Q3 2018

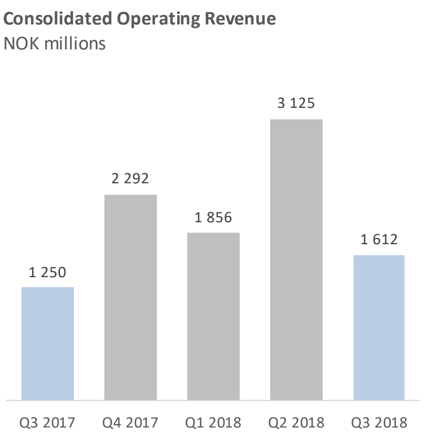
Crayon Group – Interim financial report

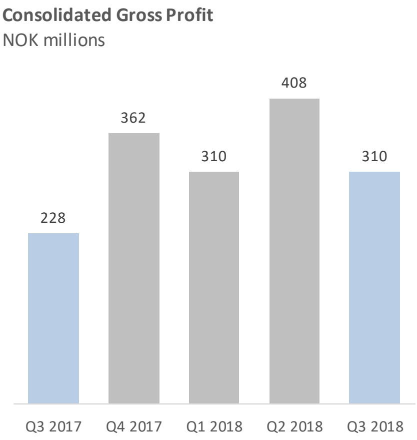
Content

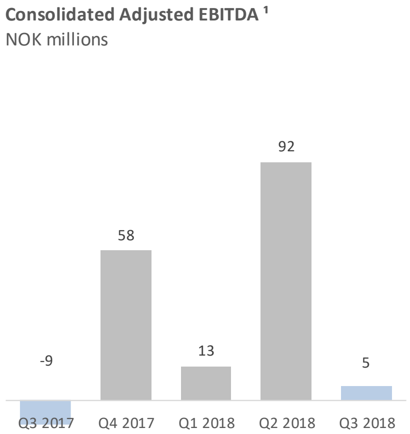
This document contains the un-audited consolidated quarterly financial statements and notes for Crayon Group Holding ASA. The below commentary should be read in conjunction with definitions and further disclosure as provided in the notes.

Highlights

- Strong commercial momentum across all business areas and market clusters. Q3 2018 gross profit grew by 36.1% compared to the same quarter last year (year-over-year, “YoY”), driven by strong growth in the Software Direct (NOK 30.5m/ +46.8% YoY) and Software Indirect (NOK 13.8m/ +45.3% YoY). From a market cluster perspective, the Nordics (NOK 36.7m/ +26.6% YoY) experienced increased market share and business momentum. Start-Ups had the biggest growth of NOK 15.0m/ 64.6% YoY.
- Continued positive adjusted EBITDA development delivering a NOK 14.7m improvement YoY, leading to last twelve months (“LTM”) adjusted EBITDA of NOK 168m. The major contributor to the YoY EBITDA improvement was the Nordics market cluster.







Key consolidated figures

(NOK in thousands, unless stated)	Q3 2018 Un-audited	Q3 2017 Un-audited	Year to date Q3 2018 Un-audited	Year to date Q3 2017 Un-audited	Full year 2017 Audited
Revenue	1 611 796	1 249 731	6 592 815	5 009 983	7 301 712
Gross profit	309 976	227 752	1 028 653	854 111	1 215 776
EBITDA	(752)	(20 051)	100 914	61 713	103 842
Adjusted EBITDA	5 348	(9 346)	110 449	72 892	130 600
EBIT	(20 203)	(36 229)	45 296	13 149	32 158
Net income	(30 687)	(52 240)	6 310	(56 523)	(50 734)
Cash flow from operations	(101 589)	(209 989)	(238 580)	(196 775)	152 859
Gross profit margin (%)	19,2 %	18,2 %	15,6 %	17,0 %	16,7 %
Adjusted EBITDA margin (%)	0,3 %	-0,7 %	1,7 %	1,5 %	1,8 %
Adjusted EBITDA / Gross profit margin (%)	1,7 %	-4,1 %	10,7 %	8,5 %	10,7 %
Earnings per share (Nok per share)	(0,34)	(0,92)	0,12	(1,00)	(0,59)
			30 September 2018	**30 September 2017**	**31 December 2017**
Liquidity reserve			148 577	(138 868)	548 770
Net working capital			(80 829)	(95 448)	(405 301)
Average headcount (number of employees)			1 102	980	977

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

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

Business review

Q3 2018 represents another quarter of continued gross profit and adjusted EBITDA growth for Crayon, demonstrating the value of the global footprint and the strong market position in Nordics. Q3 2018 YoY revenue growth was +29% while gross profit growth was +36%/ NOK 82m, leading to a total Q3 2018 gross profit of NOK 310m. Adjusted EBITDA in Q3 2018 was NOK 5.3m, an increase of NOK 14.7m compared with Q3 2017.

As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. Based on this underlying seasonality, Q3 represents solid commercial performance from Crayon.

