Q4 2019

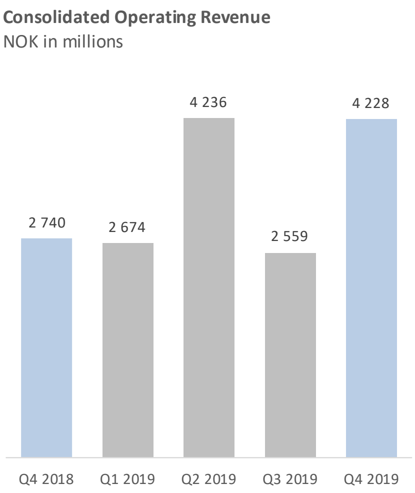
Crayon Group – Interim financial report

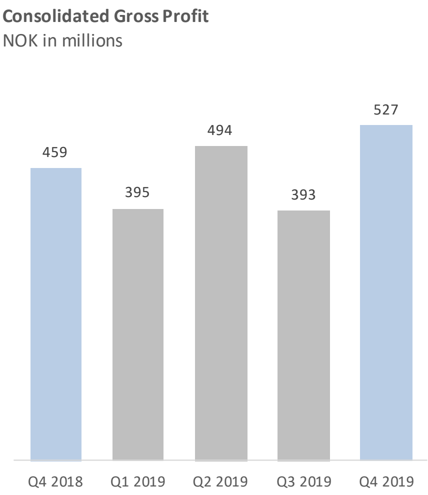
Content

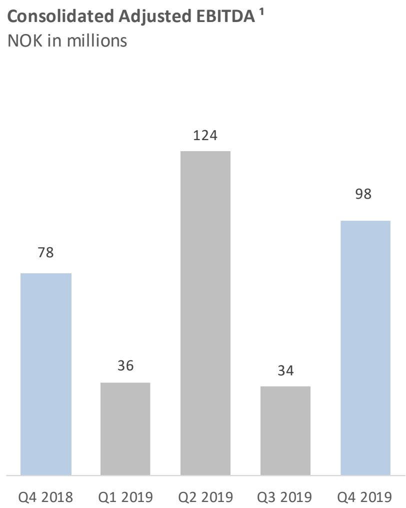
This document contains the un-audited consolidated quarterly financial statements and notes for Crayon Group Holding ASA. The below commentary should be read in conjunction with definitions and further disclosure as provided in the notes.

Highlights

- Crayon has growth across all business areas and market clusters[1] in Q4 2019. Gross profit grew by 14.7% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the segments Software & Cloud Economics (NOK 22.2m/ +25.2% YoY) and Consulting (NOK 36.8m/ +31.9% YoY). All market clusters delivered solid gross profit growth, and the fact that the international markets delivered 93% of the gross profit growth demonstrates the value of Crayon's international model
- Adjusted EBITDA continues to grow, and in Q4 2019 adjusted EBITDA[2] increased with NOK 20.2m YoY to NOK 97.8m, with Europe and US market clusters as the major contributors







Key consolidated figures

(NOK in thousands, unless stated)	Q4 2019 Un-audited	Q4 2018 Un-audited	Full year 2019 Un-audited	Full year 2018 Audited
Operating revenue	4 228 159	2 739 567	13 696 898	9 047 526
Gross profit	526 580	458 999	1 808 711	1 486 108
EBITDA	83 984	76 141	249 926	177 055
Adjusted EBITDA	97 881	77 692	292 242	188 141
Operating (loss)/profit/EBIT	(5 571)	55 280	77 057	100 576
Net (loss) income	(38 110)	4 690	(19 289)	11 000
Cash flow from operations	394 638	353 326	190 977	114 746
Gross profit margin (%)	12,5 %	16,8 %	13,2 %	16,4 %
Adjusted EBITDA margin (%)	2,3 %	2,8 %	2,1 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	18,6 %	16,9 %	16,2 %	12,7 %
(Loss) Earnings per share (NOK per share)	(0,41)	0,08	(0,16)	0,20
			December 31, 2019	**December 31, 2018**
Liquidity reserve			466 646	515 708
Net working capital			(337 712)	(343 216)
Average headcount (number of employees)			1 354	1 128

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

[1] Further information on changes in segments, please see note 4. [2]Adjusted EBITDA is EBITDA excluding other income and expenses. Reference made to Alternative Performance Measures Section in note disclosure. Please note that NOK 8.1 m improvement in adjusted EBITDA (Q4 2019) is driven by the implementation of IFRS 16, as detailed in note 13.

Business review

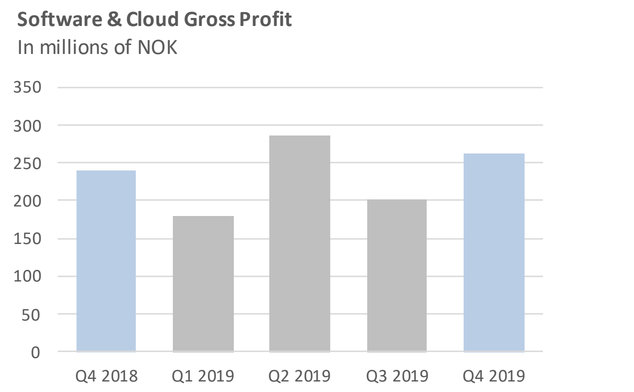
Q4 2019 is another quarter of strong gross profit and EBITDA growth. Q4 2019 YoY revenue growth was +54.3% while gross profit growth was +14.7%/ NOK 67.6m, leading to a total Q4 2019 gross profit of NOK 526.6m. Adjusted EBITDA in Q4 2019 was NOK 97.9m (NOK 77.7m), an increase of NOK 20.2m compared with Q4 2018.

