



Q1 2020

Crayon Group – Interim financial report

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Highlights

- Crayon has growth across all business areas and market clusters in Q1 2020. Gross profit grew by 30.3% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the segments Software & Cloud Direct (NOK 53.4m/ +41.0% YoY) and Consulting (NOK 36.7m/ +29.9% YoY). All market clusters delivered solid gross profit growth, where the international markets delivered 61% of the gross profit growth
- Adjusted EBITDA has a positive development, and in Q1 2020 adjusted EBITDA¹ increased with NOK 4.8m YoY to NOK 40.6m, with Nordic as the main contributor

Key consolidated figures

(NOK in thousands, unless stated)	Year to date	Year to date	Full year
	Q1 2020	Q1 2019	2019
	Un-audited	Un-audited	Audited
Operating revenue	4 203 953	2 639 337	13 618 020
Gross profit	515 206	395 253	1 808 711
EBITDA	38 496	29 316	249 926
Adjusted EBITDA	40 602	35 781	292 242
Operating (loss)/profit/EBIT	5 868	2 879	77 057
Net (loss) income	(51 587)	(9 013)	(19 289)
Cash flow from operations	116 756	(238 108)	190 977
Gross profit margin (%)	12,3 %	15,0 %	13,3 %
Adjusted EBITDA margin (%)	1,0 %	1,4 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	7,9 %	9,1 %	16,2 %
Earnings per share (NOK per share)	(0,62)	(0,10)	(0,16)

March 31, 2020 March 31, 2019 December 31, 2019

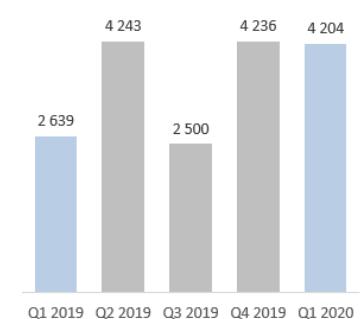
Liquidity reserve	598 909	180 221	466 646
Net working capital	(395 406)	(65 234)	(337 712)
Average headcount (number of employees)	1 615	1 273	1 354

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

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

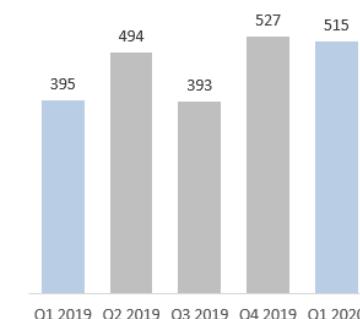
Consolidated Operating Revenue

In millions of NOK



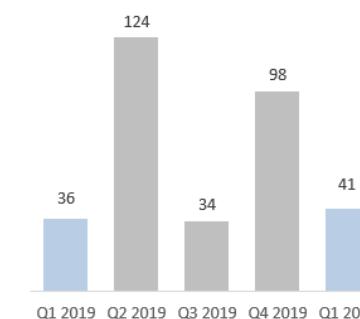
Consolidated Gross Profit

In millions of NOK



Consolidated Adjusted EBITDA¹

In millions of NOK



Business review

The growth Crayon experienced in 2019, continues in Q1 2020, with another quarter of strong gross profit and EBITDA growth. Q1 2020 YoY revenue growth was +59.3% while gross profit growth was +30.3% NOK 120.0m, leading to a total Q1 2020 gross profit of NOK 515.2m. Adjusted EBITDA in Q1 2020 was NOK 40.6m (2019: NOK 35.8m), an increase of NOK 4.8m compared with Q1 2019.

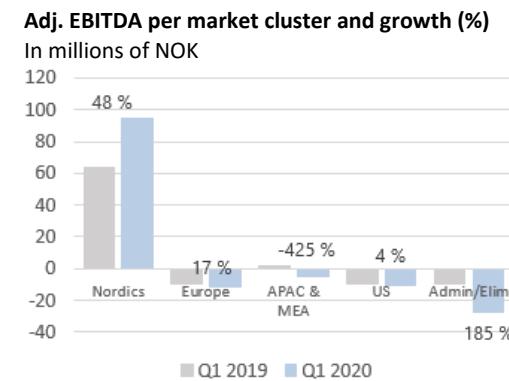
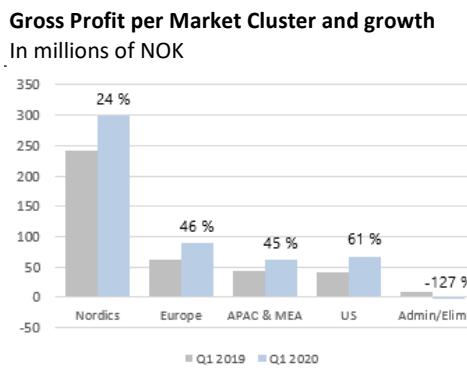
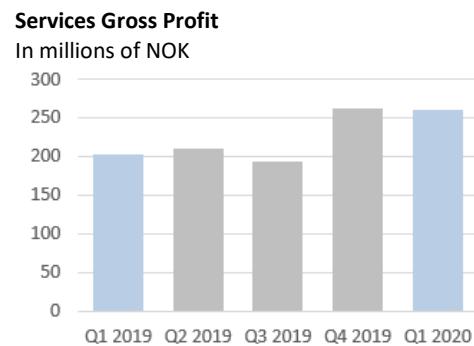
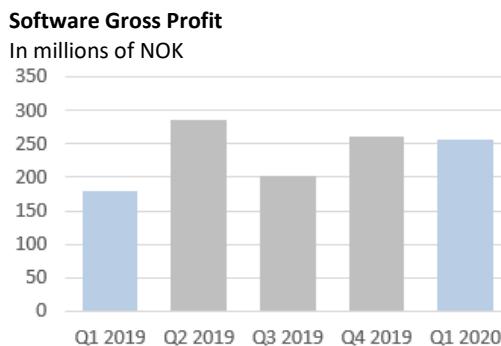
As outlined in note 8, Crayon has a strong underlying seasonality to its financial results driven by external factors, with Q2 and Q4 being the strongest quarters, while Q1 and Q3 are typically slower quarters. To compare the performance of the business across this seasonality the relevant comparison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

All market clusters (See Note 4 for additional information) had positive gross profit growth in Q1 2020 compared to Q1 2019. Nordics is the largest market cluster and delivered a +24.4% gross profit growth. Europe and US market clusters both delivered strong gross profit YoY growth of +46.3% and +61.4% respectively, while APAC & MEA had a gross profit YoY development of +45.4%.