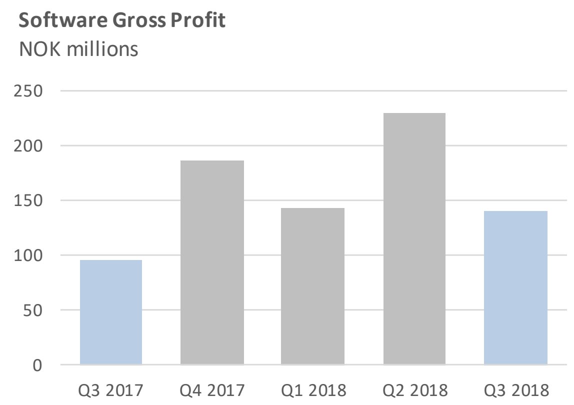
The Group regularly reports on operating segments and geographical market clusters. The market clusters are composed of operating countries with similar maturity from inception. See Note 4 for additional information.

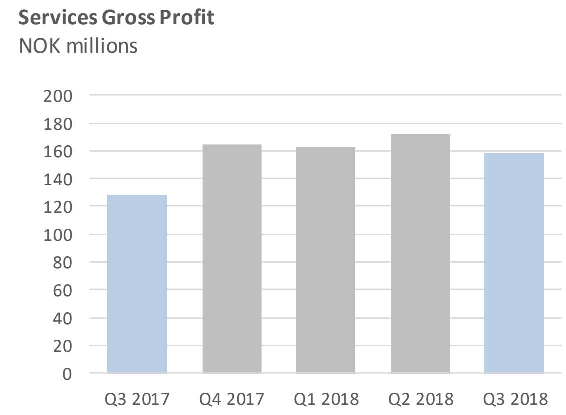
All market clusters had positive gross profit growth in Q3 2018 compared to Q3 2017. Nordics is the largest market cluster and delivered a +27% gross profit growth, while the Growth Markets and Start-Ups market cluster both delivered strong gross profit YoY growth of +42% and +65% respectively. The US market cluster had a gross profit YoY development of +33%.

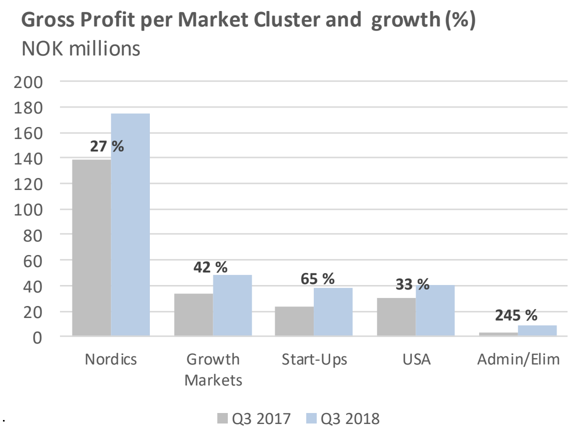
The Software division overall, had a very strong growth of +46% YoY, while Software Direct had +47% gross profit growth YoY, and Software Indirect had +45% gross profit growth YoY. Within the Software segment, Start-Ups, Growth Markets, and the Nordics grew its gross profit in Q3 2018 with +68% YoY, +69% YoY and +29% YoY. Software in the USA grew by +91% YoY, but although from a small base of NOK 5m in Q3 2017. Across all market clusters, this represents solid commercial performance in the Software segment. Within the Services segment, the overall gross profit growth was +24%, driven by Consulting with +30% YoY growth and Software Asset Management ("SAM") of +17% YoY growth. Within the Services segment, Nordics grew by +25% YoY, while Growth Markets, Start-Ups and USA grew by +10% YoY, +54% YoY and +20% YoY respectively.

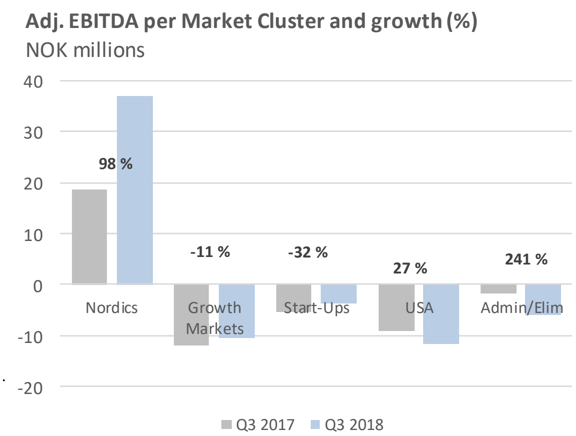
Q3 2018 adjusted EBITDA was NOK 5.3m (NOK +14.7m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +18m YoY), Growth Markets (NOK +1m YoY), Start-Ups (NOK +2m YoY) and USA (NOK -2 YoY). USA is experiencing significant commercial momentum (gross profit +33% YoY), however profitability 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 +10m YoY), Software Indirect (NOK +8 YoY) and Consulting (NOK +3m YoY). SAM had a negative adjusted EBITDA development in Q3 2018 (NOK -1m).