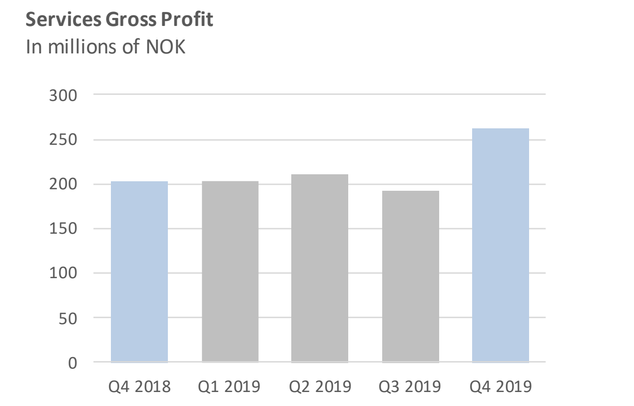
As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. To compare the performance of the business across this seasonality the relevant comparison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

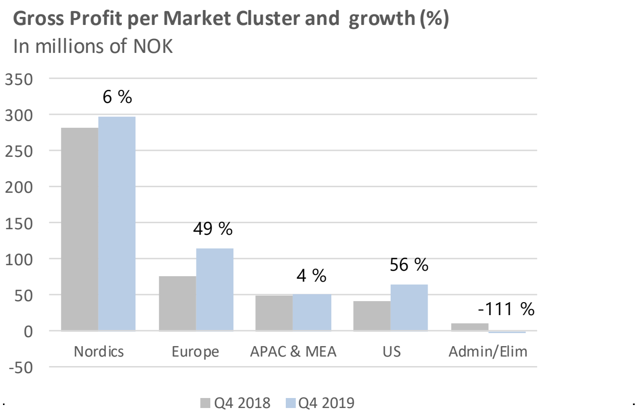
All market clusters (See Note 4 for additional information) had positive gross profit growth in Q4 2019 compared to Q4 2018. Nordics is the largest market cluster and delivered a +5.5% gross profit growth. Europe and US market clusters both delivered strong gross profit YoY growth of +48.7% and +55.8% respectively, while APAC & MEA had a gross profit YoY development of +4.2%.

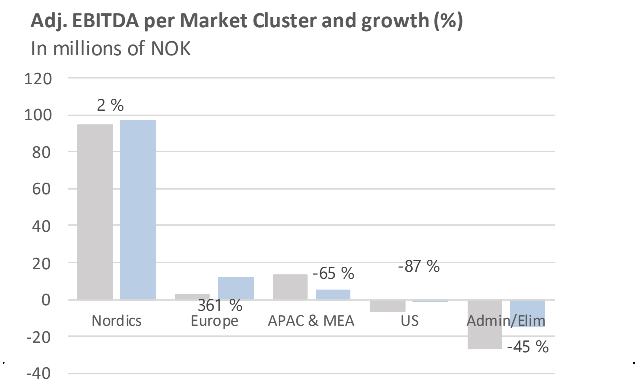
The Software & Cloud division overall had a growth of +8.7% YoY, composed of Software & Cloud Direct with +3.9% gross profit growth YoY and Software & Cloud Channel with +28.5% gross profit growth YoY. Within the Software & Cloud segment, gross profit in Europe grew with +56.8% YoY and the US Markets +88.8% YoY. Gross profit in the Nordics decreased with -4.7% YoY, and APAC & MEA decreased with -18.4%, as a consequence of a weak quarter in the Middle East. Within the Services segment, the overall gross profit growth was +29.0%, driven by Consulting with +31.9% YoY growth and Software & Cloud Economics ("SAM") of +25.2% YoY growth. Within the Services segment, Nordics grew by +16.1% YoY, while Europe, APAC & MEA and US grew by +44.2% YoY, +136.7% YoY and +47.8% YoY respectively.

Q4 2019 adjusted EBITDA was NOK 97.9m (NOK +20.2m YoY). Of this improvement, NOK 8.1m is driven by the implementation of IFRS 16, leaving the direct comparable YoY improvement at NOK +12.1m*. The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +2.2m YoY), Europe (NOK +9.4m YoY), APAC & MEA (NOK -8.5m YoY) and US (NOK +5.4 YoY). US is experiencing significant commercial momentum (gross profit +55.8% YoY), and Q4 2019 has a positive YoY development in adjusted EBITDA, which demonstrates the potential in the US market. In the business area segment, the adjusted EBITDA improvement was driven by Software & Cloud Direct (NOK +8.4m YoY), Software & Cloud Channel (NOK -0.9 YoY), Software & Cloud Economics (NOK +5.3 YoY) and Consulting (NOK +12.7m YoY).