The Software & Cloud division overall had a growth of +43.3% YoY, composed of Software & Cloud Direct with +41.0% gross profit growth YoY and Software & Cloud Channel with +49.4% gross profit growth YoY. Within the Software &

Cloud segment, gross profit in Europe grew with +72.8% YoY and the US Markets +100.8% YoY. Gross profit in the Nordics increased with 30.5% YoY, and APAC & MEA increased with 34.5%. Within the Services segment, the overall gross profit growth was +27.7%, driven by Consulting with +29.9% YoY growth and Software & Cloud Economics ("SAM") of +24.2% YoY growth. Within the Services segment, Nordics grew by +20.8% YoY, while Europe, APAC & MEA and US grew by +9.2% YoY, +113.4% YoY and +53.9% YoY respectively.

Q1 2020 adjusted EBITDA was NOK 40.6m (2019: NOK +35.8m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +30.7m YoY), Europe (NOK -1.6m YoY), APAC & MEA (NOK -6.2m YoY) and US (NOK -0.4 YoY). In the business area segment, the adjusted EBITDA improvement was driven by Software & Cloud Direct (NOK +12.8m YoY), Software & Cloud Channel (NOK +7.5 YoY), Software & Cloud Economics (NOK -3.0 YoY) and Consulting (NOK +0.2m YoY).



Business review

COVID- 19 Business impact

The World Health Organisation (WHO) declared the global outbreak of coronavirus (COVID-19) as a pandemic on March 12, 2020. During the following days and weeks, governments have implemented strict measures to prevent the spread of the COVID-19 virus. This included the closure of schools and universities, as well as bars, restaurants, events and businesses involving personal care such as hair salons and skin treatments.

Residents are encouraged or required to stay at home and discouraged from travel that is not strictly necessary. International borders have been closed to those without special permission, and those who enter the country must immediately take measures for self-quarantine. All employees of businesses or public sector institutions are encouraged or required to work from home and to maintain social distancing from others. Many production, retail and office locations have been temporarily closed, resulting in significant percentage of workforce being placed on temporary leave or has lost their employment.

In order to prevent large-scale unemployment and business failure during the COVID-19 pandemic, governments have implemented programs which reduce the cost to business and to relieve employees who are made redundant or on temporary leave of financial distress. Governments have also implemented temporary relief measures to companies which are facing short-term liquidity challenges.

The COVID-19 pandemic could have an impact on Crayon's business during 2020, but the extent and duration of the impact is uncertain at this time. Management will continue to monitor the development and implement mitigating

measures if deemed necessary. Crayon will monitor governmental grant and measures and consider taking advantage of those measures relevant to address any financial consequences of the COVID-19 outbreak. Available government grants have had insignificant impact on this first quarter interim report.

Governmental assistance programs that Crayon's subsidiaries may benefit from are mainly related to deferral of tax/fees payments as social security, VAT or CIT and VAT rates reduction. In some cases, cash refund on payroll taxes applies. Amounts received are not material.

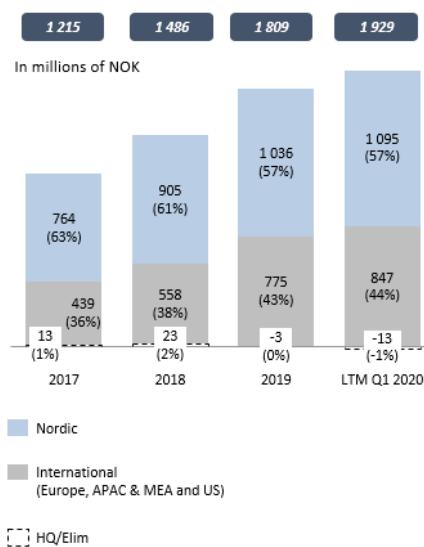
The software industry is assumed to be less affected than other industries. Crayon's business model is well structured to handle the COVID-19 pandemic as employees are able to work from home without any significant adverse impact on productivity. Products are delivered virtually/online and not affected by disruptions in supply chain. Crayon's external financing comes from equity and debt listed and traded at Oslo Stock Exchange and revolving credit facilities and non-recourse factoring mainly from Nordic and European banks. Crayon does not see any impact from COVID-19 in the calculations of covenants for Q1 2020.

In general, Crayon has not seen any significant impact from Covid-19 on our ability to collect funds from customers. In some less mature markets with higher use of physical payments such as cheques there has been limitations on our ability to access these funds due to lock-down across the economy, but the impact on our liquidity has so far been minimal.

See note 12 for further information of financial risk assessment.

Financial review

Total Gross Profit per Market Cluster



The first figure 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.

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

NOK against foreign currencies. See note 12 for updated information on credit risk.

