CRAYON GROUP HOLDING AS

FINANCIAL REPORT
Q4 2015

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Management commentary – Q4 2015

Crayon continues to invest in geographic expansion centred on Software Asset Management (SAM) and cloud first, providing its customers and key strategic vendors global reach with local execution concentrated around value adding products and services. Unlike many other traditional licensing players, around 60% of Crayon's customer facing representatives are SAM and technical specialist, making Crayon a natural go to partner and trusted advisor for many clients.

On the geographical dimension, Crayon entered US, Switzerland and the Philippines during 2015 while ramping up newly established markets such as Spain, Portugal and Austria. Crayon has also invested significantly in new SAM and cloud capabilities, both organically and through acquisitions. In Q4 2015 alone, Crayon increased its global pool of SAM and technical specialist with around 5% organically. Further, the recent strategic investment taken in Oslo based Puzzelpart - a leading Office 365 and SharePoint experts, and Copenhagen based Infrahouse - a leading infrastructure and cloud consulting company in Denmark, solidifies the company's cloud positioning.

Crayon is also investing in intellectual property (IP) adding additional value and bespoke services to its customers. Q4 2015 marked another milestone for the company, with the launch of the "CloudIQ" portal and "Elevate" SAM tool. CloudIQ is Crayon's scalable cloud provisioning platform, offering best in class self-provisioning, billing and reporting capabilities targeted towards hosters, system integrators and independent service vendors (ISVs). The Elevate SAM tool will revolutionize license optimization by making licensing expertize more available, and support companies to minimize risk and reduce software spend.

Crayons' investments in new markets, capabilities and service offerings centered on SAM and cloud, makes Crayon one of the global leaders in driving the cloud agenda for many of the major global vendors. Over the last six months, Crayon has managed to grow Microsoft sales 37% YoY (currency adjusted) in addition to having a cloud mix of Microsoft products of almost 40%. This makes Crayon one of the fastest growing global Licensing Solution Partners, and among the leading Microsoft cloud partners.

Amid the investments done and transition to the cloud, established Nordic markets represent a strong financial foundation for Crayon, with a full year 2015 EBITDA of MNOK 176.8[1] compared to FY 2014 EBITDA of MNOK 163.9[1]. After three years of operations in France, a financial milestone was achieved as the entity delivered a positive full year EBITDA. This achievement is in line with the average profitability vintage curve Crayon has experienced in other markets, and signifies the future embedded EBITDA of the geographical investments done.

Financials

Crayon Group finished the year strongly, achieving a YoY revenue growth of 36% in the fourth quarter, resulting in an accumulated revenue growth for FY 2015 of 26% compared to the same period last year (LY). This was achieved by several major customer wins across all Crayon subsidiaries.

In line with the seasonal nature of the business, Q4 2015 was a strong financial quarter, with a gross profit of MNOK 324.0, representing a 31% growth compared to the same period last year. Full year 2015 gross profit was up 11% YoY from MNOK 826.3 in 2014 to MNOK 914.9 in FY 2015. The primary gross profit growth drivers were the newly established markets growing triple digit, but also the prioritized growth markets (France, Germany, UK and Middle East) demonstrated a solid 25% YoY gross profit in FY 2015.

Q4 2015 EBITDA[2] of MNOK 54.3 was in line with Q4 2014. Hence, full year 2015 EBITDA amounted to MNOK 113.8[2] which is MNOK 28.1 below full year 2014. As mentioned in the Q3 2015 earnings release, there are two principal drivers for the decreased profitability compared to last year: 1) The ongoing industry transition from capex to opex based licensing programs (i.e., cloud transition), and 2) continued investments in the Group's market expansion across geographies, skillset and service areas, in addition to related start-up costs of new countries.

