



Q3 2020
Crayon Group – Interim financial report



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Highlights

- Crayon delivers gross profit growth across all business areas and market clusters in Q3 2020. Gross profit grew by 26.2% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the segments Software & Cloud Channel (NOK 22.3m/ +39.6% YoY) and Software & Cloud Economics (NOK 27.0m/ +32.5% YoY). All market clusters delivered solid gross profit growth. International markets (e.g., outside Nordics) delivered 69% of the gross profit growth
- Adjusted EBITDA has a positive development, and in Q3 2020 adjusted EBITDA¹ increased with NOK 29.6m YoY to NOK 64.0m, with equal contribution from all market segments.

Key consolidated figures

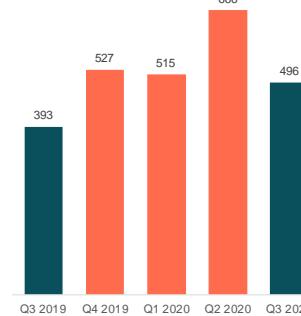
(NOK in thousands, unless stated)	Q3 2020		Year to date		Full year 2019 Audited
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	
	Un-audited	Un-audited	Un-audited	Un-audited	
Operating revenue	3 668 149	2 500 341	13 967 146	9 382 332	13 618 020
Gross profit	496 305	393 146	1 677 350	1 282 131	1 808 711
EBITDA	32 341	31 171	235 262	165 942	249 926
Adjusted EBITDA	63 953	34 307	275 742	194 362	292 242
Operating (loss)/profit/EBIT	(3 532)	3 228	132 152	82 628	77 057
Net (loss) income	(18 817)	(18 048)	32 148	18 822	(19 289)
Cash flow from operations	(1 240 537)	(640 093)	(33 781)	(203 661)	190 977
Gross profit margin (%)	13,5 %	15,7 %	12,0 %	13,7 %	13,3 %
Adjusted EBITDA margin (%)	1,7 %	1,4 %	2,0 %	2,1 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	12,9 %	8,7 %	16,4 %	15,2 %	16,2 %
Earnings per share (NOK per share)	(0,20)	(0,21)	0,43	0,25	(0,16)
September 30, 2020 September 30, 2019 December 31, 2019					
Liquidity reserve		651 699		88 977	466 646
Net working capital		(98 584)		(24 914)	(337 712)
Average headcount (number of employees)		1 691		1 311	1 354

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

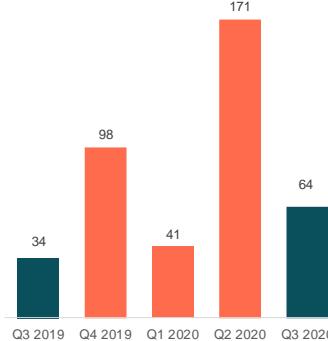
Consolidated Operating Revenue
In millions of NOK



Consolidated Gross Profit
In millions of NOK



Consolidated Adjusted EBITDA¹
In millions of NOK



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

Business review

Crayon continues on a strong growth trajectory, with another quarter of gross profit and EBITDA growth. Q3 2020 YoY revenue growth was +46.7% while gross profit growth was +26.2% NOK 103.2m, leading to a total Q3 2020 gross profit of NOK 496.3m. Adjusted EBITDA in Q3 2020 was NOK 64.0m, an increase of NOK 29.6m compared with Q3 2019.

As outlined in note 13, 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 6 for additional information) had positive gross profit growth in Q3 2020 compared to Q3 2019. Nordics is the largest market cluster and delivered a +11.8% gross profit growth. Europe and US market clusters both delivered strong gross profit YoY growth of +43.1% and +42.0% respectively, while APAC & MEA had a gross profit YoY development of +26.0%.

The Software & Cloud division overall had a growth of +21.8% YoY, composed of Software & Cloud Direct with +14.8% gross profit growth YoY and Software & Cloud Channel with +39.6% gross profit growth YoY.

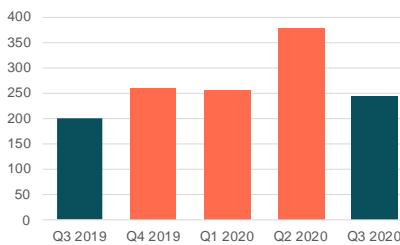
Within the Software & Cloud segment, gross profit in Europe grew with +43.3% YoY and the US Markets +42.9% YoY. Gross profit in the Nordics increased with 11.3% YoY, and APAC & MEA decreased with -1.4%. Within the Services segment, the overall gross profit growth was +28.2%, driven by Consulting with +24.9% YoY growth and Software & Cloud Economics ("SAM") of +32.5% YoY growth. Within the Services segment, Nordics grew by +11.8% YoY, while Europe, APAC & MEA and US grew by +41.8% YoY, +182.9% YoY and +42.5% YoY respectively.