Balance sheet

As of March 31, 2020 Crayon had assets of NOK 4 196m (2019: NOK 3 041m) which is primarily composed of accounts receivables NOK 2 398m (2019: NOK 1 674m), goodwill NOK 875m (2019: NOK 840m) and Cash & cash equivalents NOK 330m (2019: NOK 84m). Total liabilities as of March 31, 2020 is NOK 3 534m (2019: NOK 2 473m), consisting primarily of accounts payables NOK 2 309m (2019: NOK 1 353m) and a bond loan NOK 294m (2019: NOK 447m). There was a refinancing done in November 2019, where CRAYON02 was replaced with CRAYON03. Please see note 11 for further information. Trade working capital decreased YoY with NOK 299m, compared to the 59.3% YoY revenue growth.

In 2018 Crayon finalized a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of March 31, 2020, factoring is improving our accounts receivables of NOK 130m (2019: NOK 62).

Interest expenses are increased YoY with NOK 1.1m, primarily driven by negative interest on cash balances in currencies with negative interest rates. The net loss before tax decreases YoY by NOK -31.9m to NOK -41.5m, mainly due to net financial expenses of NOK 31.9, driven by currency effects from the existing currency and interests swaps and currency impact on cash balances, where the Group at the end of Q1 had negative cash balances in multiple foreign currencies. Income tax expense for Q1 2020 is NOK 10.1m, mainly related to the Nordic and APAC & MEA market clusters.

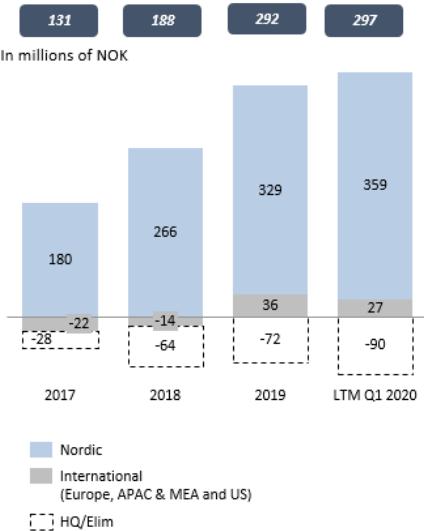
Equity increased by NOK 76m from year-end 2019 consisting of net loss of NOK 52m which has been more than offset by currency translation on net investments in subsidiaries of NOK 117m. NOK has depreciated against most major currencies at 31 March 2020 resulting in increased value of net investments in subsidiaries.

Management is continuing its efforts to control working capital, in particular in light of the growth in emerging markets with varying credit risks and payment cycles and the overall credit risk implied by the COVID-19 situation. There is no specific concentration of credit risk with respect to trade receivables, but in general the APAC & MEA region has a higher credit risk. The Group has a large number of customers spread across several countries and industries. Accounts receivables increased from last quarter related to the cyclicity of the business. The provision for bad debt increased with NOK 36m compared to Q1 2019. This is due to provisions for specific customers at risk, general provisions and currency translation from depreciation of

Leverage

Net interest-bearing debt as end of March 31, 2020 was NOK 36.6m with a net cash position of NOK 330m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")), corresponding to a leverage ratio of 0.1x EBITDA¹. The Group had significant headroom with regards to its bank covenants as of quarter end.

Total Adj. EBITDA per Market Cluster



Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 2.1m in Q1 2020.

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 13.1m.

Cash flow

Cash flow from operations in Q1 2020 was NOK 116.8m, compared with NOK -238.1m in Q1 2019 with the improvement primarily driven by an improvement in net working capital.

The net cash position as of March 31, 2020 was NOK 330.4m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 84.0m as of March 31, 2019. Between March 31 2019 and 2020 the bond was refinanced and reduced with NOK 150m through a corresponding increase of the RCF, and as such the improvement in the cash posh position is NOK 150m higher than

indicated by the comparison of cash position between March 31 2019 and 2020.

The liquidity position of the group remains strong, with a total liquidity reserve as of March 31, 2020 of NOK 598.9m, compared to NOK 180.2m as of March 31, 2019. For more information on the definition of liquidity reserve, please see the 'Alternative Performance Measures' section in this report. See note 12 for updated information of liquidity risk.

Employees

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

The average number of employees during Q1 2020 was 1 615, compared to an average during Q1 2019 of 1 273. This represents a YoY increase of 342 employees /+26.9%. The Software & Cloud business division had a total increase in average employees of 82 YoY, representing a 17.9% increase. The average number of

employees in the Services business division increased YoY by 164 employees ², whilst other employees increased by 96 YoY.

At the date of this report, all Crayon employees are safe and remains productive. Crayon has taken measures to protect employees and support ongoing efforts to contain the COVID-19 pandemic in line with local and global health authorities. The transition to remote work has so far been seamless for our employees, customers and business partners.

² Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Year to date ended		Year ended
		31-Mar		31-Dec
		Un-audited 2020	Un-audited 2019	Un-audited 2019
Operating revenue	4	4 203 953	2 639 337	13 618 020
Cost of sales		3 688 747	2 244 083	11 809 309
Gross profit		515 206	395 253	1 808 711
Payroll and related cost		393 664	306 786	1 292 875
Other operating expenses	12	80 941	52 686	223 594
Share based compensation		1 823	895	19 813
Other income and expenses		282	5 571	22 503
EBITDA		38 496	29 316	249 926
Depreciation and amortisation	6,13	32 628	26 437	113 491
Impairment		-	-	59 378
Operating (loss)/profit/EBIT		5 868	2 879	77 057
Interest expense		15 398	14 260	59 810
Other financial expense, net	7	31 933	(1 810)	7 658
Net (loss) income before tax		(41 464)	(9 571)	9 589
Income tax expense on ordinary result		10 123	(558)	28 878
Net (loss) income		(51 587)	(9 013)	(19 289)
Comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation		116 896	785	8 859
Total comprehensive income -net of tax		65 309	(8 228)	(10 430)
Allocation of net income				
Non-controlling interests		(4 047)	(1 313)	(7 054)
Owners of Crayon Group Holding ASA		(47 540)	(7 700)	(12 235)
Total net income (loss) allocated		(51 587)	(9 013)	(19 289)
Earnings (loss) per share (NOK per share)		(0,62)	(0,10)	(0,16)
Allocation of Total comprehensive income				
Non-controlling interests		(7 873)	(938)	(4 576)
Owners of Crayon Group Holding ASA		73 182	(7 290)	(5 854)
Total comprehensive income allocated		65 309	(8 228)	(10 430)

