax payable NOK 6.1m).

3). Amount previous classified as operating revenue, does not meet requirement in IFRS 15, and has been reclassified to cost of sales. See note 4.

4). Adjustment related to revised assessment of control over an entity within the group. Crayon has reassessed the ability to control a certain entity within the group and has concluded that control does not exist as at 31 December 2018. An adjustment has been made to the consolidated financial information to reflect the revised assessment impacting revenues, cost of sales and accounts receivable and payable.

Impact Q1 2018:

	As reported Q1 2018	Q1 2018	Change
Equipment	20 877	20 869	(8)
Accounts receivable	1 147 037	1 131 574	(15 463)
Other receivables	50 615	48 574	(2 041)
Accounts payable	1 019 402	1 002 724	(16 678)
Other current liabilities	182 924	182 090	(834)

	As reported Q1 2018	Q1 2018	Change
Operating revenue	1 855 712	1 795 082	(60 630)
Cost of sales	1 545 489	1 485 346	(60 143)
Gross profit	310 223	309 736	(487)
Opex	299 712	299 225	(487)
EBITDA	10 511	10 511	(0)

Note 15 Events after the balance sheet

On 8 may 2019 Crayon Group announced the acquisition of 100% of the outstanding shares of Sequint, a leading Dutch IT channel software service provider. According to SPA, Crayon Group will acquire Sequint an an equity value of approximately MNOK 40, out of which MNOK 25 relates to an earn-out model based on the financial performance of the company during the next 24 months.

There were no other significant events that 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.

	Quarter ended 31 March,		Year ended 31 December,
(In thousands of NOK)	2019	2018	2018
EBITDA	29 316	10 511	177 055
Other Income and Expenses	6 466	2 817	11 086
Adjusted EBITDA	**35 781**	**13 328**	**188 141**

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

	Quarter ended 31 March,		Year ended 31 December,
(In thousands of NOK)	2019	2018	2018
Specific M& A costs and legal structuring	5 571	29	962
IPO Cost 2017 (Project Elevate)	-	531	310
Share based compensation	895	835	3 261
Extraordinary personell costs	-	1 423	6 554
Other income and expenses	**6 466**	**2 817**	**11 086**

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.

	Quarter ended 31 March,		Year ended 31 December
(In thousands of NOK)	2019	2018	2018
Inventory	15 417	23 595	8 625
Accounts receivable	1 673 925	1 131 574	1 875 963
Other receivables	75 425	48 574	75 998
Income tax receivable/ payable	(14 457)	(278)	(20 311)
Accounts payable	(1 352 558)	(1 002 724)	(1 787 346)
Public duties	(190 469)	(156 149)	(209 594)
Other current liabilities	(272 517)	(182 090)	(286 549)
Net working capital	**(65 234)**	**(137 499)**	**(343 216)**

Cash & cash equivalents: Cash & cash equivalents is presented net in Q1 2018. 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 Q1 2018.
Free available cash: Cash and cash equivalents less restricted cash.
Liquidity reserve: Freely available cash and credit facilities. Q1 2018 figures are changed compared to previously reported figures as they include an unused credit reserve in India.

	Quarter ended 31 March,		Year ended 31 December
(In thousands of NOK)	2019	2018	2018
Cash & cash equivalents	84 034	76 441	379 282
Restricted cash	(12 599)	(9 507)	(17 358)
Free available cash	71 435	66 933	361 924
Available credit facility	108 786	156 080	153 785
Liquidity reserve	**180 221**	**223 014**	**515 708**

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