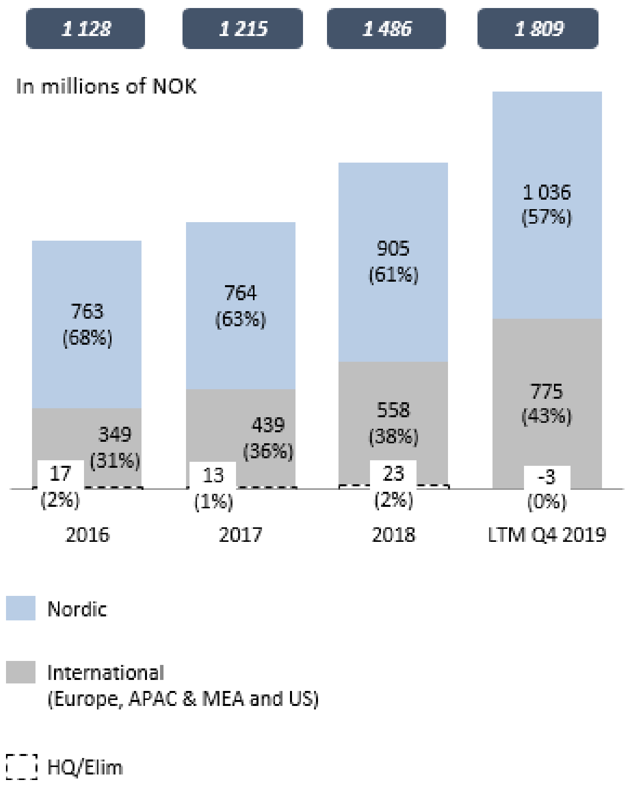






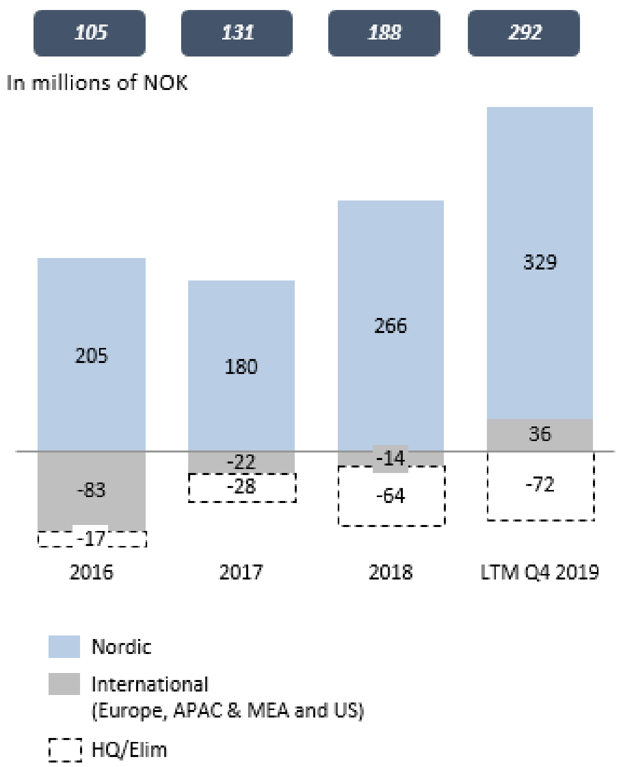
*The application of IFRS 16 at Adj. EBITDA is done per market cluster and as part of the Admin in the operating segment.

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.

Financial review

Items below the EBITDA line

Depreciation, amortisation and impairment increased NOK 68.7 m YoY. The increase of depreciation is driven by impairment of goodwill of NOK 59.4m, higher investments in recent periods into platforms and ERP systems, but also impact from IFRS 16 of NOK 7.0m. (see note 13 for further explanation).

Interest expenses are increased YoY with NOK 5.1m, where IFRS 16 impact is NOK 2.5m.

Net (loss) income before tax decreases YoY by NOK -73.8m to NOK -31.8m, mainly due to costs for sharebased compensation and impairment of the goodwill. Income tax expense for Q4 2019 is NOK 6.3m.

Net loss in the period was NOK -38.1m, a decrease from NOK -42.8m in Q4 2018.

(Loss) Earnings per share decreased from 0.08 per share in Q4 2018 to -0.41 per share in Q4 2019.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 13.9m in Q4 2019.

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

Balance sheet

As of 31.12.2019 Crayon had assets of NOK 4 179m (2018: NOK 3 435m) which is primarily composed of accounts receivables NOK 2 554m (2018: NOK 1 876m), goodwill NOK 829m (2018: NOK 840m) and Cash & cash equivalents NOK 239m (2018: NOK 379m). Total liabilities as of 31.12.2019 is NOK 4 179m (2018: NOK 3 435m), consisting primarily of accounts payables NOK 2 361m (2018: NOK 1 787m) and a bond loan NOK 293m (2018: NOK 447m). There was a refinancing done in November 2019, where CRAYON02 was replaced with CRAYON03. Please see note 11 for further information.

Trade working capital increased YoY with NOK 109m, compared to the 54.3% YoY revenue growth.

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

There is no specific concentration of credit risk with respect to trade receivables, except from the APAC & MEA region. The Group has a large number of customers spread across several countries and industries. Accounts receivables increased from last quarter related to the cyclability of the business. The provision for bad debt increased compared to Q4 2018. This is mainly due to specific provisions, and as a consequence the provision for bad debt according to IFRS 9 is increased. However, we do not see any material change in the overall risk assessment related to accounts receivables that diverges from previous quarters.

