# Q4 2018

## Crayon Group – Interim financial report

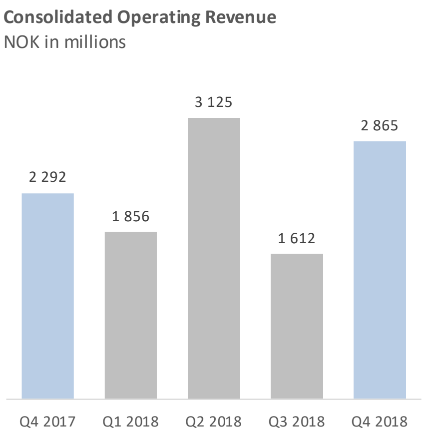
# Content

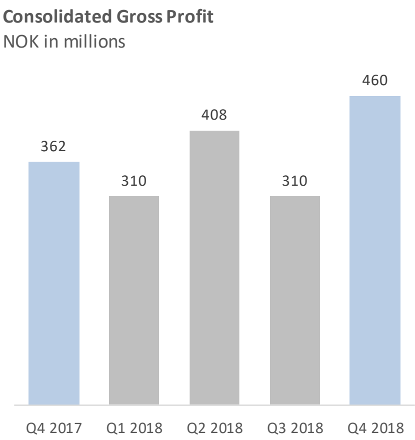


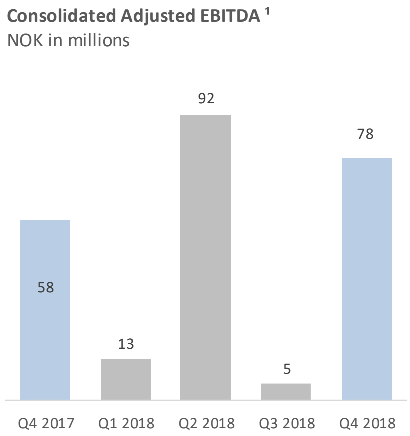
This document contains the un-audited consolidated quarterly financial statements and notes for Crayon Group Holding ASA. The below commentary should be read in conjunction with definitions and further disclosure as provided in the notes.

# Highlights

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




# Key consolidated figures

| (NOK in thousands, unless stated) | **Q4 2018** Un-audited | **Q4 2017** Un-audited | **Full year 2018** Un-audited | **Full year 2017** Audited |
|---|---|---|---|---|
| Revenue | 2 865 478 | 2 291 729 | 9 458 293 | 7 301 712 |
| Gross profit | 459 821 | 361 665 | 1 488 474 | 1 215 776 |
| EBITDA | 76 141 | 42 130 | 177 055 | 103 842 |
| Adjusted EBITDA | 77 692 | 57 709 | 188 141 | 130 600 |
| EBIT | 55 280 | 19 009 | 100 576 | 32 158 |
| Net income | 4 690 | 5 788 | 11 000 | (50 734) |
| Cash flow from operations | 353 326 | 349 634 | 114 746 | 152 859 |
| Gross profit margin (%) | 16,0 % | 15,8 % | 15,7 % | 16,7 % |
| Adjusted EBITDA margin (%) | 2,7 % | 2,5 % | 2,0 % | 1,8 % |
| Adjusted EBITDA / Gross profit margin (%) | 16,9 % | 16,0 % | 12,6 % | 10,7 % |
| Earnings per share (Nok per share) | 0,08 | 0,10 | 0,20 | (0,59) |
| | | | **31 December 2018** | **31 December 2017** |
| Liquidity reserve | | | 515 708 | 548 770 |
| Net working capital | | | (343 465) | (405 300) |
| Average headcount (number of employees) | | | 1 128 | 977 |

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

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

# Business review

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

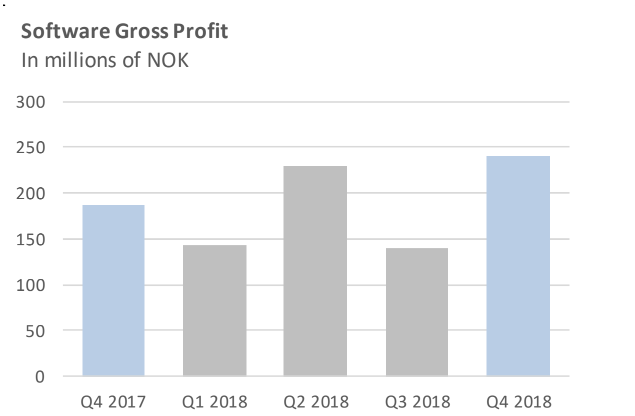
As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. To compare the performance of the business across this seasonality the relevant comparison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