Q3 2020 adjusted EBITDA was NOK +64.0m (2019: NOK +34.3m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +5.9m YoY), Europe (NOK 4.5m YoY), APAC & MEA (NOK +6.8m YoY) and US (NOK 7.0 YoY). In the business area segment, the adjusted EBITDA improvement was driven by Software & Cloud Direct (NOK -1.5m YoY), Software & Cloud Channel (NOK +15.5m YoY), Software & Cloud Economics (NOK +12.9m YoY) and Consulting (NOK -0.3m YoY).

The future impact from the Covid-19 pandemic on the global economy is still uncertain with multiple scenarios. So far, Crayon has not experienced disruption to its operations or experience significant financial effects due to covid-19. Management will continue to monitor the development in order to both address any new market opportunities and implement mitigating measures on our business if deemed necessary. Crayon has focused on estimates related to expected credit losses on accounts receivables also during Q3. Crayon has not identified significant covid-19 impact to the interim consolidated financial statements as of Q3 2020.

Software Gross Profit

In millions of NOK

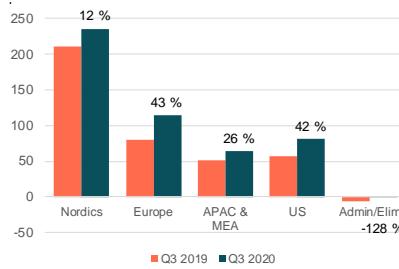


Services Gross Profit

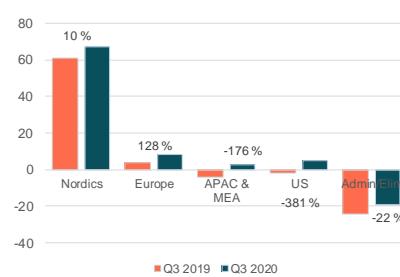
In millions of NOK



Gross Profit per Market Cluster and Growth
In millions of NOK



Adj. EBITDA per market cluster and growth (%)
In millions of NOK



Financial review

Items below the EBITDA line

Depreciation and amortisation increased NOK 7.9m YoY. The increase of depreciation is primarily driven by higher investments in recent periods into platforms and ERP systems.

Interest expenses decreased YoY with NOK 7.1m, primarily due to a lower interest on borrowings, while other financial expenses increased with NOK 14.9m due to currency movements. The net income before tax decreases YoY by NOK -14.5m to NOK -22.7m, mainly due to increase of other financial expenses NOK -14.9m. Income tax expense for Q3 2020 amounts to NOK -3.9m.

Net profit in the period was NOK -18.8m, at the same level as Q3 2019. Earnings per share increased from NOK -0.21 per share in Q3 2019 to NOK -0.20 per share in Q3 2020.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 31.6m in Q3 2020. Other income and expenses in Q3 is almost exclusively related to the accounting treatment of the share based compensation, which is driven by the option program from the IPO, the broad-based Employee Share Purchase Program and a management performance program for strategic KPIs, which given the strong share price development during Q3 has led to a strong increase in other income and expenses compared to both last quarter and the same quarter last year.

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

Balance sheet

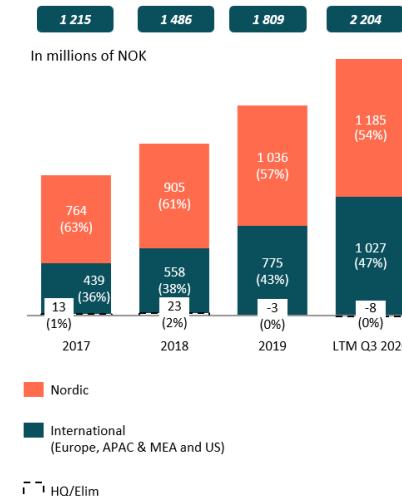
As of September 30, 2020 Crayon had assets of NOK 4 418m (2019: NOK 3 097m) which is primarily composed of accounts receivables NOK 2 529m (2019: NOK 1 682m), goodwill NOK 870m (2019: NOK 889m) and Cash & cash equivalents NOK 413m (2019: NOK 40m). Total liabilities as of September 30, 2020 amounts to NOK 3 427m (2019: NOK 2 503m), consisting primarily of accounts payables NOK 2 253m (2019: NOK 1 288m) and a bond loan NOK 295m (2019: NOK 449m). There was a refinancing done in November 2019, where CRAYON02 was replaced with CRAYON03. Please see note 10 for further information.

Trade working capital decreased YoY with NOK 124m, compared to the 46.7% YoY revenue growth. This improvement is driven by a combination of improved credit and collection performance with customers and some temporary renegotiation of supplier terms in light of the Covid-19 situation.