1) The cloud transition affects the distribution of profits in the short term as profits are spread out in time, thus influencing both gross profit and EBITDA adversely. Full year 2015 gross profit for business area licensing was MNOK 345.4, which represents a YoY growth of 6%. The Group experienced strong positive growth from new countries within licensing, while established licensing markets in the Nordics had a negative growth of 2% (or MNOK -6.3) FY2015, signifying the ongoing transition

2)The key investments in geographical growth, resulting in a negative YoY EBITDA performance for the Group were:

a)Prioritized growth markets (Germany, France, UK and Middle East) excl. France generated a full year 2015 EBITDA of MNOK 18.6[1] less than FY 2014, mainly driven by investments in organizational ramp up and increased market reach.

b)Newly established markets last 24 months (e.g. Austria, Netherlands, India, Malaysia and Singapore) contributing with a negative 2015 EBITDA of MNOK 5.6[1] vs. FY 2014.

c) Newly established markets last 12 months (e.g. Spain, Portugal, US and Philippines) contributing with a negative 2015 EBITDA of MNOK 14.4[1] vs. FY 2014.

d) Increased investments in strategic Group personnel to develop and roll out new capabilities and service offerings incl. IP, e.g. "Cloud IQ", contributing with a negative 2015 EBITDA of MNOK 21.9[1] vs. FY 2014.

The net cash position as of 31 December 2015 was MNOK 236.3, compared to MNOK 296.9 at the beginning of the year (MNOK -60.6) and MNOK 122.4 as of end Q3 2015 (MNOK +113.9). The negative cash flow of MNOK 60.6 in FY2015 vs FY2014 is mainly driven by higher investments, M&A activity, build-up of trade working capital due to cloud transition and increased service revenue, in addition to a weaker overall financial result.

Business areas - Review

For the full year 2015, XSP (Crayon's offering towards hosters, system integrators and ISVs) was the fastest growing Business Area (BA) with a gross profit growth of 57% YoY, followed by SAM with a 29% YoY growth. Consulting experienced gross profit growth of -6% YoY, which is due to weak performance within Solution consulting. Solution consulting was impacted by a slow start of the year in addition to unwinding of Solution consulting in Sweden and divestment of CRM Insight in Norway (both were part of 2014 figure), which in total has resulted in a negative YoY gross profit growth of 12%. Nevertheless, the underlying trend for Solution consulting has been positive throughout the year and H2 2015 demonstrated a YoY gross profit improvement of 8 percentage points compared YoY gross profit in H1 2015. Cloud consulting has experienced a positive gross profit growth of 3% YoY, where gross profit per headcount growth is up with 7% YoY.

1 Un-eliminated basis
2 Excluding non-recurring costs

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Crayon Group Holding AS
Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended 31 December, Un-audited 2015	Quarter ended 31 December, Un-audited 2014	Year to date ended 31 December, Un-audited 2015	Year to date ended 31 December, Un-audited 2014	Year ended 31 December, Audited 2014
Operating revenue	2,5	1 543 382	1 136 473	4 687 943	3 731 813	3 731 813
Materials and supplies		1 219 419	888 318	3 773 034	2 905 529	2 905 529
Gross profit		**323 963**	**248 155**	**914 909**	**826 284**	**826 284**
Payroll and related cost		225 807	157 869	668 332	586 340	586 340
Other operating expenses		43 899	32 595	132 829	98 146	98 146
EBITDA	5	**54 257**	**57 691**	**113 748**	**141 798**	**141 798**
Exceptional items		4 186	1 012	16 283	3 958	3 958
Depreciation and amortization	6	54 668	18 998	109 383	70 393	70 393
Operating profit/EBIT		**(4 596)**	**37 680**	**(11 919)**	**67 446**	**67 446**
Interest expense		7 692	21 306	62 796	64 628	64 628
Other financial expense, net	7	29 755	(15 877)	39 273	(8 353)	(8 353)
Ordinary result before tax		**17 467**	**498**	**(35 441)**	**(5 534)**	**(5 534)**
Income tax expense on ordinary result		14 355	11 784	(10 045)	4 882	4 882
Net income		**3 112**	**(11 286)**	**(25 396)**	**(10 416)**	**(10 416)**
Comprehensive income		30 032	(580)	35 079	1 004	1 004
Total comprehensive income		**33 144**	**(11 866)**	**9 683**	**(9 412)**	**(9 412)**
Allocation of comprehensive income						
Owners of Crayon Group Holding AS		33 982	(7 303)	18 087	(4 983)	(4 983)
Minority interest		(838)	(4 563)	(8 404)	(4 429)	(4 429)
Total comprehensive income allocated		**33 144**	**(11 866)**	**9 683**	**(9 412)**	**(9 412)**

