



Q4 2020

Crayon Group Interim Financial Report

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# Highlights

- Crayon delivers gross profit growth across all business areas and market clusters in Q4 2020. Gross profit grew by 26.7% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the segments Software & Cloud Channel (NOK 29.6m/ +49.5% YoY) and Software & Cloud Direct (NOK 66.5m/ +33.1% YoY). All market clusters delivered solid gross profit growth. International markets (e.g., outside Nordics) delivered 65% of the gross profit growth
- Adjusted EBITDA has a positive development, and in Q4 2020 adjusted EBITDA<sup>1</sup> increased with NOK 39.3m YoY to NOK 137.2m. The improvement was primarily driven by Software & Cloud, while Services EBITDA increased slightly with a positive contribution from Software & Cloud Economics offset by a slight decline in Consulting.

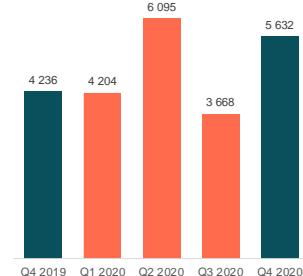
## Key consolidated figures

(NOK in thousands, unless stated)	Q4 2020	Q4 2019	Full year	Full year
	Un-audited	Un-audited	Un-audited	Audited
Operating revenue	5 632 309	4 235 688	19 599 455	13 618 020
Gross profit	667 435	526 580	2 344 785	1 808 711
EBITDA	146 152	83 984	381 414	249 926
Adjusted EBITDA	137 160	97 881	412 902	292 242
Operating (loss)/profit/EBIT	108 960	(5 571)	241 112	77 057
Net (loss) income	94 683	(38 110)	126 831	(19 289)
Cash flow from operations	975 411	394 638	941 630	190 977
Gross profit margin (%)	11,9 %	12,4 %	12,0 %	13,3 %
Adjusted EBITDA margin (%)	2,4 %	2,3 %	2,1 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	20,6 %	18,6 %	17,6 %	16,2 %
Earnings per share (NOK per share)	1,05	(0,41)	1,48	(0,16)

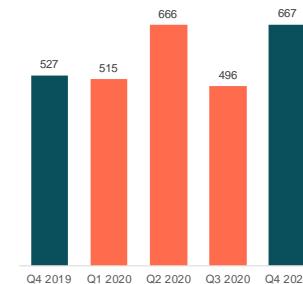
	December 31, 2020	December 31, 2019
Liquidity reserve	1 582 313	466 646
Net working capital	(979 161)	(337 712)
Average headcount (number of employees)	1 727	1 354

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

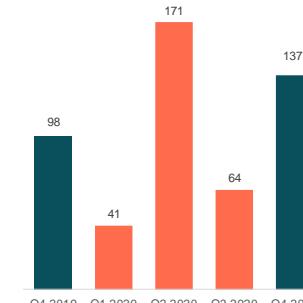
## Consolidated Operating Revenue In millions of NOK



## Consolidated Gross Profit In millions of NOK



## Consolidated Adjusted EBITDA<sup>1</sup> In millions of NOK



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

# Business review

Crayon continues a strong growth trajectory, with another quarter of gross profit and EBITDA growth. Q4 2020 YoY revenue growth was +33.0% while gross profit growth was +26.7% / NOK 140.9m, leading to a total Q4 2020 gross profit of NOK 667.4m. Adjusted EBITDA in Q4 2020 was NOK 137.2m, an increase of NOK 39.3m compared with Q4 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.

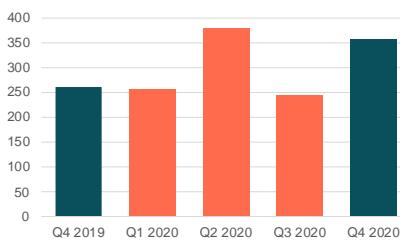
All market clusters (See Note 6 for additional information) had positive gross profit growth in Q4 2020 compared to Q4 2019. Nordics is the largest market cluster and delivered a +17.0% gross profit growth. Europe and US market clusters both delivered strong gross profit YoY growth of +32.8% and +35.9% respectively, while APAC & MEA had a gross profit YoY development of +61.6%.

The Software & Cloud division overall had a growth of +36.9% YoY, composed of Software & Cloud Direct with +33.1% gross profit growth YoY and Software & Cloud Channel with +49.5% gross profit growth YoY.

Within the Software & Cloud segment, gross profit in Europe grew with +42.9% YoY and the US Markets +45.8% YoY. Gross profit in the Nordics increased with 25.9% YoY, and APAC & MEA increased with 57.4%. Within the Services segment, the overall gross profit growth was +18.3%, driven by Consulting with +21.2% YoY growth and Software & Cloud Economics ("SAM") of +14.3% YoY growth. Within the Services segment, Nordics grew by +9.5% YoY, while Europe, APAC & MEA and US grew by +14.0% YoY, +79.8% YoY and +32.2% YoY respectively.