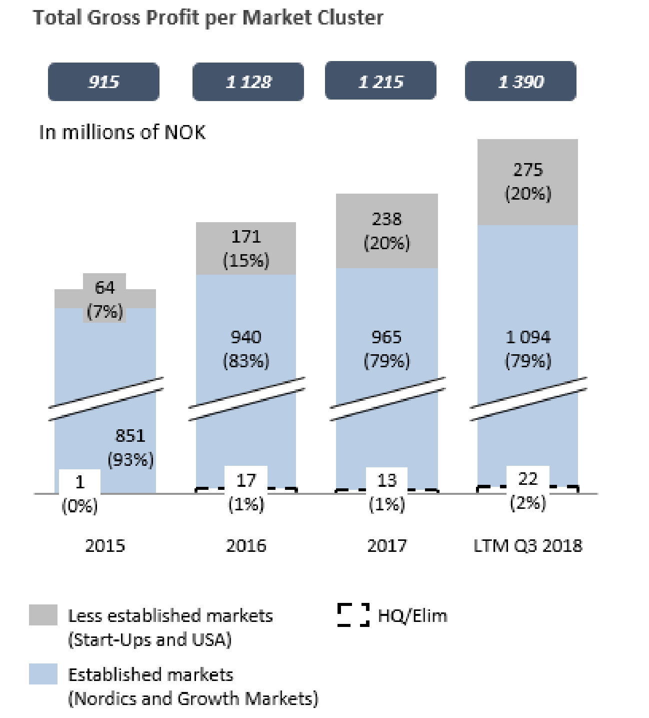
The strong 2018 Q3 results is a clear demonstration of the relevant of Crayons global scale and business model, continuing the trend seen in previous quarters in 2018.



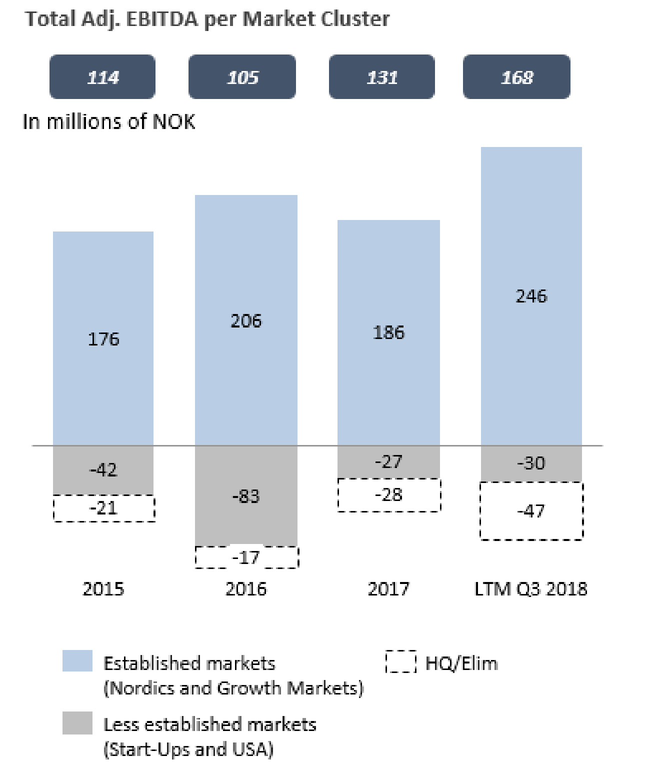








The figure above shows gross profit per Market Cluster and the percentage of total gross profit per period, with the total gross profit for the period in the box above each bar.



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 3.3 m YoY increase in depreciation and amortizations driven by investments in recent periods into platforms and ERP systems.

Interest expenses are reduced YoY with NOK 1.8m, primarily because due of to the refinancing of the bond (“CGH01”) in April 2017 and the deleveraging of the bond (“CRAYON02”) following the IPO in November 2017.

Other financial expenses, net is reduced YoY with NOK 10.8m due to foreign exchange effects and changes in the value of the swaps relating to the bond loan (see note 11 for further explanation).

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

This results in net earnings in the period of NOK -30.7m, an improvement of NOK 21.6m from Q3 2017.

Earnings per share improved from -0,91 per share in Q3 2017 to -0.34 per share in Q3 2018. In the period the Company increased number of shares outstanding by 22 918 573 following the IPO in November 2017.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 6.1 in Q3 2018. These items are items outside of the ordinary course of business and are thus excluded from the Adjusted EBITDA.

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

Balance sheet

As of Q3 2018 Crayon had assets of NOK 2 333m which primarily is composed of accounts receivables NOK 1 119m and goodwill NOK 824m. Total liabilities as of Q3 2018 is NOK 1 774m, consisting primarily of accounts payables NOK 976m and a bond loan NOK 446m.

Trade working capital[1] increased YoY with NOK 11m, which is a strong result given the strong underlying business growth.