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Crayon Group Holding AS
Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	31 December Un-audited 2015	31 December Audited 2014		
ASSETS					
Current assets:					
Inventory		21 424	18 475		
Accounts receivable		962 359	651 019		
Other receivables		35 102	44 906		
Cash & cash equivalents		236 293	296 938		
Total current assets		**1 255 178**	**1 011 338**		
Non-current assets:					
Technology, software and R&D		98 655	35 749		
Contracts		158 723	178 096		
Software licenses		7 421	7 420		
Goodwill		871 262	745 585		
Deferred tax asset		-	-		
Property & equipment		19 691	23 106		
Investment in associates		0	538		
Other long-term receivables		3 535	2 815		
Total non-current assets		**1 159 288**	**993 308**		
Total assets		**2 414 466**	**2 004 647**		
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable		905 795	675 440		
Income taxes payable		(2 662)	5 474		
Public duties		180 776	149 803	-	-
Dividends		-	-		
Other current liabilities		191 024	142 920		
Total current liabilities		**1 274 933**	**973 637**		
Long-term liabilities:					
Long-term debt	3,4	679 956	663 243		
Deferred tax liabilities		42 901	43 413		
Other long-term liabilities		37 425	3 552		
Total long-term liabilities		**760 282**	**710 208**		
Shareholders' equity:					
Share capital		52 476	52 476		
Own shares		(43)	(216)		
Share premium		262 163	262 303		
Sum paid-in equity		314 595	314 563		
Funds		75 717	8 889		
Minority interest		(11 060)	(2 650)		
Total shareholders' equity		**379 252**	**320 801**		
Total liabilities and shareholders' equity		**2 414 466**	**2 004 647**		

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Crayon Group Holding AS
Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 31 December, Un-audited 2015	Quarter ended 31 December, Un-audited 2014	Year to date ended 31 December, Un-audited 2015	Year to date ended 31 December, Un-audited 2014	Year ended 31 December, Audited 2014
Cash flows provided by operating activities:					
Ordinary result before tax	17 467	498	(35 441)	(5 534)	(5 534)
Taxes paid	(7 019)	(4 654)	(21 436)	(14 575)	(14 575)
Depreciation and amortisation	54 668	18 998	109 383	70 393	70 393
Net interest to credit institutions	10 695	10 316	44 395	42 254	42 254
Changes in inventory, accounts receivable/payable	(14 035)	64 395	(97 118)	69 257	69 257
Changes in other current assets	78 320	87 479	45 725	2 036	2 036
Net cash flow from (used in) operating activities	**140 096**	**177 032**	**45 508**	**163 831**	**163 831**
Cash flows used in investing activities:					
Acquisition of assets	(16 257)	(9 699)	(34 639)	(19 153)	(19 153)
Acquisition of subsidiaries	(7 515)	(6 189)	(64 698)	(27 412)	(27 412)
Divestments	1 024	91	1 197	6 646	6 646
Repurchase of own shares	-	(14)	(115)	(89)	(89)
Net cash flow from (used in) investing activities	**(22 748)**	**(15 811)**	**(98 254)**	**(40 007)**	**(40 007)**
Cash flow used in financing activities:					
Net interest paid to credit institutions	(12 231)	(10 337)	(43 888)	(87 786)	(87 786)
New equity	-	-	-	-	-
Change in subsidiaries	4 515	-	19 298	(82)	(82)
Proceeds from issuance of interest bearing debt	-	-	-	650 000	650 000
Repayment of interest bearing debt	-	-	(607)	(624 442)	(624 442)
Change in other long-term debt	4 781	987	6 072	396	396
Net cash flow from (used in) financing activities	**(2 934)**	**(9 350)**	**(19 125)**	**(61 915)**	**(61 915)**
Net increase (decrease) in cash and cash equivalents	**114 413**	**151 871**	**(71 871)**	**61 909**	**61 909**
Cash and cash equivalents at beginning of period	122 372	133 340	296 938	225 329	225 329
Currency translation	(497)	11 727	11 221	9 700	9 700
Cash and cash equivalents at end of period	**236 288**	**296 938**	**236 288**	**296 938**	**296 938**