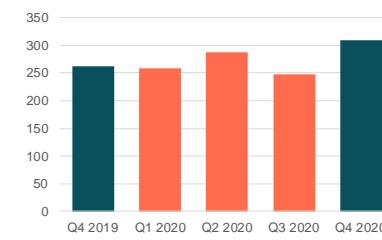
## Software Gross Profit

In millions of NOK



## Services Gross Profit

In millions of NOK



Q4 2020 adjusted EBITDA was NOK +137.2m (2019: NOK +97.9m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +7.7m YoY), Europe (NOK +17.3m YoY), APAC & MEA (NOK +10.5m YoY) and US (NOK 9.5m YoY). In the business area segment, the adjusted EBITDA improvement was driven by Software & Cloud Direct (NOK +23.3m YoY), Software & Cloud Channel (NOK +23.1m YoY), Software & Cloud Economics (NOK +8.5m YoY) and Consulting (NOK -4.8m YoY).

In the light of the 2020 financial results and outlook, Crayon has assessed whether there are indicators of impairment of the cash generating units (CGU) related to goodwill and for the recognised intangible assets. The Group has not recognised any impairment of goodwill or intangible assets during 2020.

## COVID-19

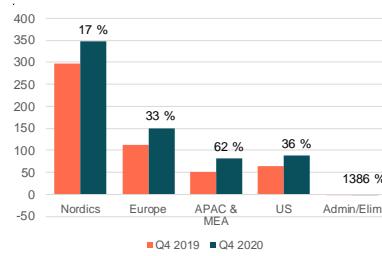
Crayon has not experienced any major disruption to its operations nor significant financial effects due to COVID-19. Management will continue to monitor the development in order to both address any new market opportunities and implement mitigating measures on our business if deemed necessary.

In the light of the ongoing pandemic, Crayon has focused on ensuring accurate identification and estimation of credit risk and potential losses on accounts receivables. However, Crayon has not identified any significant COVID-19 impact to the interim consolidated financial statements as of Q4 2020.

Local authorities have implemented economic relief measures. In the US, Crayon has during Q4 2020 benefited from COVID-19 related government grants. See note 14. Impact of such measures on other markets/areas has not been material.

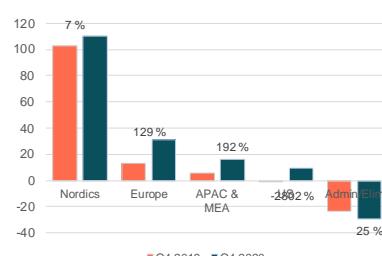
## Gross Profit per Market Cluster and Growth

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 7.0m 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 6.2m, primarily due to a lower interest on borrowings, while other financial expenses decreased with NOK 37.2m due to currency movements. The net income before tax increases YoY by NOK 157.8m to NOK 126.0m, mainly due to decrease of other financial expenses NOK 37.2m. Income tax expense for Q4 2020 amounts to NOK 31.4m.

Net profit in the period was NOK 94.7m, compared with the Q4 2019 result of NOK -38.1m. Earnings per share increased from NOK -0.41 per share in Q4 2019 to NOK 1.05 per share in Q4 2020.

## Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK -9.0m in Q4 2020. Other income and expenses in Q4 are mainly driven by the government grant resulting from the forgiveness of the loan related to US (see note 14) and the accounting treatment of the share-based compensation. Share-based compensation programs in Crayon relates to the option program from the IPO in 2017, the broad-based Employee Share Purchase Program in 2019 and 2020 and an option-based management performance program for strategic KPIs during 2020,

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

## Balance sheet

As of December 31, 2020 Crayon had assets of NOK 6 315m (2019: NOK 4 179m) which is primarily composed of accounts receivables NOK 3 393m (2019: NOK 2 554m), goodwill NOK 851m (2019: NOK 829m) and Cash & cash equivalents NOK 1 394m (2019: NOK 239m). Total liabilities as of December 31, 2020 amounts to NOK 5 211m (2019: NOK 3 593m), consisting primarily of accounts payables NOK 3 560m (2019: NOK 2 361m) and a bond loan NOK 295m (2019: NOK 293m).

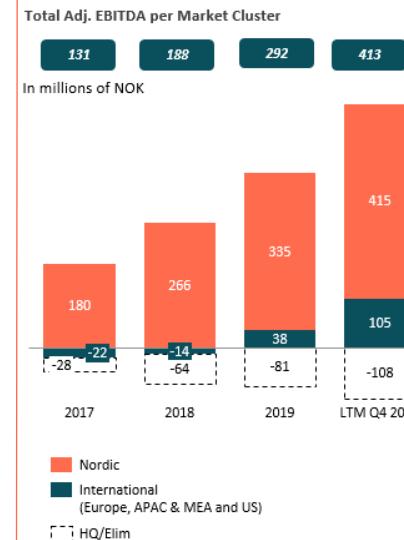
Trade working capital decreased YoY with NOK 364m, compared to the 33.0% YoY revenue growth. This improvement is driven by a combination of improved credit and collection performance with customers.

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 increased from Q3 2020 related to the cyclical nature of the business. The provision for bad debt increased with NOK 22.4m (including currency impact) compared to Q4 2019. This is due to provisions for specific customers at risk, general provisions and currency translation from depreciation of NOK against foreign currencies. Crayon continues to closely follow the level and nature of the trade receivables to mitigate any recoverability risk.



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.



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

The need for additional provisions for expected credit losses has been assessed and the level remains stable from last quarter. See note 11 for updated information on credit risk.