In 2018 Crayon finalized a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of 31.12.2019 factoring is improving our Accounts receivables of NOK 145m (2018: NOK 100).

Leverage

Net interest-bearing debt as end of December 2019 was NOK 130.2m with a net cash position of NOK 238.8m (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 40.5m drawdown on the RCF as of the end of Q4 2019. From a seasonality perspective, end of December represents a quarter with higher cash flow and thus higher liquidity, as Software sales in Q1 and Q3 are typically lower than Q2 and Q4. 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 2019 had positive cash flow from operations. Cash flow from operations in Q4 2019 was NOK 394.6m, compared with NOK 353.3m in Q4 2018. Implementation of IFRS 16 has a positive impact on cash flow from operations of NOK 8.1m, and a corresponding negative impact on cash flow from financing activities of NOK 8.1m.

The net cash position as of 31 December 2019 was NOK 238.8m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 379.3m as of 31 December 2018.

The liquidity position of the group remains strong, with a total liquidity reserve as of December 31, 2019 of NOK 466.6m, compared to NOK 515.7m as of December 31, 2018. 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 Q4 2019 was 1 354, compared to an average during Q4 2018 of 1 128. This represents a YoY increase of 226 employees /+20.1%. The Software & Cloud business division had a total increase in average employees of 56 YoY, representing a 15.6% increase. The average number of employees in the Services business division increased YoY by 101 employees [2], whilst other employees increased by 56 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 20.5m.

[2] Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Comprehensive Income

(In thousands of NOK)	Note	Quarter ended 31-Dec Un-audited 2019	Quarter ended 31-Dec Un-audited 2018	Year to date ended 31-Dec Un-audited 2019	Year to date ended 31-Dec Audited 2018
Operating revenue	4	4 228 159	2 739 567	13 696 898	9 047 526
Cost of sales		3 701 579	2 280 568	11 888 187	7 561 419
Gross profit		**526 580**	**458 999**	**1 808 711**	**1 486 108**
Payroll and related cost		349 593	326 856	1 292 875	1 105 772
Other operating expenses		79 106	54 450	223 594	192 194
Share based compensation		13 288	936	19 813	3 261
Other income and expenses		609	615	22 503	7 825
EBITDA		**83 984**	**76 141**	**249 926**	**177 055**
Depreciation and amortisation [1]	6,13	30 176	20 861	113 491	76 479
Impairment	10	59 378	-	59 378	-
Operating (loss)/profit/EBIT		**(5 571)**	**55 280**	**77 057**	**100 576**
Interest expense	13	15 350	10 205	59 810	44 077
Other financial expense, net	7	10 890	3 046	7 658	2 727
Net (loss) income before tax		**(31 810)**	**42 029**	**9 589**	**53 773**
Income tax expense on ordinary result		6 300	37 339	28 878	42 773
Net (loss) income		**(38 110)**	**4 690**	**(19 289)**	**11 000**
Allocation of net (loss) income					
Non-controlling interests		(6 809)	(1 667)	(7 054)	(4 364)
Owners of Crayon Group Holding ASA		(31 301)	6 357	(12 235)	15 364
Total net (loss) income allocated		**(38 110)**	**4 690**	**(19 289)**	**11 000**
(Loss) Earnings per share (NOK per share)		(0,41)	0,08	(0,16)	0,20
Comprehensive (loss) income					
Currency translation, net of tax		(8 811)	20 994	8 859	6 953
Total comprehensive (loss) income		**(46 921)**	**25 684**	**(10 430)**	**17 953**
Allocation of Total comprehensive (loss) income					
Non-controlling interests		(6 610)	(5 284)	(7 021)	(6 832)
Owners of Crayon Group Holding ASA		(40 311)	30 968	(3 409)	24 785
Total comprehensive (loss) income allocated		**(46 921)**	**25 684**	**(10 430)**	**17 953**

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

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

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	31-Dec Un-audited 2019	 Audited 2018
ASSETS			
Non-current assets:			
Development Costs	9	86 552	77 556
Technology and software	9	26 797	33 601
Contracts	9	69 810	66 109
Software licenses (IP)	9	1 000	1 000
Goodwill	10	829 341	840 301
Deferred tax asset		23 195	29 417
Total intangible assets		**1 036 695**	**1 047 983**
Tangible assets			
Equipment	14	35 415	24 729
Right of use assets	13	118 291	-
Total tangible assets		**153 706**	**24 729**
Other long-term receivables		25 617	22 658
Total financial assets		**25 617**	**22 658**
Total non-current assets		**1 216 018**	**1 095 370**
Current assets:			
Inventory		13 968	8 625
Total inventory		**13 968**	**8 625**
Accounts receivable		2 553 506	1 875 963
Other receivables	14	156 327	75 998
Total receivable		**2 709 832**	**1 951 961**
Cash & cash equivalents	11	238 817	379 282
Total current assets		**2 962 617**	**2 339 867**
Total assets		**4 178 636**	**3 435 237**