Management is continuing its efforts to control working capital, 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.

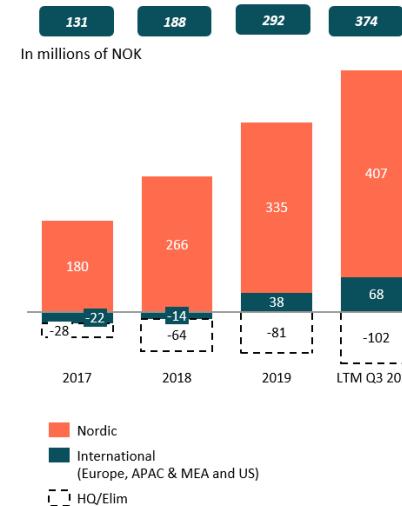
There is no specific concentration of credit risk with respect to trade receivables, but in general the APAC & MEA region has a higher credit risk. The Group has a large number of customers spread across several countries and industries. Accounts receivables decreased from last quarter related to the cyclical nature of the business. The provision for bad debt increased with NOK 23.9m compared to Q3 2019. This is due to provisions for specific customers at risk, general provisions and currency translation from depreciation of NOK against foreign currencies. See note 11 for updated information on credit risk.

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.

Total Adj. EBITDA per Market Cluster



The second figure shows adjusted EBITDA per Market Cluster, with the total adjusted EBITDA for the period in the box above each bar.

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 September 30, 2020, factoring is improving our accounts receivables of NOK 86m (2019: NOK 54).

Equity increased by NOK 405m from year-end 2019 consisting primarily issued share capital amounting NOK 296m, a total net income of NOK 32m and a currency translation on net investments in subsidiaries of NOK 59m. NOK has depreciated against most major currencies at September 30, 2020 resulting in increased value of net investments in subsidiaries.

Leverage

Net interest-bearing debt as end of September 30, 2020 was NOK -10.9m with a net cash position of NOK 413m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")), corresponding to a leverage ratio of -0,03x EBITDA¹. The company had a NOK 19m drawdown on the RCF as of the end of Q3 2020. The Group had significant headroom with regards to its bank covenants as of quarter end.

Cash flow

Cash flow from operations in Q3 2020 was NOK -1 241m, compared with NOK -640.1m in Q3 2019 mainly due to deferred vendor payment in Q3 from Q2 2020.

The net cash position as of September 30, 2020 was NOK 413 (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 40m as of September 30, 2019. Between September 30 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 September 30 2019 and 2020.

The liquidity position of the group remains strong, with a total liquidity reserve as of September 30, 2020 of NOK 652m, compared to NOK 89m as of September 30, 2019. For more information on the definition of liquidity reserve, please see the 'Alternative Performance Measures' section in this report. See note 11 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 Q3 2020 was 1 691, compared to an average during Q3 2019 of 1 311. This represents a YoY increase of 380 employees /+29.0%. The Software & Cloud business division had a total increase in average employees of 96 YoY, representing a 20.7% increase. The average number of employees in the Services business division increased YoY by 192 employees ², whilst other employees increased by 92 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.

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 17.3m.

² Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended		Year to date ended		Year ended	
		30-Sep		30-Sep		31-Dec	
		Un-audited 2020	Un-audited 2019	Un-audited 2020	Un-audited 2019	Audited 2019	
Operating revenue	6	3 668 149	2 500 341	13 967 146	9 382 332	13 618 020	
Cost of sales		3 171 844	2 107 195	12 289 796	8 100 201	11 809 309	
Gross profit		496 305	393 146	1 677 350	1 282 131	1 808 711	
Payroll and related cost		378 409	306 211	1 215 202	943 282	1 292 875	
Other operating expenses		53 943	52 627	186 406	144 488	223 594	
Share based compensation		31 492	2 831	40 066	6 526	19 813	
Other income and expenses		120	306	414	21 894	22 503	
EBITDA		32 341	31 171	235 262	165 942	249 926	
Depreciation and amortisation	4	35 873	27 943	103 110	83 314	113 491	
Impairment		-	-	-	-	59 378	
Operating (loss)/profit/EBIT		(3 532)	3 228	132 152	82 628	77 057	
Interest expense		8 684	15 790	31 927	44 460	59 810	
Other financial expense, net	5	10 512	(4 374)	32 609	(3 232)	7 658	
Net (loss) income before tax		(22 728)	(8 188)	67 616	41 399	9 589	
Income tax expense on ordinary result		(3 911)	9 860	35 469	22 577	28 878	
Net (loss) income		(18 817)	(18 048)	32 148	18 822	(19 289)	
Comprehensive income							
Items that are or may be reclassified subsequently to profit or loss							
Currency translation		(1 212)	27 735	58 900	17 670	8 859	
Total comprehensive income -net of tax		(20 029)	9 687	91 048	36 492	(10 430)	
Allocation of net income							
Non-controlling interests		(2 269)	(1 971)	(2 708)	(245)	(7 054)	
Owners of Crayon Group Holding ASA		(16 549)	(16 078)	34 856	19 067	(12 235)	
Total net income (loss) allocated		(18 817)	(18 049)	32 148	18 822	(19 289)	
Earnings (loss) per share (NOK per share)		(0,20)	(0,21)	0,43	0,25	(0,16)	
Allocation of Total comprehensive income							
Non-controlling interests		(2 269)	(2 453)	(4 468)	(411)	(4 576)	
Owners of Crayon Group Holding ASA		(17 761)	12 140	95 516	36 903	(5 854)	
Total comprehensive income allocated		(20 029)	9 687	91 048	36 492	(10 430)	