In 2018 Crayon finalised a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of December 31, 2020, factoring is improving our accounts receivables of NOK 172m (2019: NOK 145).

Equity increased by NOK 518m from year-end 2019 consisting primarily issued share capital amounting NOK 335m, a total net income of NOK 127m and a currency translation on net investments in subsidiaries of NOK 5m.

### **Leverage**

Net interest-bearing debt as end of December 31, 2020 was NOK -922m with a net cash position of NOK 1 394m (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")), corresponding to a leverage ratio of -2.2x EBITDA<sup>1</sup>. The Group had significant headroom with regards to its bank covenants as of quarter end.

### **Cash flow**

Cash flow from operations in Q4 2020 was NOK 975m, compared with NOK 395m in Q4 2019 mainly due changes in net income and net working capital.

The net cash position as of December 31, 2020 was NOK 1 394 (the Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")) compared to NOK 239m as of December 31, 2019.

The liquidity position of the group remains strong, with a total liquidity reserve as of December 31, 2020 of NOK 1 582m, compared to NOK 467m as of December 31, 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 Q4 2020 was 1 727, compared to an average during Q4 2019 of 1 354. This represents a YoY increase of 373 employees /+27.5%. The Software & Cloud business division had a total increase in average employees of 107 YoY, representing a 22.5% increase. The average number of employees in the Services business division increased YoY by 191 employees<sup>2</sup>, whilst other employees increased by 75 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.

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<sup>1</sup> On a LTM basis, excluding share based compensation and other income and expenses and non-controlling interest. Also, adjusted for restricted cash of NOK 93.7m, including not registered shares issued.

<sup>2</sup> Includes impact of organic growth and acquisitions.

# Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended		Year to date ended	
		31-Dec		31-Dec	
		Un-audited 2020	Un-audited 2019	Un-audited 2020	Audited 2019
Operating revenue	6	5 632 309	4 235 688	19 599 455	13 618 020
Cost of sales		4 964 874	3 709 109	17 254 670	11 809 309
<b>Gross profit</b>		<b>667 435</b>	<b>526 580</b>	<b>2 344 785</b>	<b>1 808 711</b>
Payroll and related cost		470 427	349 683	1 685 629	1 292 965
Other operating expenses		59 848	79 016	246 254	223 504
Share based compensation		8 619	13 198	48 684	19 723
Other income and expenses		(17 610)	699	(17 196)	22 593
<b>EBITDA</b>		<b>146 152</b>	<b>83 984</b>	<b>381 414</b>	<b>249 926</b>
Adjustments		(8 992)	13 897	31 488	42 316
<b>Adjusted EBITDA</b>		<b>137 160</b>	<b>97 881</b>	<b>412 902</b>	<b>292 242</b>
Depreciation and amortisation	4	37 192	30 176	140 302	113 491
Impairment		-	59 378	-	59 378
<b>Operating (loss)/profit/EBIT</b>		<b>108 960</b>	<b>(5 571)</b>	<b>241 112</b>	<b>77 057</b>
Interest expense		9 198	15 350	41 125	59 810
Other financial expense, net	5	(26 273)	10 890	6 336	7 658
<b>Net (loss) income before tax</b>		<b>126 035</b>	<b>(31 810)</b>	<b>193 652</b>	<b>9 589</b>
Income tax expense on ordinary result		31 352	6 300	66 821	28 878
<b>Net (loss) income</b>		<b>94 683</b>	<b>(38 110)</b>	<b>126 831</b>	<b>(19 289)</b>
<b>Comprehensive income</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Currency translation		(53 905)	(8 811)	4 995	8 859
<b>Total comprehensive income -net of tax</b>		<b>40 778</b>	<b>(46 921)</b>	<b>131 826</b>	<b>(10 430)</b>
<b>Allocation of net income</b>					
Non-controlling interests		9 044	(6 809)	6 336	(7 054)
Owners of Crayon Group Holding ASA		85 639	(31 301)	120 495	(12 235)
<b>Total net income (loss) allocated</b>		<b>94 683</b>	<b>(38 110)</b>	<b>126 831</b>	<b>(19 289)</b>
Earnings (loss) per share (NOK per share)		1,05	(0,41)	1,48	(0,16)
<b>Allocation of Total comprehensive income</b>					
Non-controlling interests		10 148	(4 165)	5 680	(4 576)
Owners of Crayon Group Holding ASA		30 630	(42 756)	126 146	(5 854)
<b>Total comprehensive income allocated</b>		<b>40 778</b>	<b>(46 921)</b>	<b>131 826</b>	<b>(10 430)</b>