		31-Dec	
		Un-audited	Audited
(In thousands of NOK)	Note	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Share capital		76 624	75 394
Own shares		(10)	(35)
Share premium		622 150	588 051
Sum paid-in equity		**698 764**	**663 410**
Retained Earnings			
Other Equity		(98 947)	(72 520)
Total retained earnings		**(98 947)**	**(72 520)**
Total equity attributable to parent company shareholders		**599 816**	**590 890**
Non-controlling interests		(14 403)	(4 581)
Total shareholders' equity		**585 413**	**586 309**
Long-term liabilities:			
Bond loan	11	293 188	446 558
Derivative financial liabilities		114	3 260
Deferred tax liabilities		29 703	30 336
Lease liabilities	13	95 517	-
Other long-term liabilities		41 958	24 982
Total long-term liabilities		**460 480**	**505 136**
Current liabilities:			
Accounts payable		2 361 188	1 787 346
Income taxes payable		24 405	20 311
Public duties		235 188	209 594
Current lease liabilities	13	26 142	-
Other short-term interest bearing debt	11	45 088	39 992
Other current liabilities		440 730	286 549
Total current liabilities		**3 132 742**	**2 343 793**
Total liabilities		**3 593 223**	**2 848 929**
Total equity and liabilities		**4 178 636**	**3 435 237**

Condensed Consolidated Statement of Cash Flows

	Quarter ended 31-Dec		Year to date ended 31-Dec	
	Un-audited	Un-audited	Un-audited	Audited
(In thousands of NOK)	2019	2018	2019	2018
Cash flows from operating activities:				
Net (loss) income before tax	(31 810)	42 029	9 589	53 773
Taxes paid	(16 319)	(6 714)	(30 495)	(23 625)
Depreciation, amortisation and impairment[1]	89 554	20 861	172 869	76 479
Net interest expense [1]	12 883	7 839	48 122	35 213
Changes in inventory, accounts receivable/payable	207 239	75 236	(109 044)	(130 084)
Changes in other current accounts	133 090	214 075	99 937	102 990
Net cash flow from operating activities	**394 638**	**353 326**	**190 977**	**114 746**
Cash flows from investing activities:				
Payment for capitalised assets	(30 067)	(15 475)	(76 336)	(62 199)
Acquisition of subsidiaries - net of cash acquired	(900)	178	(8 852)	(7 311)
Net cash flow from investing activities	**(30 967)**	**(15 298)**	**(85 188)**	**(69 510)**
Cash flow from financing activities:				
Net interest paid to credit institutions and interest to bond loan	(27 034)	(9 069)	(55 561)	(40 709)
New equity	34 966	-	34 966	-
Acquistion of non-controlling interests	90	-	(31 547)	-
Proceeds from issuance of interest bearing debt[1]	300 000	-	300 000	-
Repayment of interest bearing debt [1]	(464 883)	-	(488 848)	-
Other Financial items	(5 543)	(3 582)	(2 706)	616
Net cash flow from financing activities	**(162 404)**	**(12 651)**	**(243 696)**	**(40 093)**
Net increase (decrease) in cash and cash equivalents	**201 268**	**325 377**	**(137 906)**	**5 143**
Cash and cash equivalents at beginning of period	40 119	33 855	379 282	368 442
Currency translation	(2 570)	20 049	(2 559)	5 697
Cash and cash equivalents at end of period	**238 817**	**379 282**	**238 817**	**379 282**

[1] Impact of IFRS 16, see note 13

The bond was refinanced in November 2019. New Bond, CRAYON03 is at MNOK 300, and CRAYON02 was repaid on the basis of MNOK 450.

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

31. desember 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 (loss) income	-	-	-	15 364	(4 364)	11 000
Acquisitions & divestments	-	-	-	5 357	(5 152)	205
Currency translation	-	-	-	9 421	(2 468)	6 953
Balance as of end of period	**75 394**	**(35)**	**588 051**	**(72 520)**	**(4 581)**	**586 309**

31. desember 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**	**(72 520)**	**(4 581)**	**586 309**
Adjustment [1]	-	-	-	(3 891)	-	(3 891)
Share repurchase (net)	-	25	363	-	-	388
Net (loss) income	-	-	-	(12 235)	(7 054)	(19 289)
Share issues	1 230	-	33 736	-	-	34 966
Share based compensation				10 763	384	11 147
Acquisitions & divestments	-	-	-	(26 289)	(5 629)	(31 918)
Currency translation	-	-	-	5 225	2 478	7 703
Balance as of end of period	**76 624**	**(10)**	**622 150**	**(98 947)**	**(14 402)**	**585 413**

[1] Mainly adjustment to opening balance

Notes

Note 1 Corporate information

The Board of Directors approved the condensed interim financial statements for the twelve months ended 31 December 2019 for publication on February 11, 2020. 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 1,350 employees in 50 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 judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2018.

Assessment of effects of implementation of IFRS 16, Leases (note 13), which was implemented in the Group with effect from 1 January 2019 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 that have been published, but not effective as of December 31, 2019, 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 & Cloud (Software & Cloud Direct and Software & Cloud Channel), Services (Software & Cloud Economics and Consulting) and Admin/Eliminations (Admin & Shared services and Eliminations). (Further information is found in note 2 in the Annual report for 2018). During Q4 2019 the names of the operating segments have changed, with the purpose of describing what Crayon do within the different operational segments.The former names are added in brackets below. Numbers in this note are reclassified to be comparable.