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Crayon Group Holding AS

Condensed Consolidated Statement of Changes in Shareholders' Equity

Year to date period ending
31 December,

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding AS: Share capital	Own shares	Share premium	Funds	Minority	Total equity
Balance at January 1, 2014	**52 476**	**(202)**	**262 378**	**7 477**	**4 924**	**327 053**
Net income	-	-	-	(5 988)	(4 429)	(10 416)
Currency translation	-	-	-	1 004		1 004
Other	-	(15)	(75)	21 598	(4 420)	17 089
Balance as of end of period	**52 476**	**(216)**	**262 303**	**24 092**	**(3 924)**	**334 730**

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding AS: Share capital	Own shares	Share premium	Funds	Minority	Total equity
Balance at January 1, 2015	**52 476**	**(216)**	**262 303**	**8 889**	**(2 650)**	**320 801**
Adjustment	-	162	(194)	48 546	-	48 514
Opening balance adj.	-	-	-	184	(6)	178
Share repurchase (net)	-	11	54	11	-	75
Net income	-	-	-	(17 929)	(7 467)	(25 396)
Currency translation	-	-	-	36 016	(937)	35 079
Other	-	0	(0)	(0)	0	(0)
Balance as of end of period	**52 476**	**(43)**	**262 163**	**75 717**	**(11 060)**	**379 252**

Notes to the Condensed Interim Consolidated Financial Statements - Period ended 31 December,2015

Note 1 - General

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated condensed interim financial statements have been prepared in accordance with International AccountingStandards ("IAS") No. 34 "Interim Financial Reporting". The interim financial information has not been subject to audit or review.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2014, with the exception of goodwill. According to IAS 21 47, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate. Other than the above mentioned, there are no changes in accounting policy effective from 1 January 2015 that have impact on the Group accounts.

Gross profit means operating income less direct cost, i.e. raw materials and supplies.
EBIT or "operating profit" means Operating Income less Total operating expenses. EBITDA, when used by the Company, means EBIT adjusted for exceptional items, impairment of non-current assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes it provides useful information regarding the Company's ability to service debt and to fund capital expenditures, and provides investors with a helpful measure for comparing its operating performance with that of other companies. Exceptional items is defined as extraordinary and non-recurring items in accordance with GAAP.

Note 2 - Seasonality

As with all licensing service providers, Crayon is heavily dependent upon successful sales during the final quarter of the year. Activity normally declines again at the beginning of the new year, before normally increasing again in the second quarter. However, usually the fourth quarter outweighs the second quarter, resulting in lower revenue for the first half year and increased revenue for the second half year.

Note 3 - Issue of new Bond

Crayon Group Holding AS issued in July 2014 a NOK 650 million Bond Issue (initial loan amount) with a potential tap issue of up to NOK 350m, with maturity in July 2017. The bond is to be repaid in full at the maturity date. Interest is set quarterly at NIBOR + 500bps. The proceeds from the initial loan amount was used for refinancing and for general corporate purposes. The proceeds from any tap issue shall be used for Permitted Acquisitions and for general corporate purposes of the Group. The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising 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. The bond is listed on the Oslo Stock Exchange. For further information about the Bond we refer to the Bond agreement.

Note 4 - Net interest-bearing debt

Net interest-bearing debt means long-term interest bearing debt less cash. Net interest-bearing debt is not adjusted for normalized working capital.