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

Crayon has also finalized a non-recourse factoring arrangement with BNP with a potential EUR 120m scope. As a first step, management has implemented a pilot during Q2 and Q3 for a set of customers in the Norwegian market to ensure the use of factoring does not interfere with our operations or customer relationships. This has proven successful, and Crayon thus has the opportunity to further expand use of factoring for funding future growth.

Leverage

Net interest-bearing debt as end of end September 2018 was NOK 429m with a net cash position of NOK 34m (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 32m drawdown on the RCF as of the end of Q3 2018, and the Group had significant headroom with regards to its bank covenants as of quarter end.

Cash flow

In line with the underlying seasonality of the business, Q3 2018 had negative cash flow from operations. Cash flow from operations in Q3 2018 was NOK -102m, compared with NOK -210m in Q3 2017. The difference of NOK 108m is mainly explained by differences in change of Net working capital NOK 123m.

The net cash position as of 30 September 2018 was NOK 34m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 368m at the beginning of the year and NOK -136m on 30 September 2017.

The liquidity position of the group remains strong, with a total liquidity reserve as of September 30, 2018 of NOK 149m, compared to NOK 549m as of 31 December 2017 and NOK -139m as of end Q3 2017. 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 for Year to date Q3 2018 was 1 102, compared to an average for Year to date Q3 2017 of 980. This represents a YoY increase of 121 employees (an increase of 12.4%). The Software business division had a total increase in average employees of 43 YoY, representing a 12% increase. The average number of employees in the Services business division increased YoY by 61 employees [2], whilst other employees increased by 17 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 10m.

[2] Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended 30 September, Un-audited 2018	Quarter ended 30 September, Un-audited 2017	Year to date ended 30 September, Un-audited 2018	Year to date ended 30 September, Un-audited 2017	Year ended 31 December, Audited 2017
Operating revenue	4	1 611 796	1 249 731	6 592 815	5 009 983	7 301 712
Materials and supplies		1 301 819	1 021 979	5 564 162	4 155 871	6 085 935
Gross profit		**309 976**	**227 752**	**1 028 653**	**854 111**	**1 215 776**
Payroll and related cost		253 034	199 461	778 916	671 871	940 464
Other operating expenses		51 593	37 637	139 288	109 349	144 711
Share based compensation		641	-	2 324	-	3 945
Other income and expenses		5 460	10 705	7 211	11 179	22 813
EBITDA		**(752)**	**(20 051)**	**100 914**	**61 713**	**103 842**
Depreciation and amortization	6	19 451	16 178	55 618	48 564	71 684
Operating profit/EBIT		**(20 203)**	**(36 229)**	**45 296**	**13 149**	**32 158**
Interest expense		12 028	13 817	33 871	43 796	60 721
Other financial expense, net	7	2 577	13 344	(319)	35 699	25 109
Net income before tax		**(34 808)**	**(63 390)**	**11 744**	**(66 346)**	**(53 673)**
Income tax expense on ordinary result		(4 121)	(11 150)	5 434	(9 824)	(2 939)
Net income		**(30 687)**	**(52 240)**	**6 310**	**(56 523)**	**(50 734)**
Allocation of net income						
Non-controlling interests		(4 883)	(3 711)	(2 697)	(4 092)	**(6 105)**
Owners of Crayon Group Holding ASA		(25 804)	(48 529)	9 006	(52 431)	**(44 629)**
Total net income allocated		**(30 687)**	**(52 240)**	**6 310**	**(56 523)**	**(50 734)**
Earnings per share (NOK per share)		(0,34)	(0,92)	0,12	(1,00)	(0,59)
Comprehensive income						
Currency translation		(4 289)	(2 449)	(14 041)	2 460	9 263
Total comprehensive income		**(34 976)**	**(54 690)**	**(7 731)**	**(54 062)**	**(41 471)**
Allocation of Total comprehensive income						
Non-controlling interests		(5 200)	(2 571)	(1 548)	(3 528)	(6 873)
Owners of Crayon Group Holding ASA		(29 776)	(52 119)	(6 183)	(50 535)	(34 598)
Total comprehensive income allocated		**(34 976)**	**(54 690)**	**(7 731)**	**(54 062)**	**(41 471)**

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

Condensed Consolidated Balance Sheet Statement

		30 September		31 December
		Un-audited	Un-audited	Audited
(In thousands of NOK)	Note	2018	2017	2017
ASSETS				
Non-current assets:				
Development Costs	9	75 978	64 067	68 950
Technology and software	9	33 851	40 813	40 361
Contracts	9	68 537	85 899	83 324
Software licenses (IP)	9	1 000	7 421	1 000
Goodwill	10	824 451	819 362	831 044
Deferred tax asset		54 512	29 377	45 252
Total intangible assets		**1 058 328**	**1 046 939**	**1 069 931**
Tangible assets				
Equipment		24 762	19 773	20 204
Total tangible assets		**24 762**	**19 773**	**20 204**
Other long-term receivables		8 250	3 424	4 771
Total financial assets		**8 250**	**3 424**	**4 771**
Total non-current assets		**1 091 340**	**1 070 136**	**1 094 906**
Current assets:				
Inventory		23 071	13 596	26 287
Accounts receivable		1 119 278	769 819	1 541 436
Other receivables		65 227	43 355	55 815
Income tax receivable		-	1 570	-
Total receivable		**1 207 576**	**828 340**	**1 623 539**
Cash & cash equivalents		33 855	(136 426)	368 442
Total current assets		**1 241 432**	**691 914**	**1 991 981**
Total assets		**2 332 772**	**1 762 050**	**3 086 887**