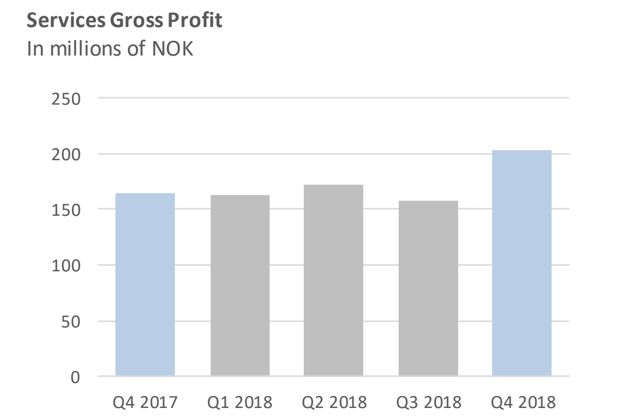
All market clusters (See Note 4 for additional information) had positive gross profit growth in Q4 2018 compared to Q4 2017. Nordics is the largest market cluster and delivered a +19.6% gross profit growth, while the Growth Markets and Start-Ups market cluster both delivered strong gross profit YoY growth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

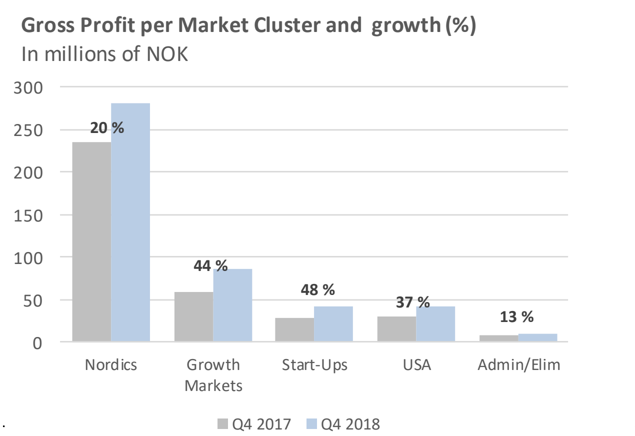
The Software division overall, had a very strong growth of +29.3% YoY, composed of Software Direct with+28.2% gross profit growth YoY, and Software Indirect with +34.1% gross profit growth YoY. Within the Software segment, gross profit in Start-Ups grew with +36% YoY, Growth Markets +53% YoY and the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

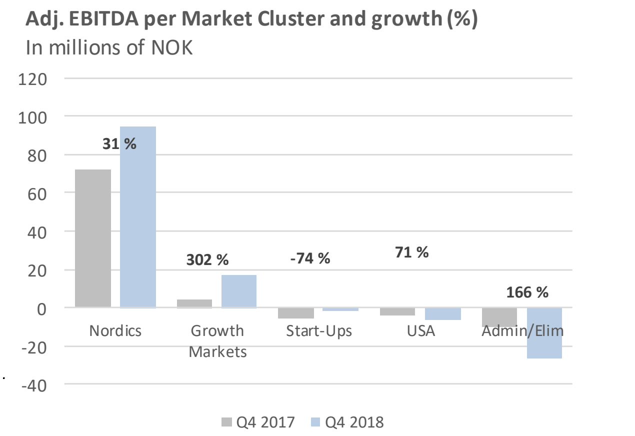
Q4 2018 adjusted EBITDA was NOK 77.7m (NOK +20.0m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +22m YoY), Growth Markets (NOK +13m YoY), Start-Ups (NOK +4m YoY) and USA (NOK -3 YoY). USA is experiencing significant commercial momentum (gross profit +37% YoY), however profitability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