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

# Condensed Consolidated Balance Sheet Statement

	31-Dec			31-Dec	
(In thousands of NOK)	Un-audited 2020	Audited 2019	(In thousands of NOK)	Un-audited 2020	Audited 2019
<b>ASSETS</b>					
<i>Non-current assets:</i>					
Development Costs	88 756	86 552	Share capital	81 688	76 624
Technology and software	18 515	26 797	Own shares	(10)	(10)
Contracts	60 379	69 810	Share premium	976 887	622 150
Software licenses (IP)	2 215	1 000	<b>Sum paid-in equity</b>	<b>1 058 565</b>	<b>698 764</b>
Goodwill	850 933	829 341	<b>Retained Earnings</b>		
Deferred tax asset	35 458	23 195	Other Equity	41 276	(105 292)
<b>Total intangible assets</b>	<b>1 056 255</b>	<b>1 036 695</b>	<b>Total retained earnings</b>	<b>41 276</b>	<b>(105 292)</b>
<b>Tangible assets</b>					
Equipment	38 624	35 415	<b>Total equity attributable to parent company shareholders</b>	<b>1 099 840</b>	<b>593 472</b>
Right of use assets	120 051	118 291	Non-controlling interests	3 334	(8 059)
<b>Total tangible assets</b>	<b>158 676</b>	<b>153 706</b>	<b>Total shareholders' equity</b>	<b>1 103 174</b>	<b>585 413</b>
Other long-term receivables	39 962	25 617	<i>Long-term liabilities:</i>		
<b>Total financial assets</b>	<b>39 962</b>	<b>25 617</b>	Bond loan	295 215	293 188
<b>Total non-current assets</b>	<b>1 254 893</b>	<b>1 216 018</b>	Derivative financial liabilities	(0,0)	114
<i>Current assets:</i>			Deferred tax liabilities	21 505	29 703
Inventory	8 846	13 968	Lease liabilities	95 340	95 517
<b>Total inventory</b>	<b>8 846</b>	<b>13 968</b>	Other long-term liabilities	47 503	41 958
Accounts receivable	3 393 421	2 553 506	<b>Total long-term liabilities</b>	<b>459 562</b>	<b>460 480</b>
Other receivables	263 347	156 327	<i>Current liabilities:</i>		
<b>Total receivable</b>	<b>3 656 768</b>	<b>2 709 832</b>	Accounts payable	3 560 040	2 361 188
Cash & cash equivalents	1 394 120	238 817	Income taxes payable	49 812	24 405
<b>Total current assets</b>	<b>5 059 733</b>	<b>2 962 617</b>	Public duties	250 918	235 188
<b>Total assets</b>	<b>6 314 626</b>	<b>4 178 636</b>	Current lease liabilities	31 230	26 142
			Other short-term interest bearing debt	75 884	45 088
			Other current liabilities	784 004	440 730
			<b>Total current liabilities</b>	<b>4 751 889</b>	<b>3 132 742</b>
			<b>Total liabilities</b>	<b>5 211 452</b>	<b>3 593 223</b>
			<b>Total equity and liabilities</b>	<b>6 314 626</b>	<b>4 178 636</b>

# Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended		Year to date ended	
	31-Dec		31-Dec	
	Un-audited 2020	Audited 2019	Un-audited 2020	Audited 2019
<b>Cash flows from operating activities:</b>				
Net (loss) income before tax	126 035	(31 810)	193 652	9 589
Taxes paid	(13 798)	(16 319)	(34 504)	(30 495)
Depreciation, amortisation and impairment	37 192	89 554	140 302	172 869
Net interest expense	8 168	12 883	32 675	48 122
Changes in inventory, accounts receivable/payable	447 258	207 239	364 059	(109 044)
Changes in other current accounts	370 555	133 090	245 446	99 937
<b>Net cash flow from operating activities</b>	<b>975 411</b>	<b>394 638</b>	<b>941 630</b>	<b>190 977</b>
<b>Cash flows from investing activities:</b>				
Payment for capitalised assets	(28 746)	(30 067)	(81 362)	(76 336)
Acquisition of subsidiaries - net of cash acquired	1	(900)	(4 616)	(8 852)
Other business combinations	-	-	(8 000)	-
<b>Net cash flow from investing activities</b>	<b>(28 745)</b>	<b>(30 967)</b>	<b>(93 978)</b>	<b>(85 188)</b>
<b>Cash flow from financing activities:</b>				
Net interest paid to credit institutions and interest to bond loan	(6 349)	(27 034)	(43 899)	(55 561)
Share issues	38 489	34 966	335 130	34 966
Share capital increase not registered	24 672	-	24 672	-
Acquisition/disposal of non-controlling interest	(412)	90	8 497	(31 547)
Proceeds from issuance of interest bearing debt	-	300 000	33 922	300 000
Repayment of interest bearing debt	(11 208)	(464 883)	(42 863)	(488 848)
Other Financial items	(2 363)	(5 543)	(3 762)	(2 706)
<b>Net cash flow from financing activities</b>	<b>42 829</b>	<b>(162 404)</b>	<b>311 697</b>	<b>(243 696)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>989 494</b>	<b>201 268</b>	<b>1 159 349</b>	<b>(137 906)</b>
Cash and cash equivalents at beginning of period	412 794	40 119	238 817	379 282
Currency translation	(8 169)	(2 570)	(4 046)	(2 559)
<b>Cash and cash equivalents at end of period</b>	<b>1 394 120</b>	<b>238 817</b>	<b>1 394 120</b>	<b>238 817</b>

# Condensed Consolidated Statement of Changes in Shareholder's Equity

December 31, 2019

(In thousands of NOK)