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

Condensed Consolidated Balance Sheet Statement

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar		31-Dec
	Un-audited 2020	Un-audited 2019	Un-audited 2019
Cash flows from operating activities:			
Net (loss) income before tax	(41 464)	(9 571)	9 589
Taxes paid	(10 233)	(8 318)	(30 495)
Depreciation, amortisation and impairment	32 628	26 437	172 869
Net interest expense	12 352	11 825	48 122
Changes in inventory, accounts receivable/payable	98 735	(239 543)	(109 044)
Changes in other current accounts	24 737	(18 939)	99 937
Net cash flow from operating activities	116 756	(238 108)	190 977
Cash flows from investing activities:			
Payment for capitalised assets	(17 734)	(19 371)	(76 336)
Acquisition of subsidiaries - net of cash acquired	(1 000)	-	(8 852)
Net cash flow from investing activities	(18 734)	(19 371)	(85 188)
Cash flow from financing activities:			
Net interest paid to credit institutions and interest to bond loan	(10 470)	(8 275)	(55 561)
New equity	-	-	34 966
Acquisition/disposal of non-controlling interest	7 756	(10 844)	(31 547)
Proceeds from issuance of interest bearing debt	-	-	300 000
Repayment of interest bearing debt	(9 826)	(6 754)	(488 848)
Other Financial items	(306)	(2 920)	(2 706)
Net cash flow from financing activities	(12 845)	(28 793)	(243 696)
Net increase (decrease) in cash and cash equivalents	85 176	(286 273)	(137 906)
Cash and cash equivalents at beginning of period	238 817	379 282	379 282
Currency translation	6 440	(8 975)	(2 559)
Cash and cash equivalents at end of period	330 433	84 034	238 817

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

March 31, 2019

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
(In thousands of NOK)							
Balance at January 1, 2019	75 394	(35)	588 051	(72 521)	590 889	(4 581)	586 309
Net (loss) income	-	-	-	(7 700)	(7 700)	(1 313)	(9 013)
Currency translation	-	-	-	(237)	(237)	375	138
Total comprehensive income	-	-	-	(7 937)	(7 937)	(938)	(8 875)
Share repurchase (net)	-	25	363	-	388	-	388
Share based compensation	-	-	-	895	895	-	895
Transactions with non-controlling interests	-	-	-	(8 666)	(8 666)	(1 953)	(10 619)
Transactions with owners	-	25	363	(7 771)	(7 383)	(1 953)	(9 336)
Balance as of end of period	75 394	(10)	588 414	(88 229)	575 569	(7 472)	568 097

Year End 2019

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
(In thousands of NOK)							
Balance at January 1, 2019	75 394	(35)	588 051	(72 520)	590 890	(4 581)	586 309
Adjustment ¹	-	-	-	(5 049)	(5 049)	-	(5 049)
Net (loss) income	-	-	-	(12 235)	(12 235)	(7 054)	(19 289)
Currency translation	-	-	-	6 381	6 381	2 478	8 859
Total comprehensive income	-	-	-	(5 854)	(5 854)	(4 576)	(10 430)
Share repurchase (net)	-	25	363	-	388	-	388
Share issues	1 230	-	33 736	-	34 966	-	34 966
Share based compensation	-	-	-	10 763	10 763	384	11 147
Transactions with non-controlling interests	-	-	-	(32 632)	(32 632)	714	(31 918)
Transactions with owners	1 230	25	34 099	(21 869)	13 485	1 098	14 582
Balance as of end of period	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413

March 31, 2020

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
(In thousands of NOK)							
Balance at January 1, 2020	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
Adjustment ¹	-	-	-	(485)	(485)	23	(462)
Net (loss) income	-	-	-	(47 540)	(47 540)	(4 047)	(51 587)
Currency translation	-	-	-	120 723	120 723	(3 827)	116 896
Total comprehensive income	-	-	-	73 182	73 182	(7 873)	65 309
Share based compensation	-	-	-	3 085	3 085	92	3 177
Transactions with non-controlling interests	-	-	-	4 821	4 821	2 936	7 756
Transactions with owners	-	-	-	7 906	7 906	3 027	10 933
Balance as of end of period	76 624	(10)	622 150	(24 688)	674 075	(12 882)	661 193

¹ Mainly adjustment to opening balance

Notes

Note 1 – Corporate information

The Board of Directors approved the condensed interim financial statements for the three months ended March 31, 2020 for publication on May 12, 2020. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA (“Crayon”) is a public limited company registered in Norway. The Company is a leading IT advisory firm in software and digital transformation services. Crayon optimises its clients' return on investment (“ROI”) from complex software technology investments by combining extensive experience within volume software licensing optimization, digital engineering, and predictive analytics. Headquartered in Oslo, Norway, the company has approximately 1.615 employees in 50 offices worldwide.

Note 2 – Basis of preparation

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 “Interim Financial Reporting”. The condensed interim financial statements do not include all information and disclosures required in the annual financial statement and should be read in accordance with the Group's Annual Report for 2019, which has been prepared according to IFRS as adopted by EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the company based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2019.