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

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	30-Sep			31-Dec			(In thousands of NOK)	30-Sep			31-Dec			
	Note	Un-audited		Un-audited	31-Dec			Note	Un-audited		Un-audited	31-Dec		
		2020	2019		2019	Audited			2020	2019		2019	2019	
ASSETS														
<i>Non-current assets:</i>														
Development Costs	8	86 548	75 845		86 552									
Technology and software	8	21 996	28 803		26 797									
Contracts	8	61 669	75 054		69 810									
Software licenses (IP)	8	2 312	1 000		1 000									
Goodwill	9	869 975	889 280		829 341									
Deferred tax asset		36 010	16 115		23 195									
Total intangible assets		1 078 510	1 086 097		1 036 695									
Tangible assets														
Equipment		39 811	33 169		35 415									
Right of use assets		133 904	120 460		118 291									
Total tangible assets		173 715	153 630		153 706									
Other long-term receivables		22 439	21 754		25 617									
Total financial assets		22 439	21 754		25 617									
Total non-current assets		1 274 665	1 261 481		1 216 018									
<i>Current assets:</i>														
Inventory		13 390	18 773		13 968									
Total inventory		13 390	18 773		13 968									
Accounts receivable		2 528 614	1 682 470		2 553 506									
Other receivables		188 160	94 471		156 327									
Total receivable		2 716 774	1 776 940		2 709 832									
Cash & cash equivalents	10	412 794	40 119		238 817									
Total current assets		3 142 958	1 835 833		2 962 617									
Total assets		4 417 623	3 097 313		4 178 636									
LIABILITIES AND SHAREHOLDERS' EQUITY														
<i>Shareholders' equity:</i>														
Share capital									81 239		75 394		76 624	
Own shares									(10)		(10)		(10)	
Share premium									914 175		588 414		622 150	
Sum paid-in equity									995 404		663 798		698 764	
<i>Retained Earnings</i>														
Other Equity									2 731		(59 150)		(105 292)	
Total retained earnings									2 731		(59 150)		(105 292)	
Total equity attributable to parent company shareholders									998 135		604 648		593 472	
Non-controlling interests									(7 432)		(10 593)		(8 059)	
Total shareholders' equity									990 703		594 055		585 413	
<i>Long-term liabilities:</i>														
Bond loan	10								294 617		(0)		293 188	
Derivative financial liabilities									(0,0)		0		114	
Deferred tax liabilities									23 664		31 205		29 703	
Lease liabilities									108 644		117 964		95 517	
Other long-term liabilities									72 742		38 229		41 958	
Total long-term liabilities									499 668		187 398		460 480	
<i>Current liabilities:</i>														
Accounts payable									2 252 520		1 287 718		2 361 188	
Income taxes payable									38 261		22 115		24 405	
Public duties									96 987		204 896		235 188	
Current lease liabilities									31 181		4 504		26 142	
Other short-term interest bearing debt	10								67 323		42 470		45 088	
Other current liabilities									440 980		305 899		440 730	
Bond loan, current liabilities	10								-		448 561		-	
Derivative financial liabilities									-		(303)		-	
Total current liabilities									2 927 252		2 315 860		3 132 742	
Total liabilities									3 426 920		2 503 258		3 593 223	
Total equity and liabilities									4 417 623		3 097 313		4 178 636	