(In thousands of NOK)	Note	30 September Un-audited 2018	30 September Un-audited 2017	31 December Audited 2017
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity:				
Share capital		75 394	52 476	75 394
Own shares		(3)	(9)	(3)
Share premium		588 051	262 335	588 051
Sum paid-in equity		**663 442**	**314 802**	**663 442**
Retained Earnings				
Other Equity		(111 173)	(99 005)	(105 597)
Total retained earnings		**(111 173)**	**(99 005)**	**(105 597)**
Total equity attributable to parent company shareholders		**552 269**	**215 797**	**557 845**
Non-controlling interests		6 215	3 220	8 153
Total shareholders' equity		**558 484**	**219 016**	**565 998**
Long-term liabilities:				
Bond loan	11	445 914	591 256	442 058
Derivative financial liabilities		(2 747)	(927)	3 638
Deferred tax liabilities		31 155	27 394	39 167
Other long-term liabilities		11 560	1 523	7 188
Total long-term liabilities		**485 883**	**619 246**	**492 050**
Current liabilities:				
Bond loan		-		-
Derivative financial liabilities		-		-
Accounts payable		976 417	628 162	1 600 566
Income taxes payable		1 792	-	4 800
Public duties		88 697	109 591	229 057
Other current liabilities		221 501	186 035	194 416
Total current liabilities		**1 288 406**	**923 788**	**2 028 839**
Total liabilities		**1 774 288**	**1 543 034**	**2 520 889**
Total equity and liabilities		**2 332 772**	**1 762 050**	**3 086 887**

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 30 September, Un-audited 2018	Quarter ended 30 September, Un-audited 2017	Year to date ended 30 September, Un-audited 2018	Year to date ended 30 September, Un-audited 2017	Year ended 31 December, Audited 2017
Cash flows provided by operating activities:					
Net income before tax	(34 808)	(63 390)	11 744	(66 346)	(53 673)
Taxes paid	(3 908)	(3 274)	(16 911)	(14 128)	(11 869)
Depreciation and amortization	19 451	16 178	55 618	48 564	71 684
Net interest to credit institutions and interest to bond loan	9 754	12 353	27 374	39 701	50 645
Changes in inventory, accounts receivable/payable	112 394	(11 112)	(198 774)	(155 031)	33 064
Changes in other current accounts	(204 471)	(160 743)	(117 631)	(49 534)	63 008
Net cash flow from (used in) operating activities	**(101 589)**	**(209 989)**	**(238 580)**	**(196 775)**	**152 859**
Cash flows used in investing activities:					
Acquisition of assets	(14 196)	(11 401)	(46 724)	(36 009)	(51 238)
Acquisition of subsidiaries	3	-	(7 489)	-	(22 656)
Divestments	-	-	-	-	378
Net cash flow from (used in) investing activities	**(14 193)**	**(11 401)**	**(54 212)**	**(36 009)**	**(73 516)**
Cash flow used in financing activities:					
Net interest paid to credit institutions and interest to bond loan	(11 888)	(13 648)	(31 640)	(41 279)	(56 982)
New equity	-	-	-	-	348 612
Proceeds from issuance of interest bearing debt	-	(1 854)	-	589 746	589 746
Repayment of interest bearing debt	-	(100 500)	-	(672 329)	(827 663)
Other Financial items	(2 908)	554	4 198	(9 000)	(3 405)
Net cash flow from (used in) financing activities	**(14 795)**	**(115 447)**	**(27 442)**	**(132 862)**	**50 308**
Net increase (decrease) in cash and cash equivalents	**(130 577)**	**(336 837)**	**(320 235)**	**(365 646)**	**129 651**
Cash and cash equivalents at beginning of period	165 512	204 721	368 442	227 905	227 905
Currency translation	(1 080)	(4 310)	(14 352)	1 315	10 886
Cash and cash equivalents at end of period	**33 855**	**(136 426)**	**33 855**	**(136 426)**	**368 442**

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending
30 September, 2017

(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
	Attributable to equity holders of Crayon Group Holding ASA					
Balance at January 1, 2017	**52 476**	**(12)**	**262 320**	**(53 605)**	**11 194**	**272 373**
Opening balance adj.	-	-	-	920	-	920
Share repurchase (net)	-	3	15	3	-	21
Net income	-	-	-	(52 431)	(4 092)	(56 523)
Currency translation	-	-	-	1 896	564	2 460
Other	-	-	-	4 211	(4 447)	(237)
Balance as of end of period	**52 476**	**(9)**	**262 335**	**(99 005)**	**3 220**	**219 016**