	As of 31 December,	
(In thousands of NOK)	2015	2014
Long-term interest debt	685 481	663 243
Cash and cash equivalents	236 293	296 938
Net interest bearing debt	**449 188**	**366 305**

Note 5 - Segment information

"Other" includes Corporate administration costs and unallocated Global Shared Cost. For segment reporting by operating segment, "Other" also includes intercompany transactions. Depreciation and amortization, Interest expense, Other financial expense (net), income tax expense and Other comprehensive income are not included in the measure of segment performance.

Licensing is Crayon's license offering from its partners (e.g. Microsoft, Adobe, Symantec, Citrix, VMware, Oracle, IBM and others). The emphasis is towards standard software which customers use consistently year after year, and which play a key role in their technological platforms and critical commercial processes. XSP is Crayon's service offering towards hosters which include license advisory/optimization, software license sale and access to Crayon's reporting portal. Software Asset Managment (SAM) services include process & tools for enabling clients to build in-house SAM capabilities, license spend optimization and support for clients in vendor audits.

Consulting services is related to deployment and application services. Crayon offers IT infrastructure services (planning and analysis support related to larger IT upgrade projects) and tailored software or application development.

Established markets is defined as markets where the Company has been operating for more than 24 months, while New markets is defined as markets where the Company has been operating for 24 months or less.

Gross profit by operating segment and country classification:

	Year to date ended 31 December,	
(In thousands of NOK)	2015	2014
Gross profit by operating segment:		
- Licensing	345 421	325 156
- XSP	94 222	59 862
- SAM	178 907	138 964
- Consulting	285 041	302 546
Gross profit from operations	**903 590**	**826 529**
- Other	11 318	(245)
Total gross profit	**914 909**	**826 284**

	Year to date ended 31 December,	
(In thousands of NOK)	2015	2014
Gross profit by country classification:		
- Established markets	854 748	822 407
- New markets	60 161	3 877
Gross profit from operations	**914 909**	**826 284**
- Other	0	0
Total gross profit	**914 909**	**826 284**

EBITDA by operating segment and country classification:

	Year to date ended 31 December,	
(In thousands of NOK)	2015	2014
EBITDA by operating segment:		
- Licensing	127 580	151 859
- XSP	53 027	34 164
- SAM	2 171	34 453
- Consulting	42 178	13 719
EBITDA from operations	**224 957**	**234 195**
- Other	(111 209)	(92 397)
Total EBITDA	**113 748**	**141 798**

	Year to date ended 31 December,	
(In thousands of NOK)	2015	2014
EBITDA by country classification:		
- Established markets	200 550	174 131
- New markets	(40 266)	(20 417)
EBITDA from operations	**160 284**	**153 713**
- Other	(46 537)	(11 915)
Total EBITDA	**113 748**	**141 798**

Note 6 -Depreciation and amortization

Depreciation and amortization consists of the following:

(In thousands of NOK)	Year to date ended 31 December, 2015	Year to date ended 31 December, 2014	Quarter ended 31 December, 2015	Quarter ended 31 December, 2014	Year ended 31 December, 2014
Depreciation	54 709	18 061	39 243	5 915	18 061
Amortization of intangibles	54 674	52 332	15 425	13 083	52 332
Total	**109 383**	**70 393**	**54 668**	**18 998**	**70 393**

Note 7 - Other financial expense, net

Other financial expense, net consists of the following:

(In thousands of NOK)	Year to date ended 31 December, 2015	Year to date ended 31 December, 2014	Quarter ended 31 December, 2015	Quarter ended 31 December, 2014	Year ended 31 December, 2014
Interest income	18 400	22 374	(3 002)	10 990	22 374
Other financial income	112 993	56 892	10 093	906	56 892
Other financial expenses	92 120	87 619	(22 665)	27 773	87 619
Total	**39 273**	**(8 353)**	**29 755**	**(15 877)**	**(8 353)**

*****END OF REPORT*****