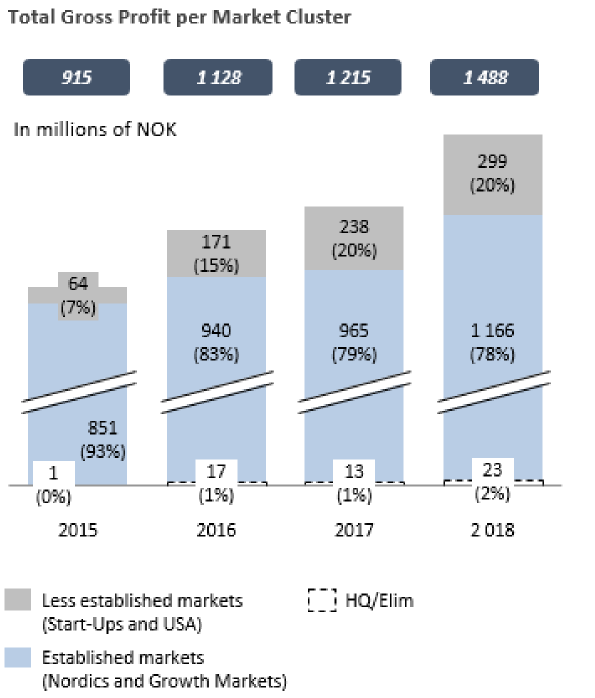
The Q4 2018 results follows a set of strong results for every quarter in 2018, and in total the 2018 performance is a clear demonstration of the relevance of Crayons global scale and business model.



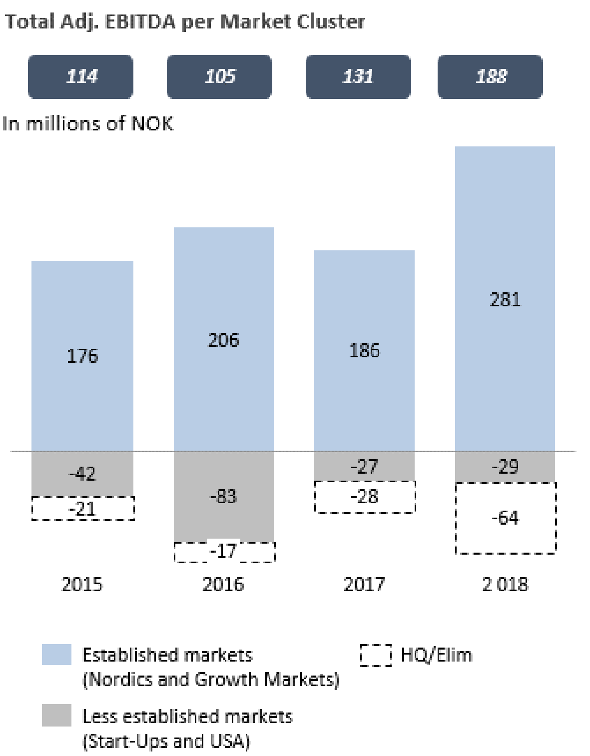






The figure above shows gross profit per Market Cluster and the percentage of total gross profit per period, with the total gross profit for the period in the box above each bar.




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

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

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

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

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

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

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

## Adjusted EBITDA

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

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

## Balance sheet

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

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

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

## Leverage

ecember 2018 was NOK 130.1m with a net cash position of NOK 379.3m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF"), corresponding to a leverage ratio of 2.5x EBITDA[1]. The Group had significant headroom with regards to its bank covenants as of quarter end.

## Cash flow

In line with the underlying seasonality of the business, Q4 2018 had positive cash flow from operations. Cash flow from operations in Q4 2018 was NOK +353.3m, compared with NOK 349.6m in Q4 2017. The difference of NOK 3.7m is mainly explained by differences in change of net working capital NOK -11m.

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

The liquidity position of the group remains strong, with a total liquidity reserve as of December 31, 2018 of NOK 516m, compared to NOK 549m as of 31 December 2017. For more information on the definition of liquidity reserve, please the 'Alternative Performance Measures' section in this report.

## Employees

Crayon is a people business with teammates being our greatest asset. We strive to continuously attract, develop, and retain top talent, but perhaps even more importantly, we empower our employees to do their best every single day at work.

The average number of employees during 2018 was 1 128, compared to an average during 2017 of 977. This represents a YoY increase of 151 employees /+15.4%). The Software business division had a total increase in average employees of 56 YoY, representing a 16% increase. The average number of employees in the Services business division increased YoY by 76 employees [2], whilst other employees increased by 19 YoY.