Year End 2017

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

30 September, 2018

(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Non-controlling interests	Total equity
	Attributable to equity holders of Crayon Group Holding ASA					
Balance at January 1, 2018	**75 394**	**(3)**	**588 051**	**(105 597)**	**8 153**	**565 998**
Opening balance adj.	-	-	-	1 324	-	1 324
Adjustment	-	-	-	(134)	(750)	(884)
Share based compensation	-	-	-	2 324	-	2 324
Net income	-	-	-	9 006	(2 697)	6 310
Acquisitions & divestments				(2 908)	359	(2 549)
Currency translation	-	-	-	(15 189)	1 149	(14 041)
Balance as of end of period	**75 394**	**(3)**	**588 051**	**(111 173)**	**6 215**	**558 484**

Notes

Note 1 Corporate information

The condensed interim consolidated financial statements of Crayon Group Holding ASA for the three months ended 30 September 2018 were authorised for issue on 12 November 2018. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA ("Crayon") is a public limited company registered in Norway. The Company is a leading IT advisory firm in software and digital transformation services. Crayon optimises its clients' return on investment ("ROI") from complex software technology investments by combining extensive experience within volume software licensing optimization, digital engineering, and predictive analytics. Headquartered in Oslo, Norway, the company has approximately 1,200 team members in 43 offices worldwide.

Note 2 Basis of preparation

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

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

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

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

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

Note 3 Estimates

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

Note 4 Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in functional operating segments and geographical market clusters to the Board of Directors (the Group's chief operating decision makers). While Crayon uses all three measures to analyse performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance.

The operating units that form a natural reporting segment are Software (Software Direct and Software Indirect), Services (SAM and Consulting) and Admin/Eliminations (Admin & Shared services and Eliminations).

- **Software Direct** is Crayon's licence offering from software vendors (e.g Microsoft, Adobe, Symantec, Citrix, Vmware, Oracle, IBM and others). The emphasis is towards standard software, which customers consistently use year after year, and which plays a key role in their technological platforms and critical commercial processes.
- **Software Indirect** is Crayon's offering towards hosters, system integrators and ISVs, which includes licence advisory/optimization, software licence sales and access to Crayons proprietary tools and IP.
- **Software Asset Management (SAM)** services include processes and tools for enabling clients to build in house SAM capabilities, licence spend optimisation and support for clients in vendor audits.
- **Consulting** consists of Cloud Consulting and Solution Consulting services related to infrastructure consulting, cloud migration and deployment, bespoke software deployment and follow-up of applications.
- **Admin & Shared services** includes administrative income and costs, corporate administrative costs (excluding other income and expenses), unallocated global shared costs and eliminations.
- The geographical market clusters are composed of operating countries with similar maturity. The Nordics is composed of Norway, Sweden, Denmark, Finland and Iceland (excluding Ice Distribution). Growth Markets is composed of Germany, Middle East, France and UK. Start-Ups is composed of markets with an inception point during 2014-2015 timeframe (i.e. India, Singapore, Malaysia, Philippines, Austria, Netherlands, Spain, Portugal, Switzerland and Ice Distribution). USA represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. HQ & Eliminations includes corporate admin costs (excluding other income and expenses), unallocated global shared cost and eliminations.

Year to date ended 30 September, 2018	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	2 898 565	431 773	4 437	3 334 776
- Growth Markets	1 754 494	60 369	4 274	1 819 136
- Start-Ups	1 005 610	29 328	1 745	1 036 683
- USA	403 961	95 839	788	500 589
- HQ	(1 521)	-	69 043	67 522
- Eliminations	-	-	(165 891)	(165 891)
Total Operating Revenue	**6 061 109**	**617 309**	**(85 604)**	**6 592 815**

Year to date ended 30 September, 2017	Operating Revenue per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Operating Revenue
- Nordics	2 217 779	353 980	4 938	2 576 697
- Growth Markets	1 299 943	52 982	3 991	1 356 917
- Start-Ups	836 330	20 967	449	857 745
- USA	187 519	90 294	369	278 181
- HQ	60	-	52 742	52 802
- Eliminations	-	-	(112 360)	(112 360)
Total Operating Revenue	**4 541 631**	**518 222**	**(49 871)**	**5 009 983**

Year to date ended 30 September, 2018	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	289 221	327 772	3 523	620 516
- Growth Markets	121 140	54 341	3 131	178 612
- Start-Ups	76 943	25 239	707	102 890
- USA	26 432	85 968	788	113 188
- HQ	(1 866)	(37)	52 865	50 962
- Eliminations	-	-	(37 515)	(37 515)
Total Gross Profit	**511 871**	**493 283**	**23 499**	**1 028 653**