**Balance at January 1, 2019**

Adjustment <sup>1</sup>

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
	75 394	(35)	588 051	(72 520)	590 890	(4 581)	586 309
<b>Balance at January 1, 2019</b>							
Adjustment <sup>1</sup>	-	-	-	(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
<b>Total comprehensive income</b>	-	-	-	(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)
<b>Transactions with owners</b>	1 230	25	34 099	(21 869)	13 485	1 098	14 582
<b>Balance as of end of period</b>	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413

December 31, 2020

(In thousands of NOK)

**Balance at January 1, 2020**

Adjustment <sup>1</sup>

Net (loss) income

Currency translation

**Total comprehensive income**

Share repurchase (net)

Share issues

Share capital increase not registered

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
	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
<b>Balance at January 1, 2020</b>							
Adjustment <sup>1</sup>	-	-	-	(33)	(33)	0	(33)
Net (loss) income	-	-	-	120 495	120 495	6 336	126 831
Currency translation	-	-	-	5 651	5 651	(656)	4 995
<b>Total comprehensive income</b>	-	-	-	126 146	126 146	5 680	131 826
Share repurchase (net)	-	-	-	-	-	-	-
Share issues	5 063	-	330 066	-	335 130	-	335 130
Share capital increase not registered	-	-	24 672	-	24 672	-	24 672
Share based compensation	-	-	-	18 613	18 613	761	19 374
Transactions with non-controlling interests	-	-	-	1 841	1 841	4 951	6 793
<b>Transactions with owners</b>	5 063	-	354 738	20 454	380 256	5 712	385 968
<b>Balance as of end of period</b>	81 688	(10)	976 887	41 276	1 099 841	3 334	1 103 174

<sup>1</sup> Mainly adjustment to opening balance

# Notes

## Note 1 – Corporate information

The Board of Directors approved the condensed interim financial statements for the twelve months ended December 31, 2020 for publication on February 16, 2021. 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 1 727 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:

	Quarter ended 31-Dec		Year to date ended 31-Dec	
	2020	2019	2020	2019
(In thousands of NOK)				
Depreciation	14 514	10 985	54 078	40 624
Amortisation of intangibles	22 677	19 191	86 224	72 866
Impairment	-	59 378	-	59 378
<b>Total</b>	<b>37 192</b>	<b>89 554</b>	<b>140 302</b>	<b>172 869</b>

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:

	Quarter ended 31-Dec		Year to date ended 31-Dec	
	2020	2019	2020	2019
(In thousands of NOK)				
Interest income	1 029	2 466	8 449	11 688
Other financial income	134 705	53 647	478 259	153 669
Other financial expenses	(109 462)	(67 003)	(493 044)	(173 015)
<b>Other total financial income / (Expense)</b>	<b>26 273</b>	<b>(10 890)</b>	<b>(6 336)</b>	<b>(7 658)</b>

Foreign currency gain/loss is presented in the note on a gross basis. In the Consolidated Statement of Income 1.1-31.12 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	
	31-Dec	2020	31-Dec	2019
<b>Adjusted EBITDA per Operating Segment</b>				
- Software & Cloud Direct		125 710		102 412
- Software & Cloud Channel		41 819		18 725
Total Adjusted EBITDA - Software & Cloud		167 528		121 137
- Software & Cloud Economics		22 586		14 110
- Consulting		26 091		30 940
Total Adjusted EBITDA - Services		48 677		45 049
Admin & shared services		(79 045)		(68 305)
<b>Total Adjusted EBITDA</b>		<b>137 160</b>		<b>97 881</b>

(In thousands of NOK)	Quarter ended		Year to date ended	
	31-Dec	2020	31-Dec	2019
<b>Adjusted EBITDA per Market Cluster</b>				
- Nordics		110 358		102 679
- Europe		30 753		13 429
- APAC & MEA		16 033		5 491
- US		9 137		(338)
- HQ		(29 121)		(23 380)
<b>Total Adjusted EBITDA</b>		<b>137 160</b>		<b>97 881</b>

Segment information December, 31, 2020, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
<b>Operating revenue</b>						
Nordics	1 754 739	409 024	38 865	241 442	1 958	2 446 029
Europe	1 088 488	302 355	43 479	23 258	(13 534)	1 444 047
APAC & MEA	764 073	327 471	13 680	26 908	1 444	1 133 577
US	300 328	345 836	60 382	10 489	228	717 263
HQ	-	(0)	0	50	13 220	13 269
Eliminations	-	-	-	-	(121 877)	(121 877)
<b>Operating revenue</b>	<b>3 907 629</b>	<b>1 384 687</b>	<b>156 406</b>	<b>302 147</b>	<b>(118 560)</b>	<b>5 632 309</b>
<b>Gross profit</b>						
Nordics	136 945	36 590	29 843	143 785	1 049	348 211
Europe	78 921	23 608	32 170	15 214	1 013	150 926
APAC & MEA	31 651	19 644	11 648	16 839	1 642	81 425
US	19 838	7 247	52 039	9 092	315	88 531
HQ	-	2 293	0	(247)	13 148	15 195
Eliminations	-	-	-	-	(16 853)	(16 853)
<b>Gross profit</b>	<b>267 356</b>	<b>89 382</b>	<b>125 700</b>	<b>184 684</b>	<b>314</b>	<b>667 435</b>
Operating expenses	141 646	47 563	103 114	158 593	70 368	521 284
<b>EBITDA</b>	<b>125 710</b>	<b>41 819</b>	<b>22 586</b>	<b>26 091</b>	<b>(70 054)</b>	<b>146 151</b>
Adjustments	-	-	-	-	(8 991)	(8 991)
<b>Adjusted EBITDA</b>	<b>125 710</b>	<b>41 819</b>	<b>22 586</b>	<b>26 091</b>	<b>(79 045)</b>	<b>137 160</b>