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended		Year to date ended		Year ended
	30-Sep		30-Sep		31-Dec
	Un-audited 2020	Un-audited 2019	Un-audited 2020	Un-audited 2019	Audited 2019
Cash flows from operating activities:					
Net (loss) income before tax	(22 728)	(8 188)	67 616	41 399	9 589
Taxes paid	(5 335)	(3 305)	(20 706)	(14 177)	(30 495)
Depreciation, amortisation and impairment	35 873	27 943	103 110	83 314	172 869
Net interest expense	7 488	11 553	24 507	35 239	48 122
Changes in inventory, accounts receivable/payable	(942 392)	(611 306)	(83 199)	(316 284)	(109 044)
Changes in other current accounts	(313 444)	(56 791)	(125 110)	(33 153)	99 937
Net cash flow from operating activities	(1 240 537)	(640 093)	(33 781)	(203 661)	190 977
Cash flows from investing activities:					
Payment for capitalised assets	(17 687)	(11 827)	(52 617)	(46 269)	(76 336)
Acquisition of subsidiaries - net of cash acquired	-	(500)	(4 614)	(7 952)	(8 852)
Business combinations	-	-	(8 000)	-	-
Net cash flow from investing activities	(17 687)	(12 327)	(65 231)	(54 221)	(85 188)
Cash flow from financing activities:					
Net interest paid to credit institutions and interest to bond loan	(6 002)	(11 831)	(37 550)	(28 528)	(55 561)
Share issues	-	-	296 641	-	34 966
Acquisition/disposal of non-controlling interest	1 151	(10 332)	8 907	(31 637)	(31 547)
Proceeds from issuance of interest bearing debt	-	-	33 922	-	300 000
Repayment of interest bearing debt	(11 348)	(7 559)	(31 655)	(23 965)	(488 848)
Other Financial items	(2 061)	5 757	(1 399)	2 837	(2 706)
Net cash flow from financing activities	(18 260)	(23 965)	268 866	(81 292)	(243 696)
Net increase (decrease) in cash and cash equivalents	(1 276 483)	(676 385)	169 855	(339 174)	(137 906)
Cash and cash equivalents at beginning of period	1 689 361	707 765	238 817	379 282	379 282
Currency translation	(84)	8 740	4 122	11	(2 559)
Cash and cash equivalents at end of period	412 794	40 119	412 794	40 119	238 817

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

September 30, 2019

(In thousands of NOK)

Balance at January 1, 2019

Net (loss) income

Currency translation

Total comprehensive income

Share repurchase (net)

Share based compensation

Transactions with non-controlling interests

Transactions with owners

Balance as of end of period

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2019	75 394	(35)	588 051	(72 520)	590 890	(4 581)	586 309
Net (loss) income	-	-	-	19 067	19 067	(245)	18 822
Currency translation	-	-	-	17 836	17 836	(167)	17 670
Total comprehensive income	-	-	-	36 903	36 903	(411)	36 491
Share repurchase (net)	-	25	363	-	388	-	388
Share based compensation	-	-	-	1 058	1 058	-	1 058
Transactions with non-controlling interests	-	-	-	(25 290)	(25 290)	(5 620)	(30 910)
Transactions with owners	-	25	363	(24 232)	(23 844)	(5 620)	(29 464)
Balance as of end of period	75 394	(10)	588 414	(59 150)	604 648	(10 593)	594 055

Year End 2019

(In thousands of NOK)

Balance at January 1, 2019

Adjustment ¹

Net (loss) income

Currency translation

Total comprehensive income

Share repurchase (net)

Share issues

Share based compensation

Transactions with non-controlling interests

Transactions with owners

Balance as of end of period

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
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

September 30, 2020

(In thousands of NOK)

Balance at January 1, 2020

Adjustment ¹

Net (loss) income

Currency translation

Total comprehensive income

Share repurchase (net)

Share issues

Share based compensation

Transactions with non-controlling interests

Transactions with owners

Balance as of end of period

	Attributable to equity holders of Crayon Group Holding ASA						
	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
Adjustment ¹	-	-	-	(173)	(173)	0	(172)
Net (loss) income	-	-	-	34 856	34 856	(2 708)	32 148
Currency translation	-	-	-	60 660	60 660	(1 759)	58 900
Total comprehensive income	-	-	-	95 516	95 516	(4 468)	91 048
Share repurchase (net)	-	-	-	-	-	-	-
Share issues	4 615	-	292 025	-	296 641	-	296 641
Share based compensation	-	-	-	8 741	8 741	305	9 046
Transactions with non-controlling interests	-	-	-	3 939	3 939	4 789	8 728
Transactions with owners	4 615	-	292 025	12 679	309 320	5 094	314 414
Balance as of end of period	81 239	(10)	914 175	2 731	998 135	(7 432)	990 703

Notes

Note 1 – Corporate information

The Board of Directors approved the condensed interim financial statements for the nine months ended September 30, 2020 for publication on October 28, 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 1691 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 9 and 11 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 – Depreciation, amortisation and impairment

Depreciation, amortisation and impairment consists of the following:

(In thousands of NOK)	Quarter ended		Year to date ended		Year ended 31-Dec 2019
	2020	2019	2020	2019	
Depreciation	13 928	9 634	39 564	29 639	40 624
Amortisation of intangibles	21 945	18 309	63 546	53 675	72 866
Impairment	-	-	-	-	59 378
Total	35 873	27 943	103 110	83 314	172 869

See note 8 for breakdown of intangible assets. See note 12 for more information on Right-of-use-assets.