The annual report for 2019 provides a description of the uncertainties and potential business impact from the COVID-19 pandemic outbreak. The Business Review section of this report describes updated information of the COVID-19 situation and how Crayon can be impacted. The extraordinary situation and risk which the COVID-19 pandemic represents, affects estimates and judgments of future outlook, and thus significant estimates and judgments applied in these interim financial statements. See note 10 and 12 for further information related to potential risk of impairment of goodwill and increased credit risk affecting provisions for bad debt.

Note 3 – Significant accounting principles

The accounting policies applied in the preparation of the consolidated interim financial statement are consistent with those applied in the preparation of the annual IFRS financial statement for the year ended December 31, 2019.

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

Note 4 – Segment information

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

The operating units that form a natural reporting segment are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin/Eliminations (Admin & Shared services and Eliminations). (Further information is found in note 2 in the Annual report for 2019).

- **Software & Cloud Direct** is Crayon's licence offering from software vendors (e.g Microsoft, Adobe, Symantec, Citrix, Vmware, Oracle, IBM and others). The emphasis is towards standard software, which customers consistently use year after year, and which plays a key role in their technological platforms and critical commercial processes.
- **Software & Cloud Channel** is Crayon's offering towards hosters, system integrators and ISVs, which includes licence advisory/optimization, software licence sales and access to Crayon's proprietary tools and IP.
- **Software & Cloud Economics** services include processes and tools for enabling clients to build in house SAM (SAM: Software Asset Management) capabilities, licence spend optimisation and support for clients in vendor audits.
- **Consulting** consists of Cloud Consulting and Solution Consulting services related to infrastructure consulting, cloud migration and deployment, bespoke software deployment and follow-up of applications.
- **Admin & Shared services** includes administrative income and costs, corporate administrative costs (excluding other income and expenses), unallocated global shared costs and eliminations.
- The market clusters are composed of operating countries in the different geographical areas. The Nordics is composed of Norway, Sweden, Denmark, Finland, Iceland and Ice Distribution. Europe is composed of Austria, Switzerland, Germany, Netherlands, Spain, France, Portugal, UK, Bulgaria, Macedonia, Serbia, Russia, Czech, Poland and Latvia. APAC & MEA is composed

of India, Malaysia, Philippines, Singapore, Middle East, Sri Lanka, Mauritius, Australia and South Africa. US represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. HQ & Eliminations includes corporate admin costs (excluding other income and expenses), unallocated global shared cost and eliminations.

Operating revenue from the operating segments Software & Cloud Economics and Consulting are recognised over time as explained under IFRS accounting principles in note 2. Operating revenue from the operating segments Software & Cloud Direct and Software & Cloud Channel are recognised point in time for software licenses and over time for cloud licenses, see note 2 for additional information.

Segmentinformation March, 31, 2020

(In thousands of NOK)	Software & Cloud		Services			Admin/ eliminatio	Total
	Software & Cloud Direct	Software & Cloud	Software & Cloud	Consulting			
Operating revenue							
Nordics	1 206 539	362 578	38 918	213 328	8 367	1 829 729	
Europe	592 525	214 452	19 654	23 571	569	850 772	
APAC & MEA	452 499	364 740	8 204	11 873	971	838 286	
US	336 275	349 419	49 080	1 433	252	736 459	
HQ	-	-0	-0	2	13 866	13 869	
Eliminations	-	-	-	-	-65 162	-65 162	
Operating revenue	2 587 838	1 291 189	115 856	250 207	-41 137	4 203 953	
Gross profit							
Nordics	100 718	30 672	27 051	141 563	-104	299 901	
Europe	44 172	15 559	19 844	8 502	1 086	89 163	
APAC & MEA	25 477	20 571	5 787	8 317	1 228	61 380	
US	13 327	6 721	47 469	978	-1 240	67 256	
HQ	-	74	353	2	14 234	14 663	
Eliminations	-	-	-	-	-17 156	-17 156	
Gross profit	183 694	73 597	100 505	159 362	-1 951	515 206	
Operating expenses	122 900	45 419	101 746	136 993	69 652	476 710	
EBITDA	60 794	28 178	-1 241	22 369	-71 604	38 496	
Adjustments	-	-	-	-	2 105	2 105	
Adjusted EBITDA	60 794	28 178	-1 241	22 369	-69 498	40 602	

Segmentinformation March, 31, 2019

(In thousands of NOK)	Software & Cloud		Services		Admin/ eliminatio	Total
	Software & Cloud Direct	Software & Cloud	Software & Cloud	Consulting		
Operating revenue						
Nordics	1 084 484	284 917	30 217	144 709	1 083	1 545 410
Europe	295 124	116 942	25 648	4 842	624	443 179
APAC & MEA	188 507	247 041	3 703	4 358	460	444 069
US	152 816	57 681	33 484	1 944	129	246 054
HQ	66	-0	-	-	11 342	11 407
Eliminations	-	-	-	-	-50 782	-50 782
Operating revenue	1 720 997	706 580	93 052	155 853	-37 145	2 639 337
Gross profit						
Nordics	77 797	22 855	25 813	113 738	926	241 129
Europe	26 992	7 573	21 997	3 953	433	60 948
APAC & MEA	17 081	17 162	3 330	3 280	1 352	42 204
US	8 343	1 640	29 802	1 673	221	41 678
HQ	66	38	-	-9	22 345	22 439
Eliminations	-	-	-	-	-13 145	-13 145
Gross profit	130 279	49 267	80 941	122 635	12 132	395 253
Operating expenses	82 304	28 569	79 231	100 443	75 391	365 938
EBITDA	47 974	20 698	1 710	22 192	-63 258	29 316
Adjustments	-	-	-	-	6 466	6 466
Adjusted EBITDA	47 974	20 698	1 710	22 192	-56 793	35 781

(In thousands of NOK)