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

- **Software & Cloud Direct** (former *Sofware Direct*) is Crayon's licence offering from software vendors (e.g Microsoft, Adobe, Symantec, Citrix, Vmware, Oracle, IBM and others). The emphasis is towards standard software, which customers consistently use year after year, and which plays a key role in their technological platforms and critical commercial processes.
- **Software & Cloud Channel** (former *Software Indirect*) is Crayon's offering towards hosters, system integrators and ISVs, which includes licence advisory/optimization, software licence sales and access to Crayons proprietary tools and IP.
- **Software & Cloud Economics** (former *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 in the different geographical areas. Until Q4 2019 Crayon defined market clusters based on maturity. The Nordics is composed of Norway, Sweden, Denmark, Finland, Iceland and Ice Distribution. Europe is composed of Austria, Switzerland, Germany, Netherlands, Spain, France, Portugal, UK, Bulgaria, Macedonia, Serbia, Russia, Czech and Poland. APAC & MEA is composed of India, Malaysia, Philippines, Singapore, Middle East, Sri Lanka, Mauritius, Australia and South Africa. US represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. HQ & Eliminations includes corporate admin costs (excluding other income and expenses), unallocated global shared cost and eliminations.

Year to date ended December 31, 2019	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software & Cloud	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	5 535 833	723 030	3 618	6 262 481
- Europe	2 910 982	138 970	2 613	3 052 565
- APAC & MEA	2 884 659	60 039	6 400	2 951 098
- US	1 746 896	172 733	1 387	1 921 016
- HQ	225	402	58 935	59 562
- Eliminations	0	0	-234 487	-234 487
- Adjustments [1]	0	0	-315 336	-315 336
Total Operating Revenue	**13 078 594**	**1 095 174**	**-476 870**	**13 696 898**

Year to date ended December 31, 2018	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software & Cloud	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	4 498 299	616 015	6 958	5 121 272
- Europe	1 717 151	107 133	6 510	1 830 794
- APAC & MEA	1 751 148	26 354	3 690	1 781 192
- US	553 643	133 678	1 474	688 795
- HQ	-1 521	0	92 197	90 676
- Eliminations	0	0	-256 880	-256 880
- Adjustments [1]	0	0	-208 322	-208 322
Total Operating Revenue	**8 518 719**	**883 179**	**-354 373**	**9 047 526**

Year to date ended December 31, 2019	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software & Cloud	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	478 353	555 003	3 067	1 036 423
- Europe	231 333	121 589	1 922	354 844
- APAC & MEA	152 561	40 379	4 720	197 660
- US	68 433	152 465	1 387	222 286
- HQ	-2 205	100	57 001	54 896
- Eliminations	0	0	-57 397	-57 397
Total Gross Profit	**928 475**	**869 536**	**10 700**	**1 808 711**

Year to date ended December 31, 2018	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software & Cloud	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	436 401	464 340	4 328	905 069
- Europe	171 472	93 545	5 341	270 358
- APAC & MEA	109 166	21 279	2 034	132 479
- US	36 272	117 257	1 474	155 003
- HQ	-2 156	-37	75 063	72 869
- Eliminations	0	0	-49 671	-49 671
Total Gross Profit	**751 156**	**696 383**	**38 569**	**1 486 108**

(In thousands of NOK)	Quarter ended 31-Dec		Year to date ended 31-Dec	
Operating Revenue per Operating Segment	2019	2018	2019	2018
- Software & Cloud Direct	2 761 607	1 878 866	9 181 558	6 096 690
- Software & Cloud Channel	1 250 273	683 869	3 897 036	2 422 029
Total Revenue - Software & Cloud	4 011 880	2 562 735	13 078 594	8 518 719
- Software & Cloud Economics	140 859	107 244	437 362	354 724
- Consulting	198 041	159 050	657 812	528 456
Total Revenue - Services	338 900	266 294	1 095 174	883 179
Admin & shared services	17 305	30 540	72 953	110 829
Eliminations	-34 886	-61 422	-234 487	-256 880
Adjustments [1]	-105 040	-58 582	-315 336	-208 322
Total Operating Revenue	**4 228 158**	**2 739 566**	**13 696 898**	**9 047 526**

(In thousands of NOK)	Quarter ended 31-Dec		Year to date ended 31-Dec	
Gross Profit per Operating Segment	2019	2018	2019	2018
- Software & Cloud Direct	201 125	193 532	707 469	584 443
- Software & Cloud Channel	60 410	47 023	221 006	166 713
Total Gross profit - Software & Cloud	261 535	240 556	928 475	751 156
- Software & Cloud Economics	109 996	87 828	362 574	309 456
- Consulting	152 378	115 546	506 962	386 927
Total Gross profit - Services	262 375	203 374	869 536	696 383
Admin & shared services	16 058	27 225	68 097	88 240
Eliminations	-13 388	-12 156	-57 397	-49 671
Total Gross Profit	**526 580**	**458 999**	**1 808 711**	**1 486 108**

(In thousands of NOK)	Quarter ended 31-Dec		Year to date ended 31-Dec	
Adjusted EBITDA per Operating Segment	2019	2018	2019	2018
- Software & Cloud Direct	102 303	93 871	344 343	246 875
- Software & Cloud Channel	18 556	19 423	79 813	66 382
Total Adjusted EBITDA - Software & Cloud	120 858	113 294	424 155	313 257
- Software & Cloud Economics	13 846	8 527	19 844	20 390
- Consulting	30 670	17 954	92 053	51 658
Total Adjusted EBITDA - Services	44 516	26 481	111 897	72 048
Admin & shared services [2]	-67 493	-62 082	-243 810	-197 165
Eliminations	0	0	0	0
Total Adjusted EBITDA	**97 881**	**77 693**	**292 242**	**188 140**