Note 5 – Other financial income and expenses

Other financial income and expenses, consists of the following:

(In thousands of NOK)	Quarter ended		Year to date ended		Year ended 31-Dec 2019
	2020	2019	2020	2019	
Interest income	1 195	4 237	7 420	9 221	11 688
Other financial income	132 709	84 634	343 554	122 026	153 669
Other financial expenses	(144 416)	(84 497)	(383 582)	(128 016)	(173 015)
Other total financial income / (Expense)	(10 512)	4 374	(32 609)	3 232	(7 658)

Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Income 1.1-30.09 foreign currency is presented net.

Note 6 – 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 Crayons 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, Ukraine, 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 for last year has been made comparable with Operating revenue presented in the Annual Report 2019. Previously reported segment note had a line for adjustments for operating revenue, see note 3 in the Annual Report 2019. This has been

allocated to the different operating segments and market clusters. Some amount does not meet requirement in IFRS 15 and has been classified to cost of sales. No impact on gross profit.

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.

(In thousands of NOK)	Quarter ended		Year to date ended	
	30. sep.	2019	2020	30. sep.
Adjusted EBITDA per Operating Segment				
- Software & Cloud Direct	53 888	55 430	281 085	242 040
- Software & Cloud Channel	34 940	19 443	94 900	61 257
Total Adjusted EBITDA - Software & Cloud	88 828	74 873	375 985	303 296
- Software & Cloud Economics	13 309	440	19 471	6 052
- Consulting	19 037	19 324	73 359	61 773
Total Adjusted EBITDA - Services	32 346	19 765	92 830	67 825
Admin & shared services	-57 221	-60 330	-193 073	-176 760
Total Adjusted EBITDA	63 953	34 307	275 742	194 361

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

(In thousands of NOK)	Quarter ended		Year to date ended	
	30. sep.	2019	2020	30. sep.
Adjusted EBITDA per Market Cluster				
- Nordics	66 813	60 932	304 809	232 343
- Europe	8 072	3 545	24 532	22 190
- APAC & MEA	2 913	-3 858	30 409	5 891
- US	5 158	-1 839	-5 443	-8 236
- HQ	-19 003	-24 473	-78 564	-57 826
Total Adjusted EBITDA	63 953	34 307	275 742	194 361

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

Segmentinformation September, 30, 2020, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	751 134	394 720	28 947	180 451	1 591	1 356 843
Europe	552 347	257 586	31 001	12 671	1 028	854 634
APAC & MEA	612 784	308 321	14 184	13 997	1 584	950 869
US	177 996	331 372	57 154	6 359	-12	572 869
HQ	-	-0	-	1	13 437	13 438
Eliminations	-	-	-	-	-80 504	-80 504
Operating revenue	2 094 260	1 291 999	131 286	213 479	-62 875	3 668 149
Gross profit						
Nordics	64 406	33 802	24 348	111 256	1 575	235 386
Europe	58 839	19 359	24 270	10 486	986	113 940
APAC & MEA	24 544	17 744	9 328	10 986	1 990	64 593
US	18 264	5 464	52 337	4 788	51	80 903
HQ	-	2 259	-	-289	15 975	17 946
Eliminations	-	-	-	-	-16 464	-16 464
Gross profit	166 054	78 628	110 284	137 227	4 113	496 305
Operating expenses	112 166	43 687	96 974	118 190	92 946	463 963
EBITDA	53 888	34 940	13 309	19 037	-88 833	32 341
Adjustments	-	-	-	-	31 612	31 612
Adjusted EBITDA	53 888	34 940	13 309	19 037	-57 221	63 953

Segmentinformation September, 30, 2020

(In thousands of NOK)	Software & Cloud		Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations
Operating revenue					
Nordics	3 455 539	1 185 771	100 581	620 072	11 940
Europe	2 461 750	726 133	77 290	49 396	15 804
APAC & MEA	1 964 528	1 060 344	33 660	57 377	3 352
US	1 143 209	1 024 693	158 849	13 236	531
HQ	-	62	-0	3	40 695
Eliminations	-	-	-	-	-237 667
Operating revenue	9 025 026	3 997 002	370 379	740 083	-165 345
Gross profit					
Nordics	306 589	102 497	79 413	395 181	3 565
Europe	185 544	54 680	70 087	32 601	2 650
APAC & MEA	100 951	57 259	24 412	34 633	5 019
US	51 365	18 999	150 215	8 704	670
HQ	-	2 395	353	-286	45 257
Eliminations	-	-	-	-	-55 403
Gross profit	644 450	235 830	324 481	470 833	1 757
Operating expenses	363 364	140 930	305 010	397 473	235 310
EBITDA	281 085	94 900	19 471	73 359	-233 553
Adjustments	-	-	-	-	40 479
Adjusted EBITDA	281 085	94 900	19 471	73 359	-193 073
					275 742