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

[2] Includes impact of organic growth and acquisitions.

# Condensed Consolidated Statement of Income

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

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

# Condensed Consolidated Balance Sheet Statement

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

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

# Condensed Consolidated Statement of Cash Flows

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

# Condensed Consolidated Statement of Changes in Shareholder's Equity

**Year to date period ending**

| **31 December, 2017** | 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, 2017** | **52 476** | **(12)** | **262 320** | **(53 605)** | **11 194** | **272 373** |
| Opening balance adj. | - | - | - | 920 | - | 920 |
| Adjustment | | | | (13 467) | 3 832 | (9 635) |
| Share repurchase (net) | - | 9 | 38 | 29 | - | 76 |
| Capital increase expenses | - | - | - | (9 516) | - | (9 516) |
| Share based compensation | - | - | - | 4 639 | - | 4 639 |
| Net income | - | - | - | (44 629) | (6 105) | (50 734) |
| Share issues | 22 919 | - | 325 693 | - | - | 348 612 |
| Currency translation | - | - | - | 10 031 | (768) | 9 263 |
| **Balance as of end of period** | **75 394** | **(3)** | **588 051** | **(105 597)** | **8 153** | **565 998** |

| **31 December, 2018** | 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 [1] | - | - | - | 2 677 | (3 233) | (556) |
| Share repurchase (net) | - | (32) | - | (520) | - | (552) |
| Share based compensation | - | - | - | 3 261 | - | 3 261 |
| Net income | - | - | - | 15 364 | (4 364) | 11 000 |
| Acquisitions & divestments | | | | (101) | 306 | 205 |
| Currency translation | - | - | - | 9 421 | (2 468) | 6 953 |
| **Balance as of end of period** | **75 394** | **(35)** | **588 051** | **(75 496)** | **(1 606)** | **586 309** |

[1] Mainly due to currency effects and change in ownership

# Notes

**Note 1 Corporate information**

The condensed interim consolidated financial statements of Crayon Group Holding ASA for the three months ended 31 December 2018 were authorised for issue on 11th of February 2019. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA (“Crayon”) is a public limited company registered in Norway. The Company is a leading IT advisory firm in software and digital transformation services. Crayon optimises its clients' return on investment (“ROI”) from complex software technology investments by combining extensive experience within volume software licensing optimization, digital engineering, and predictive analytics. Headquartered in Oslo, Norway, the company has approximately 1,200 employees in 45 offices worldwide.

**Note 2 Basis of preparation**

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

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

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

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

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

**Note 3 Estimates**

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

## Note 4 Segment information

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

The operating units that form a natural reporting segment are Software (Software Direct and Software Indirect), Services (SAM and Consulting) and Admin/Eliminations (Admin & Shared services and Eliminations). (Further information is found in note 2.3. in the Annual report for 2017)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Note 5 Share options**

**Share incentive scheme:**
2.15 million share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period. A cost of NOK 0.9 m (including accrued social security tax) has been charged as an expense in the profit and loss statement in Q4 2018. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price (NOK 15.50), the term of the option (5 years), the impact of dilution (where material), the share price at the grant date (NOK 15.50), expected price volatility of the underlying share and risk-free interest. The expected volatility is based on historical volatility for a selection of comparable listed companies. Risk free interest is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding IPO, see www.newsweb.no. In total, the board of directors and management were allotted 0.4 million and 0.5 million share options, respectively.

**Note 6 Depreciation and amortization**

Depreciation and amortization consists of the following:

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

See note 9 for breakdown of intangible assets.

**Note 7 Other financial expense, net**

Other financial expense, net consists of the following:

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

**Note 8 Seasonality of operations**

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

## Note 9 Intangible assets

| 2018 | Software licences (IP) | Development costs | Contracts | Technology and software | Total |
|---|---|---|---|---|---|
| Aquisition cost 01.01 | 7 421 | 159 780 | 361 725 | 65 874 | 594 800 |
| Additions | - | 48 079 | 535 | - | 48 614 |
| FX translation | - | (87) | 250 | 675 | 839 |
| **Aquisitition cost at the end of the period** | **7 421** | **207 772** | **362 511** | **66 549** | **644 253** |
| | | | | | |
| Amortization and impairment 01.01 | 6 421 | 90 830 | 278 401 | 25 513 | 401 165 |
| Amortization | - | 39 461 | 18 001 | 7 435 | 64 897 |
| Impairment | - | - | - | - | - |
| **Accumulated amortization and impairment** | **6 421** | **130 292** | **296 402** | **32 948** | **466 062** |
| | | | | | |
| **Net value at the end of the period** | **1 000** | **77 556** | **66 109** | **33 601** | **178 266** |
| | | | | | |
| Amortization period | None | 1-10 years | 1-10 years | 1-10 years | |
| Amortization method | None | Linear | Linear | Linear | |

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

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

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

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

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

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

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

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

## Note 10 Goodwill

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

| (In thousands of NOK) | Goodwill |
|---|---|
| Aquisition cost at 01.01 | 881 183 |
| Additions | 6 124 |
| Currency translation | 3 133 |
| **Aquisition cost at the end of the period** | **890 440** |
| | |
| Impairment at 01.01 | 50 139 |
| Impirment during the period | |
| **Accumulated Impairment at the end of the period** | **50 139** |
| | |
| **Net book value at the end of the period** | **840 301** |

The Group performs an impairment test for goodwill on an annual basis or when there are circumstances which would indicate that the carrying value of goodwill may be impaired. When assessing impairment, assets are grouped into cash generating units (CGU's), the lowest levels at which it is possible to distinguish between cash flows.

Impairment of goodwill is tested by comparing the carrying value of Goodwill for each CGU to the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

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

## Note 11 Debt

In March 2017, the company successfully completed the issuance of a NOK 600m senior secured bond in the Nordic market, which has since been deleveraged to NOK 450m with proceeds from the IPO. Net proceeds from the bond issues were used to refinance the outstanding NOK 650m bond issued in July 2014.

In light of the refinancing mentioned above, the group also increased its revolving credit facility to NOK 200m in Q3 2017.

Settlement for the initial loan amount was 6 April 2017, with final maturity 6 April 2020. The initial loan amount has a coupon of 3 months NIBOR +550bps. p.a. Any outstanding bonds is to be repaid in full at maturity date. The bonds are listed on the Oslo Stock Exchange. For further information about the Bond, we refer to the Bond terms.

The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying cash flow of the company, and is booked as the actual value representing future liabilities based on the exchange rates at the balance sheet date. In accordance with IFRS 9, the transactional costs (NOK ~ 10 million) related to the bond issue which was settled on April 6th 2017 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 450m nominal value at maturity in FY 2020.

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

| | Year to date ended 31 December, | |
|---|---|---|
| (In thousands of NOK) | 2018 | 2017 |
| Long-term interest debt | 452 798 | 455 595 |
| Short-term interest debt | 39 992 | - |
| Cash and cash equivalents | (379 282) | (368 442) |
| Restricted cash | 17 358 | 18 725 |
| **Net interest bearing debt** | **130 866** | **105 878** |

## Note 12 Financial Risk

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

## Note 13 Reclassifications

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

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

## Note 14 Events after the balance sheet

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

# Alternative Performance Measures

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

Crayon uses the following APM's:

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

| | Year to date ended 31 December, | |
|---|---|---|
| (In thousands of NOK) | 2018 | 2017 |
| EBITDA | 177 055 | 103 842 |
| Other Income and Expenses | 11 086 | 26 758 |
| **Adjusted EBITDA** | **188 141** | **130 600** |

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

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

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

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

**Cash & cash equivalents:** Cash & cash equivalents is presented net in 2017. The credit facility in India has been reclassified as other interest bearing short-term liabilities in Q4 2018. Figures are not restated due to immateriality for 2017.
**Freely available cash:** Cash and cash equivalents less restricted cash.
**Liquidity reserve:** Freely available cash and credit facilities. 2017 figures are changed compared to previously reported figures as they include an unused credit reserve in India.

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

Crayon Group Holding ASA
Sandakerveien 114A
P.O. box 4384 Nydalen, 0402 Oslo, Norway

Phone+ 47 23 00 67 00
Fax + 47 22 89 10 01

Org.nr 997 602 234
www.crayon.com

Investor relations:
www.crayon.com/en/about-us/investor-relations