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-Dec		Year to date ended 31-Dec	
Operating Revenue per Market Cluster	2019	2018	2019	2018
- Nordics	2 008 861	1 691 806	6 262 481	5 121 272
- Europe	889 297	407 506	3 052 565	1 830 794
- APAC & MEA	800 644	548 900	2 951 098	1 781 192
- US	658 946	188 206	1 921 016	688 795
- HQ	10 336	23 152	59 562	90 676
- Eliminations	-34 886	-61 422	-234 487	-256 880
- Adjustments [1]	-105 040	-58 582	-315 336	-208 322
Total Operating Revenue	**4 228 158**	**2 739 566**	**13 696 898**	**9 047 526**

(In thousands of NOK)	Quarter ended 31-Dec		Year to date ended 31-Dec	
Gross Profit per Market Cluster	2019	2018	2019	2018
- Nordics	297 939	282 310	1 036 423	905 069
- Europe	114 189	76 777	354 844	270 358
- APAC & MEA	50 389	48 345	197 660	132 479
- US	65 156	41 815	222 286	155 003
- HQ	12 294	21 907	54 896	72 869
- Eliminations	-13 388	-12 156	-57 397	-49 671
Total Gross Profit	**526 580**	**458 999**	**1 808 711**	**1 486 108**

(In thousands of NOK)	Quarter ended 31-Dec		Year to date ended 31-Dec	
Adjusted EBITDA per Market Cluster	2019	2018	2019	2018
- Nordics	96 670	94 493	328 689	266 097
- Europe	11 948	2 593	34 138	2 881
- APAC & MEA	4 633	13 164	10 524	4 346
- US	-775	-6 171	-9 087	-21 316
- HQ	-14 596	-26 387	-72 023	-63 867
- Eliminations	0	0	0	0
Total Adjusted EBITDA	**97 881**	**77 692**	**292 242**	**188 141**

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:
1.92 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 3.1 m (including accrued social security tax) has been charged as an expense in the profit and loss statement in Q4 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, out of the 1.92 million options, the board of directors and management were allotted 0.4 million and 0.7 million share options, respectively.

Employee share purchase program (ESPP)
In connection with the share incentive program, all employees in the Company and its subsidiaries in which an offer could be lawfully made, have been offered to participate in an employee share purchase program (ESPP). On 23 December 2019, 1.23 million shares were allotted to employees at a subscription price of NOK 30 per share. The subscription price was equal to 3-month average share price at the start of the subscription period with a 20% discount. The employees have been offered to subscribe for amounts between NOK 10,000 to NOK 100,000 (all amounts including the 20% discount). In aggregate, 407 employees participated in the share incentive program. The new shares issued to the employees are subject to a lock-up period of 2 years in which the employees cannot sell, dispose of or otherwise transfer shares received under the program. Additional bonus shares will be granted to employees participating in the ESPP and remaining employed by Crayon by the end of the lock-up period. One bonus share will then be granted for every third share subscribed for under the program. The bonus shares vest over two years. The fair value of the shares was calculated at the grant date. A cost of NOK 11.2 m (including accrued social security) has been charged as an expense in the profit and loss statement in Q4 2019. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the subscription price (NOK 30), the term of the lock-up (2 years), the impact of dilution (where material), the share price at the grant date (NOK 52), expected price volatility of the underlying share and risk-free interest. The expected volatility is based on historical volatility for listed Crayon shares from 8 November 2017 up until the grant date. Risk free interest is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding mandatory notifications of trade on 23 December 2019, see www.newsweb.no. In total, the board of directors and management were allotted 78.3 thousand and 115 thousand shares, respectively.

Note 6 Depreciation, amortisation and impairment

Depreciation and amortisation consists of the following:

	Quarter ended 31-Dec		Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018	2019	2018
Depreciation	10 985	3 461	40 624	11 581
Amortisation of intangibles	19 191	17 400	72 866	64 897
Impairment	59 378	0	59 378	0
Total	**89 554**	**20 861**	**172 869**	**76 479**

See note 9 for breakdown of intangible assets, and note 10 for Impairment of goodwill. See note 13 regarding impact of IFRS 16.

Note 7 Other financial income and expenses

Other financial income and expenses, consists of the following:

	Quarter ended 31-Dec		Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018	2019	2018
Interest income	2 466	2 367	11 688	8 864
Other financial income	53 647	34 153	175 673	104 525
Other financial expenses	-67 003	-39 566	-195 019	-116 116
Other total financial income / (Expense)	**-10 890**	**-3 046**	**-7 658**	**-2 727**

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

Note 8 Seasonality of operations

The groups result of operations and cash flows has 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 (In thousands of NOK)	**Software licenses (IP)**	**Development costs**	**Contracts**	**Technology and software**	**Total**
Aquisition cost 01.01	7 421	207 847	362 511	66 549	644 328
Additions	-	54 222	22 700	-	76 922
FX translation	-	200	586	1051	1837
Aquisitition cost at the end of the period	**7 421**	**262 269**	**385 797**	**67 600**	**723 087**
Amortisation and impairment 01.01	6 421	130 292	296 402	32 948	466 063
Amortisation	-	45 426	19 585	7 855	72 866
Impairment	-		-	-	0
Accumulated amortisation and impairment	**6 421**	**175 718**	**315 987**	**40 803**	**538 929**
Net value at the end of the period	**1 000**	**86 551**	**69 810**	**26 797**	**184 158**
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 & Cloud Economics (previous 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, Again and Sequint 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	41 689
Currency translation	6 729
Aquisition cost at the end of the period	**938 858**
Impairment at 01.01	50 139
Impairment during the period	59 378
Accumulated Impairment at the end of the period	**109 517**
Net book value at the end of the period	**829 341**

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. Goodwill impairment of NOK 59.4 m in Q4 2019 relate to Crayon UK Ltd, and the goodwill allocated from the acquisition of FAST in 2013. The impairment is in the operating segment Software & Cloud Economics.