	Year to date ended	
	31. mar.	
	2020	2019
Adjusted EBITDA per Operating Segment		
- Software & Cloud Direct	60 794	47 974
- Software & Cloud Channel	28 178	20 698
Total Adjusted EBITDA - Software & Cloud	88 972	68 673
- Software & Cloud Economics	-1 241	1 710
- Consulting	22 369	22 192
Total Adjusted EBITDA - Services	21 128	23 902
Admin & shared services	-69 498	-56 793
Total Adjusted EBITDA	40 602	35 781

(In thousands of NOK)

	Year to date ended	
	31. mar.	
	2020	2019
Adjusted EBITDA per Market Cluster		
- Nordics	94 112	63 386
- Europe	-11 215	-9 609
- APAC & MEA	-4 750	1 460
- US	-10 318	-9 912
- HQ	-27 228	-9 543
Total Adjusted EBITDA	40 602	35 781

Note 5 – Share options

Share incentive scheme:

1.92 million share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period. An income of NOK 1.2 m (including accrued social security tax which gives a positive impact due to change in the share price from 31.12.2019) has been posted as an income in the profit or loss statement in Q1 2020. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price (NOK 15.50), the term of the option (5 years), the impact of dilution (where material), the share price at the grant date (NOK 15.50), expected price volatility of the underlying share and risk-free interest. The expected volatility is based on historical volatility for a selection of comparable listed companies. Risk free interest is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding IPO, see www.newsweb.no. In total, out of the 1.92 million options, the board of directors and management were allotted 0.4 million and 0.7 million share options, respectively.

Employee share purchase program (ESPP):

In connection with the share incentive program, all employees in the Company and its subsidiaries in which an offer could be lawfully made, have been offered to participate in an employee share purchase program (ESPP). On 23 December 2019, 1.23 million shares were allotted to employees at a subscription price of NOK 30 per share. The subscription price was equal to 3-month average share price at the start of the subscription period with a 20% discount. The employees have been offered to subscribe for amounts between NOK 10,000 to NOK 100,000 (all amounts including the 20% discount). In aggregate, 407 employees participated in the share incentive program. The new shares issued to the employees are subject to a lock-up period of 2 years in which the employees cannot sell, dispose of or otherwise transfer shares received under the program. Additional bonus shares will be granted to employees participating in the ESPP and remaining employed by Crayon by the end of the lock-up period. One bonus share will then be granted for every third share subscribed for under the program. The bonus shares vest over two years. The fair value of the shares was calculated at the grant date. A cost of NOK 1.8 m (including accrued social security) has been charged as an expense in the profit or loss statement in Q1 2020. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the subscription price (NOK 30), the term of the lock-up (2 years), the impact of dilution (where material), the share price at the grant date (NOK 52), expected price volatility of the underlying share and risk-free interest. The expected volatility is based on historical volatility for listed Crayon shares from 8 November 2017 up until the grant date. Risk free interest is based on treasury bond with same maturity as the option program. For further details, see stock exchange notifications regarding mandatory notifications of trade on 23 December 2019, see www.newsweb.no. In total, the board of directors and management were allotted 78.3 thousand and 115 thousand shares, respectively.

Management share options program:

The group has implemented a new share-based incentive scheme to management were maximum 1.48 million share options can be allotted. The program includes both employment and performance vesting conditions. The fair value of the options is calculated at grant date and expensed over the vesting period. A cost of NOK 1.3 m (including accrued social security tax) has been charged as an expense in the profit or loss statement in Q1 2020. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price (NOK 53.60), the term of the option (5 years), the impact of dilution (where material), the share price at the grant date (NOK 53.60), expected price volatility of the underlying share and risk-free interest. In addition, expected performance and employment conditions are included to conclude on the expected number of options. 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.

Note 6 – Depreciation, amortisation and impairment

Depreciation, amortisation and impairment consists of the following:

	Year to date ended		Year ended
	31-Mar	2019	31-Dec
(In thousands of NOK)			
Depreciation	12 494	9 153	40 624
Amortisation of intangibles	20 135	17 283	72 866
Impairment	-	-	59 378
Total	32 628	26 437	172 869

See note 9 for breakdown of intangible assets. See note 13 for more information on Right-of-use-assets.

Note 7 – Other financial income and expenses

Other financial income and expenses, consists of the following:

	Year to date ended		Year ended
	31-Mar	2019	31-Dec
(In thousands of NOK)			
Interest income	3 046	2 434	11 688
Other financial income	125 500	19 456	153 669
Other financial expenses	-160 480	-20 081	-173 015
Other total financial income / (Expense)	-31 933	1 810	-7 658

Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Income 1.1-31.03 foreign currency is presented net.

Note 8 – Seasonality of operations

The group's result of operations and cash flows has varied, and are expected to continue to vary, from quarter to quarter and period to period. These fluctuations have resulted from a variety of

factors including contractual renewals being skewed towards Q2 and Q4, year-end campaigns by key vendors (Microsoft's fiscal year ends 30 June, Oracle fiscal year ends May 31) and the number of working days in a quarter resulting in shorter production periods for consultants.

Note 9 – Intangible assets

(In thousands of NOK)	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	7 421	262 269	385 797	67 600	723 088
Additions	-	13 065	-	0	13 065
FX translation	-	1 829	8 220	4 213	14 262
Aquisition cost at the end of the period	7 421	277 164	394 017	71 813	750 415
Amortisation and impairment 01.01	6 421	175 718	315 987	40 803	538 929
Amortisation	-	12 800	5 215	2 120	20 135
Impairment	-	-	-	-	0
Accumulated amortisation and impairment	6 421	188 518	321 202	42 923	559 064
Net value at the end of the period	1 000	88 646	72 816	28 891	191 352
Amortisation period	None	3-10 years	5-10 years	3-10 years	
Amortisation method	None	Linear	Linear	Linear	

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

Intangible assets with a limited useful life are measured at their acquisition cost, minus accumulated amortization and impairments. Amortization is recognised linearly over the estimated useful life. Amortization period and method are reviewed annually. Intangible assets with an indefinite useful economic life are not amortised but are tested annually for impairment. The company divides its Intangible See note 10 for additional information of impairment testing at March 31, 2020.