Segmentinformation September, 30, 2019, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Tota
Operating revenue						
Nordics	499 877	345 291	26 750	120 955	926	993 799
Europe	384 032	191 375	21 969	4 310	511	602 196
APAC & MEA	311 064	264 137	7 387	4 767	302	587 657
US	149 793	179 952	41 981	2 262	160	374 147
HQ	-0	-	-	-	11 564	11 564
Eliminations	-	-	-	-	-69 024	-69 024
Operating revenue	1 344 766	980 754	98 087	132 294	-55 561	2 500 341
Gross profit						
Nordics	60 724	27 551	21 808	99 511	938	210 533
Europe	41 574	12 987	20 395	4 115	576	79 647
APAC & MEA	28 694	14 206	3 340	3 840	1 179	51 260
US	13 595	3 012	37 693	2 389	302	56 990
HQ	40	-1 425	-	-	11 359	9 974
Eliminations	-	-	-	-	-15 259	-15 259
Gross profit	144 627	56 331	83 236	109 856	-905	393 146
Operating expenses	89 197	36 888	82 796	90 532	62 561	361 975
EBITDA	55 430	19 443	440	19 324	-63 466	31 171
Adjustments	-	-	-	-	3 136	3 136
Adjusted EBITDA	55 430	19 443	440	19 324	-60 330	34 307

Segmentinformation September, 30, 2019

(In thousands of NOK)	Software & Cloud		Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations
Operating revenue					
Nordics	2 684 551	950 681	90 691	402 510	1 882
Europe	1 553 589	468 972	74 775	14 222	1 521
APAC & MEA	1 226 055	815 823	17 642	14 741	1 280
US	810 981	298 738	111 366	6 993	461
HQ	108	-0	-	-	34 352
Eliminations	-	-	-	-	-199 601
Operating revenue	6 275 283	2 534 214	294 474	438 466	-160 106
Gross profit					
Nordics	262 999	77 218	72 668	323 732	1 867
Europe	126 866	32 177	67 626	12 397	1 590
APAC & MEA	73 217	46 747	12 602	11 931	2 774
US	43 154	6 698	99 682	6 537	1 058
HQ	108	-2 244	-	-12	44 751
Eliminations	-	-	-	-	-44 010
Gross profit	506 344	160 596	252 578	354 584	8 030
Operating expenses	264 305	99 339	246 526	292 811	213 209
EBITDA	242 040	61 257	6 052	61 773	-205 179
Adjustments	-	-	-	-	28 420
Adjusted EBITDA	242 040	61 257	6 052	61 773	-176 760
					194 361

Note 7 – Share options

Share incentive scheme:

1.92 million share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated when they are allotted and expensed over the vesting period. A cost of NOK 24.9m (including accrued social security which is increasing in Q3 2020 due to increase in share price in Q3 on 94.9%) has been posted as a cost in the profit or loss statement in Q3 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 4.2m (including accrued social

security) has been charged as an expense in the profit or loss statement in Q3 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 where 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 2.5m (including accrued social security tax) has been charged as an expense in the profit or loss statement in Q3 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.

	Quarter ended		Year to date ended		Year ended 31-Dec 2019
	30-Sep		30-Sep		
(In thousands of NOK)					
Share incentive scheme	24 820	2 831	27 201	6 526	8 516
Employee share purchase program	4 183	-	7 839	-	11 207
Management share options program	2 488	-	5 026	-	-
Share based compensation	31 492	2 831	40 065	6 526	19 723

Note 8 – Intangible assets

2020	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	7 421	262 269	385 797	67 600	723 087
Additions	1 366	38 474	5 262	-	45 102
FX translation	-54	594	4699	1572	6811
Aquisition cost at the end of the period	8 733	301 337	395 758	69 172	775 000
Amortisation and impairment 01.01	6 421	175 718	315 987	40 803	538 929
Amortisation	0	39 071	18 102	6 373	63 546
Impairment	-	-	-	-	0
Accumulated amortisation and impairment	6 421	214 789	334 089	47 176	602 475
Net value at the end of the period	2 312	86 548	61 669	21 996	172 525
Amortisation period	0-5 years	3-10 years	5-10 years	3-10 years	
Amortisation method	Linear	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. See note 9 for additional information of impairment testing at September 30, 2020.