The impairment assessment is built on a discounted cashflow model (DCF), with the model assumptions relating to WACC and CAGR.

WACC

Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). For 2019, pre-tax WACC used is 12.23% (2018: 10.11%). As a general principle, the Group pretax WACC is used for most CGUs in the model applying the US interest rate. However, when there are material differences in the local market where the CGU operates (e.g. the interest risk, or the general market conditions), the WACC is adjusted accordingly.

Note 11 Debt

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

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

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

In light of the refinancing mentioned above, the group also increased its revolving credit facility from NOK 200m to NOK 50m inNovember 2019.

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 ~ 7 m) related to the bond issue which was settled on November 22nd 2019 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 300m nominal value at maturity in Q4 2022.

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.

	Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018
Long Term Interest bearing Debt	303 395	452 798
Other short-term interest bearing debt	45 088	39 992
Cash & cash equivalents	-238 817	-379 282
Restricted cash	20 522	17 358
Net interest bearing debt	**130 188**	**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 118.3m in right-of-use assets and NOK 121.7m 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.

Accounting 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
Additions	36 412
Depreciation	-26 444
Right of use asset 31.12.2019	**118 291**
Lower of remaning lease term or economic life	0-12 years
Depreciation method	Linear
Total lease liabilities:	
Current lease liabilities <1 year	26 142
Non-current lease liability >1 year	95 517
Total lease liabilities 31.12.2019	**121 659**

IFRS 16 effects on the income statement 2019	Quarter ended 31-Dec	Year to date ended 31-Dec
	2019	2019
Operating expenses	8 061	32 026
Depreciation	-6 984	-26 444
Net interest to credit institutions	-2 456	-8 945
Effect on profit before income tax in the period	**-1 379**	**-3 363**

Note 14 Adjustment and reclassification

Two adjustments have been made to the reported quarterly financial information for 2018:

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

2). 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.

	As reported Q4 2018	Q4 2018	Change
Equipment	24 978	24 729	-249
Accounts receivable	2 061 931	1 875 963	-185 968
Other receivables	100 460	75 998	-24 462
Total assets	**2 187 369**	**1 976 689**	**-210 680**
Accounts payable	1 995 466	1 787 346	-208 120
Other current liabilities	289 109	286 549	-2 560
Total liabilities	**2 284 575**	**2 073 895**	**-210 680**

	As reported Q4 2018	Q4 2018	Change
Operating revenue	2 865 478	2 739 567	-125 911
Cost of sales	2 405 658	2 280 568	-125 090
Gross profit	**459 820**	**458 999**	**-821**
Opex	383 679	382 858	-821
EBITDA	**76 141**	**76 141**	**-**

Note 15 Events after the balance sheet

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.

Note 16 **Related party transaction**

Iotplan AS

On 9 September 2019 Crayon Group announced the acquisition of 100% of the shares in Iotplan AS (previous Intelzone AS), and by that expanding into IoT market. Crayon acquired 100% of shares in Iotplan AS at a value of NOK 0.4m, which is equivalent to the invested share capital in the company. At the time of acquisition total equity was NOK -0.4m. For the FY 2018, Iotplan AS posted revenues of approximately NOK 0.7m and an EBITDA of NOK -1m. Iotplan AS is a related party acquisition. Size of transaction is assessed and deemed to an immaterial transaction wih regards to The Company Act 3-8.

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.

	Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018
EBITDA	249 926	177 055
Share based compensation and Other Income and Expenses	42 316	11 086
Adjusted EBITDA	**292 242**	**188 141**

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

	Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018
Business development expenses and legal structuring	22 112	961
IPO Cost 2017 (Project Elevate)	481	310
Share based compensation	19 723	3 261
Extraordinary personell costs	-	6 554
Other income and expenses	**42 316**	**11 086**

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

	Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018
Inventory	13 968	8 625
Accounts receivable	2 553 506	1 875 963
Other receivables	156 327	75 998
Income taxes payable	-24 405	-20 311
Accounts payable	-2 361 188	-1 787 346
Public duties	-235 188	-209 594
Other current liabilities	-440 730	-286 549
Net working capital	**-337 712**	**-343 216**

Free available cash: Cash and cash equivalents less restricted cash.
Liquidity reserve: Freely available cash and credit facilities.

	Year to date ended 31-Dec	
(In thousands of NOK)	2019	2018
Cash & cash equivalents	238 817	379 282
Restricted cash	-20 522	-17 358
Free available cash	218 295	361 923
Available credit facility	248 352	153 785
Liquidity reserve	**466 646**	**515 708**

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