Year to date ended 30 September, 2017	Gross Profit per Market Cluster and Operating Segment			
(In thousands of NOK)	Software	Services	Admin/ Eliminations	Total Gross Profit
- Nordics	250 524	271 172	3 651	525 346
- Growth Markets	90 421	50 414	3 952	144 787
- Start-Ups	57 904	18 538	418	76 860
- USA	18 394	83 743	368	102 505
- HQ	60	-	41 797	41 857
- Eliminations	-	-	(37 244)	(37 244)
Total Gross Profit	**417 302**	**423 867**	**12 942**	**854 111**

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

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Operating Revenue per Operating Segment	2018	2017	2018	2017
- Software Direct	4 317 537	3 259 479	843 924	694 948
- Software Indirect	1 743 572	1 282 152	595 339	414 660
Total Revenue - Software	6 061 109	4 541 631	1 439 263	1 109 607
- SAM	247 903	228 294	85 436	67 642
- Consulting	369 406	289 929	113 776	87 517
Total Revenue - Services	617 309	518 222	199 212	155 159
Admin & shared services	80 287	62 489	30 926	21 015
Eliminations	(165 891)	(112 360)	(57 605)	(36 049)
Total Operating Revenue	**6 592 815**	**5 009 983**	**1 611 796**	**1 249 731**

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Gross Profit per Operating Segment	2018	2017	2018	2017
- Software Direct	392 006	319 055	95 626	65 150
- Software Indirect	119 865	98 248	44 406	30 558
Total Gross profit - Software	511 871	417 302	140 032	95 708
- SAM	221 902	207 240	73 031	62 571
- Consulting	271 381	216 627	85 151	65 418
Total Gross profit - Services	493 283	423 867	158 183	127 989
Admin & shared services	61 014	50 185	23 265	16 493
Eliminations	(37 515)	(37 244)	(11 504)	(12 438)
Total Gross Profit	**1 028 653**	**854 111**	**309 976**	**227 752**

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Adjusted EBITDA per Operating Segment	2018	2017	2018	2017
- Software Direct	153 005	118 302	15 220	4 951
- Software Indirect	46 959	40 533	19 200	11 369
Total EBITDA - Software	199 964	158 835	34 420	16 320
- SAM	11 862	20 713	(1 568)	(424)
- Consulting	33 703	14 543	10 659	7 381
Total EBITDA - Services	45 565	35 257	9 091	6 957
Admin & shared services	(135 080)	(121 200)	(38 162)	(32 623)
Eliminations	-	-	-	-
Total Adjusted EBITDA	**110 449**	**72 892**	**5 348**	**(9 346)**

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

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Operating Revenue per Market Cluster:	2018	2017	2018	2017
- Nordics	3 334 776	2 576 697	771 948	600 216
- Growth Markets	1 819 136	1 356 917	443 387	428 396
- Start-Ups	1 036 683	857 745	279 930	171 580
- USA	500 589	278 181	147 907	66 259
- HQ	67 522	52 802	26 228	19 330
- Eliminations	(165 891)	(112 360)	(57 605)	(36 049)
Total Operating Revenue	**6 592 815**	**5 009 983**	**1 611 796**	**1 249 732**

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Gross Profit per Market Cluster	2018	2017	2018	2017
- Nordics	620 516	525 346	174 754	138 065
- Growth Markets	178 612	144 787	48 409	34 012
- Start-Ups	102 890	76 860	38 191	23 209
- USA	113 188	102 505	39 866	29 926
- HQ	50 962	41 857	20 260	14 979
- Eliminations	(37 515)	(37 244)	(11 504)	(12 438)
Total Gross Profit	**1 028 653**	**854 111**	**309 976**	**227 752**

(In thousands of NOK)	Year to date ended 30 September,		Quarter ended 30 September,	
Adjusted EBITDA per Market Cluster	2018	2017	2018	2017
- Nordics	171 667	108 814	36 852	18 629
- Growth Markets	(2 522)	281	(10 545)	(11 875)
- Start-Ups	(6 072)	(8 585)	(3 627)	(5 368)
- USA	(15 145)	(9 637)	(11 447)	(9 004)
- HQ	(37 479)	(17 981)	(5 886)	(1 728)
- Eliminations	-	-	-	-
Total Adjusted EBITDA	**110 449**	**72 892**	**5 348**	**(9 346)**

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

Note 5 Share options

Share incentive scheme:
2.15 million share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period. A cost of NOK 0.6 m (including accrued social security tax) has been charged as an expense in the profit and loss statement in Q3 2018. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price (NOK 15.50), the term of the option (5 years), the impact of dilution (where material), the share price at the grant date (NOK 15.50), expected price volatility of the underlying share and risk-free interest. The expected volatility is based on historical volatility for a selection of comparable listed companies. Risk free interest is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding IPO, see www.newsweb.no. In total, the board of directors and management were allotted 0.4 million and 0.7 million share options, respectively.