Segment information December, 31, 2020

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
<b>Operating revenue</b>						
Nordics	5 210 278	1 594 795	139 446	861 514	13 899	7 819 932
Europe	3 550 239	1 028 488	120 769	72 654	2 270	4 774 420
APAC & MEA	2 728 601	1 387 815	47 340	84 285	4 796	4 252 838
US	1 443 537	1 370 529	219 231	23 725	759	3 057 780
HQ	-	62	-	53	53 915	54 029
Eliminations	-	-	-	-	(359 544)	(359 544)
<b>Operating revenue</b>	<b>12 932 655</b>	<b>5 381 689</b>	<b>526 785</b>	<b>1 042 231</b>	<b>(283 905)</b>	<b>19 599 455</b>
<b>Gross profit</b>						
Nordics	443 534	139 087	109 256	538 966	4 614	1 235 457
Europe	264 465	78 288	102 257	47 815	3 663	496 488
APAC & MEA	132 603	76 903	36 061	51 473	6 661	303 700
US	71 203	26 245	202 254	17 796	985	318 483
HQ	-	4 688	353	(533)	58 405	62 913
Eliminations	-	-	-	-	(72 257)	(72 257)
<b>Gross profit</b>	<b>911 805</b>	<b>325 211</b>	<b>450 181</b>	<b>655 516</b>	<b>2 071</b>	<b>2 344 785</b>
Operating expenses	505 010	188 493	408 124	556 066	305 678	1 963 371
<b>EBITDA</b>	<b>406 795</b>	<b>136 718</b>	<b>42 056</b>	<b>99 450</b>	<b>(303 607)</b>	<b>381 413</b>
Adjustments	-	-	-	-	31 488	31 488
<b>Adjusted EBITDA</b>	<b>406 795</b>	<b>136 718</b>	<b>42 056</b>	<b>99 450</b>	<b>(272 118)</b>	<b>412 902</b>

Segment information December, 31, 2019, Quarter ended

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
<b>Operating revenue</b>						
Nordics	1 396 813	367 798	35 810	162 781	1 236	1 964 437
Europe	607 158	211 080	37 401	10 857	717	867 213
APAC & MEA	425 629	323 135	18 034	9 620	499	776 918
US	281 636	314 185	49 589	4 521	292	650 222
HQ	-	(0)	(0)	112	11 672	11 784
Eliminations	-	-	-	-	(34 886)	(34 886)
<b>Operating revenue</b>	<b>2 711 237</b>	<b>1 216 197</b>	<b>140 834</b>	<b>187 891</b>	<b>-20 470</b>	<b>4 235 688</b>
<b>Gross profit</b>						
Nordics	112 791	24 990	26 573	132 032	1 133	297 518
Europe	57 018	14 712	32 115	9 452	333	113 628
APAC & MEA	17 202	15 395	8 208	7 639	1 946	50 389
US	13 821	4 759	43 101	3 144	329	65 156
HQ	-	(69)	(0)	112	12 251	12 294
Eliminations	-	-	-	-	(12 406)	(12 406)
<b>Gross profit</b>	<b>200 832</b>	<b>59 788</b>	<b>109 996</b>	<b>152 378</b>	<b>3 586</b>	<b>526 580</b>
Operating expenses	98 420	41 062	95 886	121 439	85 787	442 595
<b>EBITDA</b>	<b>102 412</b>	<b>18 725</b>	<b>14 110</b>	<b>30 940</b>	<b>(82 202)</b>	<b>83 985</b>
Adjustments	-	-	-	-	13 896	13 896
<b>Adjusted EBITDA</b>	<b>102 412</b>	<b>18 725</b>	<b>14 110</b>	<b>30 940</b>	<b>(68 305)</b>	<b>97 881</b>

Segment information December, 31, 2019

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
<b>Operating revenue</b>						
Nordics	4 081 364	1 318 478	126 501	565 291	3 117	6 094 752
Europe	2 160 747	680 051	112 175	25 079	2 238	2 980 291
APAC & MEA	1 651 684	1 138 958	35 677	24 361	1 779	2 852 459
US	1 092 617	612 923	160 955	11 514	753	1 878 762
HQ	-	108	(0)	(0)	112	46 024
Eliminations	-	-	-	-	-	(234 487)
<b>Operating revenue</b>	<b>8 986 520</b>	<b>3 750 412</b>	<b>435 308</b>	<b>626 357</b>	<b>(180 576)</b>	<b>13 618 020</b>
<b>Gross profit</b>						
Nordics	375 791	102 208	99 240	455 763	3 000	1 036 002
Europe	183 883	46 889	99 741	21 848	1 922	354 283
APAC & MEA	90 419	62 143	20 810	19 569	4 720	197 660
US	56 976	11 457	142 783	9 682	1 387	222 286
HQ	-	108	(2 313)	(0)	100	57 001
Eliminations	-	-	-	-	-	(56 415)
<b>Gross profit</b>	<b>707 176</b>	<b>220 383</b>	<b>362 574</b>	<b>506 962</b>	<b>11 615</b>	<b>1 808 711</b>
Operating expenses	362 725	140 401	342 412	414 250	298 996	1 558 784
<b>EBITDA</b>	<b>344 451</b>	<b>79 982</b>	<b>20 162</b>	<b>92 712</b>	<b>(287 381)</b>	<b>249 926</b>
Adjustments	-	-	-	-	42 316	42 316
<b>Adjusted EBITDA</b>	<b>344 451</b>	<b>79 982</b>	<b>20 162</b>	<b>92 712</b>	<b>(245 065)</b>	<b>292 242</b>