Assets into the following categories in the balance sheet:

Technology and software:

Per IFRS 3, the Group has assessed if there are any identifiable intangible assets separable from Goodwill arising on business combinations. The Group has determined that intangible assets arising from the business combinations of Anglepoint and FAST meet the recognition requirements under IAS 38 as separately identifiable intangible assets. In the case of FAST, a set of technology and software primarily used in a subscription service to customers who need both Software & Cloud Economics (previous SAM) and IT compliance services was capitalised. This

technology and software is expected to generate future economic benefits to the Group. In the case of the business combination with Anglepoint, the Group capitalized software and technology developed internally by Anglepoint. All qualifying intangible assets acquired during business combinations are recognized in the balance sheet at fair value at the time of acquisition.

Technology, Software and R&D arising from business combinations are amortised linearly over the estimated useful life.

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

Software licences (IP):

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

Contracts:

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

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

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

Note 10 – Goodwill

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

(In thousands of NOK)	Goodwill
Aquisition cost at 01.01	938 858
Currency translation	45 353
Aquisition cost at the end of the period	984 211
Impairment at 01.01	109 517
Impirment during the period	
Accumulated Impairment at the end of the period	109 517
Net book value at the end of the period	874 694

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 WACC and CAGR.

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

Crayon assess indications of impairment at each reporting date. At March 31, 2020, such indications have been identified as a result of the COVID-19 pandemic outbreak. The COVID-19 pandemic is considered a significant event with potential adverse effect on markets and economic environments in which Crayon operates.

Future cash flows applied in the DCF model at year-end 2019 may be impacted by such potential adverse effects. As described in the business outlook section of this report, Crayon has not yet experienced any significant adverse effects and future outcome is highly uncertain. Accordingly, Crayon has not revised estimates for future cash flows but is continuously monitoring the development closely.

Market interest rates and other market rates of return on investment are more volatile due to the uncertainty of the impact of COVID-19 pandemic. Crayon has reviewed the WACC assumptions and the pre-tax WACC for first quarter 2020. Risk-free interest rates and beta value have decreased and assumed offset by increased market risk premium, resulting in pre-tax WACC assumption which is unchanged from year-end 2019 (12.2%).

No impairment losses are recognised at March 31, 2020 from the COVID-19 pandemic as future cash flows and pre-tax WACC are unchanged. As estimates and assumptions are more volatile and uncertain, a sensitivity analysis has been prepared. The value in use for each CGU is still significantly higher than the carrying amount of tested goodwill and intangible assets with indefinite useful lives, except for Crayon UK which was partially impaired in 2019. The calculation is most sensitive to changes in EBITDA margins and gross profit growth. Reductions in EBITDA margins by 5 percentage points and gross profit growth of 10 percentage points would still not indicate any impairment losses, except for Crayon UK which would be subject for additional impairment.

Note 11 – Debt

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

The bonds have a floating coupon rate of 3 months NIBOR + 350 bps. p.a. (CRAYON 03). Any outstanding bonds is to be repaid in full at maturity date. The bond was listed on the Oslo Stock Exchange April 3, 2020.

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

Considering the refinancing mentioned above, the group also increased its revolving credit facility from NOK 200m to NOK 50m in November 2019.

The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising the underlying cash flow of the company and is booked as the actual value representing future liabilities based on the exchange rates at the balance sheet date. In accordance with IFRS 9, the transactional costs (NOK ~ 7 m) related to the bond issue which was settled on November 22, 2019 are accretion expensed (i.e. added back) over the lifetime of the bond, thus reaching NOK 300m nominal value at maturity in Q4 2022.

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

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
	2020	2019	2019
Long Term Interest bearing Debt	303 761	451 399	303 395
Other short-term interest bearing debt	50 123	46 949	45 088
Cash & cash equivalents	-330 433	-84 034	-238 817
Restricted cash	13 127	12 599	20 522
Net interest bearing debt	36 579	426 913	130 188

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 2019, note 2 and 23.

The COVID-19 pandemic is considered a significant event with potential adverse effect on markets and economic environments in which Crayon operates, affecting financial risk considerations. As described in the business outlook section of this report, the software reseller and software consulting industries are so far less impacted by the COVID-19 pandemic than other industries.

Liquidity risk

The risk to future revenue from customers not renewing software licenses is inherently seen as low due to the nature of the licenses sold, as software licenses are crucial for IT infrastructure and customers are expected to prioritise and maintain IT spending through the COVID-19 pandemic.

The liquidity risk assessment described in the annual report for 2019 is unchanged. Management believes that satisfactory mitigating actions are implemented.

Credit risk

At March 31, 2020, payments from customers are not significantly impacted by the COVID-19 pandemic. DSO (Days of Sales Outstanding) supports this assessment by reduced DSO from 57 at YE to 52 at March 31, 2020.

Approximately 40% of revenues comes from public sector customers and a majority of the remaining revenue is from large corporate customers with satisfactory credit ratings. These customers are likely to maintain spending on IT infrastructure during the COVID-19 pandemic and any following economic downturn. Around 1% of accounts receivables to private sector customers at 31 March 2020 are considered as high-risk industries such as travel and transport of personnel, accommodation, hospitality and leisure.

Management considers the market cluster APAC & MEA with the highest risk when it comes to COVID-19 potential impact. Governments have imposed lock-down, increasing counterparty risk as financial and business processes are disrupted. These market clusters are more reliant on manual process, i.e payments, than Europe and the Nordic region. Crayon monitors the development in the region closely and continuously reviews provisions for bad debt.