Note 6 Depreciation and amortization

Depreciation and amortization consists of the following:

	Year to date ended 30 September,		Quarter ended 30 September,		Year ended 31 December,
(In thousands of NOK)	2018	2017	2018	2017	2017
Depreciation	8 124	7 250	3 016	2 391	9 702
Amortization of intangibles (incl. write-down)	47 494	41 314	16 434	13 787	61 982
Total	**55 618**	**48 564**	**19 451**	**16 178**	**71 684**

See note 9 for breakdown of intangible assets.

Note 7 Other financial expense, net

Other financial expense, net consists of the following:

	Year to date ended 30 September,		Quarter ended 30 September,		Year ended 31 December,
(In thousands of NOK)	2018	2017	2018	2017	2017
Interest income	6 497	4 095	2 274	1 464	7 829
Other financial income	874	295	(3 145)	141	1 445
Other financial expenses	(7 053)	(40 088)	(1 707)	(14 950)	(34 383)
Total financial income / (Expense)	**319**	**(35 699)**	**(2 577)**	**(13 344)**	**(25 109)**

Note 8 Seasonality of operations

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

Note 9 Intangible assets

2018	Software licences (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	7 421	159 780	361 725	65 874	594 800
Additions	-	35 903	-	-	35 903
FX translation	-	-	(1 309)	(971)	(2 279)
Aquisitition cost at the end of the period	**7 421**	**195 683**	**360 416**	**64 903**	**628 423**
Amortization and impairment 01.01	6 421	90 830	278 401	25 513	401 165
Amortization	-	28 475	13 479	5 540	47 494
Impairment	-	-	-	-	-
Accumulated amortization and impairment	**6 421**	**119 305**	**291 880**	**31 053**	**448 659**
Net value at the end of the period	**1 000**	**75 978**	**68 537**	**33 851**	**179 365**
Amortization period	None	1-10 years	1-10 years	1-10 years	
Amortization method	None	Linear	Linear	Linear	

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

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

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

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

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

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

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

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

Note 10 Goodwill

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

(In thousands of NOK)	**Goodwill**
Aquisition cost at 01.01	881 183
Additions	4 353
Currency translation	(10 946)
Aquisition cost at the end of the period	**874 590**
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	**824 451**

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 IAS 39, the transactional costs (NOK ~ 10 million) related to the bond issue which was settled on April 6th 2017 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 450m nominal value at maturity in FY 2020.

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

	Year to date ended 30 September,		Year ended 31 December,
(In thousands of NOK)	2018	2017	2017
Long-term interest debt	452 798	605 525	455 595
Cash and cash equivalents	(33 855)	136 426	(368 442)
Restricted cash	9 584	8 202	18 725
Net interest bearing debt	**428 526**	**750 153**	**105 878**

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Note 12 Financial Risk

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

Note 13 Events after the balance sheet

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

Alternative Performance Measures

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

Crayon uses the following APM's:

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

	Year to date ended 30 September,		Year ended 31 December,
(In thousands of NOK)	2018	2017	2017
EBITDA	100 914	61 713	103 842
Other Income and Expenses	9 535	11 179	26 758
Adjusted EBITDA	**110 449**	**72 892**	**130 600**

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

	Year to date ended 30 September,		Year ended 31 December,
(In thousands of NOK)	2018	2017	2017
Refinancing	-	113	152
General M&A and strategy costs	29	348	348
IPO Cost 2017 (Project Elevate)	310	5 660	16 149
Share based compensation	2 324		3 945
Extraordinary personell costs	6 554	5 058	6 164
Other	318	-	-
Other income and expenses	**9 535**	**11 179**	**26 758**

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

	Year to date ended 30 September,		Year ended 31 December
(In thousands of NOK)	2018	2017	2017
Inventory	23 071	13 596	26 287
Accounts receivable	1 119 278	769 819	1 541 436
Other receivables	65 227	43 355	55 815
Income tax receivable/ payable	(1 792)	1 570	(4 800)
Accounts payable	(976 417)	(628 162)	(1 600 566)
Public duties	(88 697)	(109 591)	(229 057)
Other current liabilities	(221 501)	(186 035)	(194 416)
Net working capital	**(80 829)**	**(95 448)**	**(405 300)**

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

	Year to date ended 30 September,		Year ended 31 December
(In thousands of NOK)	2018	2017	2017
Cash and cash equivalents	33 855	(136 426)	368 442
Restricted cash	(9 584)	(8 202)	(18 725)
Freely available cash	24 271	(144 628)	349 717
Available credit facility	124 306	5 759	199 053
Liquidity reserve	**148 577**	**(138 868)**	**548 770**

Responsibility statement by the Board and CEO

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

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

Oslo, November 12, 2018

Grethe Viksaas	**Jens Rugseth** **Chairman**	**Dagfinn Ringås**
Eivind Roald	**Camilla Magnus**	**Bjørn Rosvoll**
David Ulvær	**Torgrim Takle** **CEO**	**Brit Smestad**

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