## Note 7 – Share options

### Share options

There are two share option programs, one granted in relation to the IPO (IPO Share incentive scheme) and one share-based incentive scheme implemented in 2020 to general managers and executive management (Management share option programs). Management share option program includes both employment and performance vesting conditions. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options is calculated at grant date and expensed over the vesting period. In Q4 2020, 1.6 million options related to IPO Share incentive scheme were exercised. Exercise of options do not affect the option cost recognised.

### Employee share purchase program (ESPP)

There are two employee share purchase programs, where all employees in the Company and its subsidiaries in which an offer could be lawfully made, have been offered to participate. First offer given in conjunction with Share incentive scheme (ESPP 2019) and a second offer in Q4 2020 (ESPP 2020). 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 and 533 employees participated in the ESPP 2019 and ESPP 2020, respectively. 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 is calculated at grant date and expensed over the vesting period.

### Fair value

The fair value at grant date is determined using an adjusted form of the Black Scholes Model, which considers the exercise price/subscription price, the term of the option/lock-up, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share and risk-free interest. For the IPO Share incentive scheme, the expected volatility is based on historical volatility for a selection of comparable listed companies. For the remaining programs, 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. The variables used are displayed in the table below.

	IPO Share incentive scheme	Management share option program	ESPP 2019	ESPP 2020
Number of share options allotted	1.92 m options	Maximum 2.48 m options		
Exercise price	NOK 15.50	NOK 53.60		
Term of the option	5 years	5 years		
Share price at grant date	NOK 15.50	NOK 53.60	NOK 52.00	NOK 112.40
Numbers of shares allotted			1.23 m shares	0.5 m shares
Subscription price			NOK 30.00	NOK 85.90
Lock-up period			2 years	2 years

Cost related to share based compensation, as displayed in the table below, includes employee social security tax. Negative amount in Q4 2020 for IPO Share incentive scheme is related to adjustment of accrued employee social security tax.

	Quarter ended		Year to date ended	
	31-Dec	31-Dec	31-Dec	31-Dec
(In thousands of NOK)				
IPO Share incentive scheme	2020	2019	2020	2019
Employee share purchase program 2019 and 2020	-5 552	1 991	21 648	8 516
Management share options program	2 530	11 207	10 369	11 207
<b>Share based compensation</b>	<b>11 641</b>	<b>-</b>	<b>16 667</b>	<b>19 723</b>
	<b>8 619</b>	<b>13 198</b>	<b>48 684</b>	<b>19 723</b>

## 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	54 603	12 716	-	68 686
FX translation	-18	-50	3 171	141	3 244
<b>Aquisitition cost at the end of the period</b>	<b>8 769</b>	<b>316 822</b>	<b>401 684</b>	<b>67 741</b>	<b>795 017</b>
Amortisation and impairment 01.01	6 421	175 718	315 987	40 803	538 929
Amortisation	133,287	52 349	25 318	8 423	86 224
Impairment	-	-	-	-	0
<b>Accumulated amortisation and impairment</b>	<b>6 554</b>	<b>228 067</b>	<b>341 305</b>	<b>49 226</b>	<b>625 153</b>
<b>Net value at the end of the period</b>	<b>2 215</b>	<b>88 755</b>	<b>60 379</b>	<b>18 515</b>	<b>169 864</b>
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 amortisation and impairments. Amortisation is recognised linearly over the estimated useful life. Amortisation 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 December 31, 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 are expected to generate future economic benefits to the Group. In the case of the business combination with Anglepoint, the Group capitalised software and technology developed internally by Anglepoint. All qualifying intangible assets acquired during business combinations are recognised 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 recognised as part of business combinations, the Group also capitalises expenses related to development activities if the product or process is technically

feasible and the Group has adequate resources to complete the development. Expenses capitalised include material cost, direct wage costs and a share of directly attributable overhead costs. Capitalised 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), The IP allocated for Navicle is also used as an internal tool to serve its customer base and is expected to generate future economic benefits for the Group. This IP tool is amortised on straight line basis over the estimated useful lifetime.

### 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, Techstep and Winc 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 amortisation. Linear amortisation 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)	<b>Goodwill</b>
Aquisition cost at 01.01	938 858
Additions	18 537
Currency translation	3 055
<b>Aquisition cost at the end of the period</b>	<b>960 450</b>
Impairment at 01.01	109 517
Impairment during the period	-
<b>Accumulated Impairment at the end of the period</b>	<b>109 517</b>
<b>Net book value at the end of the period</b>	<b>850 933</b>

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. For 2020, pre-tax WACC used is 8,82% (2019: 12,23%)

No impairment indication is identified as a result of the yearly impairment test performed as per 31.12.2020, on the identified CGU's related to goodwill.