Overall Crayon considers the financial risk as moderate, but by applying mitigating actions and proactive measures this is reduced to low. The currency and interest rate risk assessments described in the annual report for 2019 covers any adverse effects from the COVID-19 pandemic.

Crayon present losses on accounts receivables as operating expenses. The impact of accounts receivables are presented below.

Allowance for doubtful accounts in the balance sheet

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
Opening balance 01.01	30 113	11 051	11 051
Currency translation	6 073	13	-60
Net reversal/ allowance	15 924	5 026	19 122
Closing balance 31.3	52 110	16 090	30 113

Profit or loss effect of bad debt

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
Realised losses	1 567	530	3 070
Allowance for doubtful accounts	15 924	5 026	19 122
Net accounting losses on receivables	17 491	5 556	22 192

Note 13 – Right-of-use assets

(In thousands of NOK)	Right of use assets
Aquisition cost at 01.01	144 735
Additions	3 305
Currency translation	14 145
Aquisition cost at the end of the period	162 185
Accumulate depreciation at 01.01	26 444
Depreciation during the period	8 148
Accumulated depreciation at the end of the period	34 592
Net book value at the end of the period	127 593
Depreciation period ¹	1-12 years
Depreciation method	Linear

¹ Lower of remaning lease term or economic life

Note 14 – Related party transaction

Karbon Invest AS

Karbon Invest AS, owned by chairman Jens Rugseth and Deputy CEO / Founder of Crayon Rune Syversen, has made a consultancy agreement with Crayon Group AS from January 1, 2020. Rune Syversen will continue in the role as Deputy CEO for Crayon Group AS, but his expenses will be invoiced from Karbon Invest AS. Invoiced expense for Q1 2020 is NOK 1.4m.

Puzzlepart AS

In February 2020, non-controlling interests purchased 20% of Puzzlepart AS' shares from Crayon Group AS. Crayon Group AS has issued written put options over the non-controlling interests on shares in Puzzlepart AS. The put options will be settled by non-controlling interests selling their shares in Puzzlepart AS in exchange for cash.

The written put options over non-controlling interests constitute an obligation for Crayon Group AS to purchase its own equity instruments for cash and classified as derivative financial liabilities and presented on net basis at fair value. The accounting policy applied for written put options over non-controlling interests is stated in note 2 on the annual financial report. The amount of cash to be paid shall be such an amount whose fair market value is equal to the fair market value of the share units being exchanged by the non-controlling interests. Hence, the fair value for the written put options over the non-controlling interests is zero as of March 31, 2020.

Note 15 – Events after the balance sheet

As described in the business review section of this report, the COVID-19 pandemic represents a challenge to the global economy with no historic precedent and has thus created a significant uncertainty on future economic outlook globally, with scenarios ranging from rapid recovery to a prolonged economic downturn.

At the date of this report, all Crayon employees are safe and remains productive. Crayon has taken measures to protect employees and support the ongoing efforts to contain the COVID-19 pandemic in line with local and global health authorities, and the transition to remote work has so far been seamless for our employees, customers and business partners.

In terms of business impact, Crayon has so far seen very limited impact as the demand for software and related services has remained strong. However, the long-term impact will depend on the overall development of the pandemic itself and the public measures taken to contain the spread of the virus, which in some scenarios could impact Crayon through lower growth rates, increasing credit risk and challenges in recruiting and onboarding new staff. The board continues to monitor the situation carefully in order to ensure appropriate actions are taken as the situation unfolds during 2020.

Techstep AS

Crayon AS has on April 3, 2020 entered into an agreement to purchase an IT Operations and Support business unit from Techstep Norway AS. According to the agreement, Crayon has acquired the business unit for a total consideration of MNOK 8. The acquisition is structured as an asset purchase, taking effect on April 1, 2020.

The acquired business unit has 8 employees in the Nordics and comes with an IT Operations and Support contract with Recover Nordic. Crayon has also signed a 3-year IT operations and support agreement with Techstep. Techstep is defined as a related party.

Total annual recurring gross profit under the above-mentioned contracts is approx. MNOK 11.

There were no other significant events that have occurred subsequent to the balance sheet date that would have an impact on the interim financial statements.

CRAYON 03, listing of bond loan

See note 11 regarding listing of the bond loan CRAYON 03, April 3, 2020.

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.

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
EBITDA	38 496	29 316	249 926
Other Income and Expenses	2 105	6 466	42 316
Adjusted EBITDA	40 602	35 781	292 242

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

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
Business development expenses and legal structuring	282	5 204	22 112
IPO Cost 2017 (Project Elevate)	-	366	481
Share based compensation	1 823	895	19 723
Other income and expenses	2 105	6 466	42 316

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.

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
Inventory	18 911	15 417	13 968
Accounts receivable	2 397 688	1 673 925	2 553 506
Other receivables	158 124	75 425	156 327
Income taxes payable	-25 135	-14 457	-24 405
Accounts payable	-2 309 049	-1 352 558	-2 361 188
Public duties	-156 233	-190 469	-235 188
Other current liabilities	-479 712	-272 517	-440 730
Net working capital	-395 406	-65 234	-337 712

Free available cash: Cash and cash equivalents less restricted cash.

Liquidity reserve: Freely available cash and credit facilities.

(In thousands of NOK)	Year to date ended		Year ended
	31-Mar	2019	31-Dec
Cash & cash equivalents	330 433	84 034	238 817
Restricted cash	-13 127	-12 599	-20 522
Free available cash	317 306	71 435	218 295
Available credit facility	281 604	108 786	248 352
Liquidity reserve	598 909	180 221	466 646

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