The company divides its Intangible assets into the following categories in the balance sheet:

Technology and software:

Per IFRS 3, the Group has assessed if there are any identifiable intangible assets separable from Goodwill arising on business combinations. The Group has determined that intangible assets arising from the business combinations of Anglepoint and FAST meet the recognition requirements under IAS 38 as separately identifiable intangible assets. In the case of FAST, a set of technology and software primarily used in a subscription service to customers who need both Software & Cloud Economics (previous SAM) and IT compliance services was 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 and from the acquisition of Navicle. Genova is part of Esito's developed software (with an indefinite lifetime), equally for the IP allocated for Navicle and used as an internal tool to serve its customer base and is expected to generate future economic benefits for the Group.

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, Sequint and Techstep 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 9 – 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
Additions	18 537
Currency translation	22 097
Aquisition cost at the end of the period	979 492
Impairment at 01.01	109 517
Impairment during the period	-
Accumulated Impairment at the end of 1	109 517
Net book value at the end of the period	869 975

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 September 30, 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 the third 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 September 30, 2020. 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. Reductions in EBITDA margins by 15 percentage points still not indicate any impairment losses, except for Crayon UK which would be subject for additional impairment.

Note 10 – 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 350m 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
	30-Sep		31-Dec
	2020	2019	2019
Long Term Interest bearing Debt	317 248	7 156	303 395
Bond loan, current liabilities	-	450 000	-
Other short-term interest bearing debt	67 323	42 470	45 088
Cash & cash equivalents	(412 794)	(40 119)	(238 817)
Restricted cash	17 310	10 903	20 522
Net interest bearing debt	(10 913)	470 410	130 188

Note 11 – 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 September 30, 2020, payments from customers are not significantly impacted by the COVID-19 pandemic. DSO (Days of Sales Outstanding) is increasing from 62 at YE to 63 at September 30, 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 September 30, 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. Within Q3 2020 the impact of Net accounting losses on receivables was NOK 5.1m compared to last year of NOK 8.2m.

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

	Year to date ended		Year ended
	30-Sep	2019	31-Dec
(In thousands of NOK)	2020	2019	2019
Opening balance 01.01	30 113	11 051	11 051
Currency translation	1 660	946	(60)
Net reversal/ allowance	20 061	15 976	19 122
Closing balance	51 834	27 973	30 113
Profit or loss effect of bad debt			
	Year to date ended		Year ended
	30-Sep	2019	31-Dec
(In thousands of NOK)	2020	2019	2019
Realised losses	10 002	682	3 070
Allowance for doubtful accounts	20 061	15 976	19 122
Net accounting losses on receivables	30 063	16 658	22 192

Note 12 – Right-of-use assets

(In thousands of NOK)	Right of use assets
Aquisition cost at 01.01	144 735
Additions	32 662
Currency translation	9 213
Aquisition cost at the end of the period	186 610
Depreciation at 01.01	26 444
Depreciation during the period	26 262
Accumulated Impairment at the end of the period	52 706
Net book value at the end of the period	133 904
Depreciation period ¹	1-12 years
Depreciation method	Linear

¹ Lower of remaining lease term or economic life

Note 13 – Seasonality of operations

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

Note 14 – Government grants

Crayon has received a loan in US of NOK 33m assessed according to IAS 20 on terms of government grant. This is presented as other short-term interest- bearing debt and other long- term liabilities as of September 30, 2020.

Note 15 – Events after the balance sheet

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

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
	30-Sep	2020	31-Dec
EBITDA	235 262	165 942	249 926
Other Income and Expenses	40 480	28 419	42 316
Adjusted EBITDA	275 742	194 362	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
	30-Sep	2020	31-Dec
Business development expenses and legal structuring	414	21 413	22 112
IPO Cost 2017 (Project Elevate)	-	481	481
Share based compensation	40 066	6 526	19 723
Other income and expenses	40 480	28 419	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
	30-Sep	2020	31-Dec
	2019	2019	2019
Inventory	13 390	18 773	13 968
Accounts receivable	2 528 614	1 682 470	2 553 506
Other receivables	188 160	94 471	156 327
Income taxes payable	(38 261)	(22 115)	(24 405)
Accounts payable	(2 252 520)	(1 287 718)	(2 361 188)
Public duties	(96 987)	(204 896)	(235 188)
Other current liabilities	(440 980)	(305 899)	(440 730)
Net working capital	(98 584)	(24 914)	(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
	30-Sep	2020	31-Dec
	2019	2019	2019
Cash & cash equivalents	412 794	40 119	238 817
Restricted cash	(17 310)	(10 903)	(20 522)
Free available cash	395 484	29 216	218 295
Available credit facility	256 215	59 761	248 352
Liquidity reserve	651 699	88 977	466 646

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

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