Sensitivity analysis has been prepared at YE 2020. 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 during 2019. The calculation is most sensitive to changes in EBITDA and Gross profit (GP) margins. Reductions in EBITDA and GP margins by 15 percentage points still not indicate any impairment losses, except for Crayon UK which would be subject for additional impairment, and for Crayon SG (immaterial).

#### 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. This ended in Q2 2020. 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 31-Dec	
	2020	2019
Long Term Interest bearing Debt	302 283	303 395
Other short-term interest bearing debt	75 884	45 088
Cash & cash equivalents	(1 394 120)	(238 817)
Restricted cash	93 676	20 522
<b>Net interest bearing debt</b>	<b>(922 277)</b>	<b>130 188</b>

#### 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 December 31, 2020, payments from customers are not significantly impacted by the COVID-19 pandemic. DSO (Days of Sales Outstanding) is as of December 31, 2020 at the same level as last year.

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 December 31, 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 Q4 2020 the impact of Net accounting losses on receivables was NOK 6.5m compared to last year of NOK 5.5m.

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

	Year to date ended 31-Dec	
	2020	2019
(In thousands of NOK)		
Opening balance 01.01	30 113	11 051
Currency translation	(2 575)	(60)
Net reversal/ allowance	24 954	19 122
<b>Closing balance</b>	<b>52 492</b>	<b>30 113</b>

Profit or loss effect of bad debt

	Year to date ended 31-Dec	
	2020	2019
(In thousands of NOK)		
Realised losses	11 610	3 070
Allowance for doubtful accounts	24 954	19 122
<b>Net accounting losses on receivables</b>	<b>36 564</b>	<b>22 192</b>

## 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	4 597
<b>Aquisition cost at the end of the period</b>	<b>181 994</b>
Depreciation at 01.01	26 444
Depreciation during the period	35 499
<b>Accumulated Impairment at the end of the period</b>	<b>61 943</b>
<b>Net book value at the end of the period</b>	<b>120 051</b>
Depreciation period <sup>1</sup>	1-12 years
Depreciation method	Linear

<sup>1</sup> 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 two forgivable loans in US of NOK 15m and 18m, respectively, assessed according to IAS 20 on terms of government grant. Loan amount to NOK 18m is fully forgiven as of December 31, 2020 and recognised as a cost reduction in the profit or loss statement in Q4 2020. Remaining loan of NOK 15m is presented as other short-term interest-bearing debt and other long-term liabilities as of December 31, 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.

## Note 16 – Main events Q4 2020

On December 2, 2020 Crayon Group entered into a purchase agreement for Sensa Ehf., a company owned by Siminn hf. Sensa is a leading IT services company for providing hosting and operations services as well as communications and security solutions to the corporate market. The company is based in Reykjavík, Iceland and has 120 employees working within consultancy and IT support. The company provides services and solutions on Microsoft, Amazon Web Services, Cisco and NetApp among other industry leaders.

The agreement purchase price for 100% of shares is ISK 3.25 billion and will be settled as follows (i) 2/3 in cash (ii) 1/3 in shares in Crayon Group Holding ASA subject to a 12-month lock-up from date of agreement. There will be a monthly release of 1/12 of shareholding during the lock-up period. The agreement is conditional. Closing is expected in 2021 after completing competition review in Iceland.

# Alternative Performance Measures

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

Crayon uses the following APM's:

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

	Year to date ended	
	31-Dec	2019
(In thousands of NOK)		
EBITDA	381 414	249 926
Other Income and Expenses	31 488	42 316
<b>Adjusted EBITDA</b>	<b>412 902</b>	<b>292 242</b>

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

	Year to date ended	
	31-Dec	2019
(In thousands of NOK)		
Business development expenses and legal structuring	416	22 112
Forgivable loan (US)	(17 612)	-
IPO Cost 2017 (Project Elevate)	-	481
Share based compensation	48 684	19 723
<b>Other income and expenses</b>	<b>31 488</b>	<b>42 316</b>

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

	Year to date ended	
	31-Dec	2019
(In thousands of NOK)		
Inventory	8 846	13 968
Accounts receivable	3 393 421	2 553 506
Other receivables	263 347	156 327
Income taxes payable	(49 812)	(24 405)
Accounts payable	(3 560 040)	(2 361 188)
Public duties	(250 918)	(235 188)
Other current liabilities	(784 004)	(440 730)
<b>Net working capital</b>	<b>(979 161)</b>	<b>(337 712)</b>

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

**Liquidity reserve:** Freely available cash and credit facilities.

**Restricted cash:** The amount consists of employee taxes withheld and balance on a client account due to not registered share issue.

	Year to date ended	
	31-Dec	2019
(In thousands of NOK)		
Cash & cash equivalents	1 394 120	238 817
Restricted cash	(93 676)	(20 522)
Free available cash	1 300 444	218 295
Available credit facility	281 869	248 352
<b>Liquidity reserve</b>	<b>1 582 313</b>	<b>466 646</b>

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