



Q4 2022 Financial Report



Contents

Highlights	3
Business review	4
Financial review	5
Financial statements and notes	7

Highlights

- Continued strong growth momentum across all regions and businesses.
- Gross profit increased by 27% to NOK 1,273m mainly driven by strong growth in all international markets.
- Adj. EBITDA grew by 25% to NOK 258m corresponding to a margin of 20.3%
- Cashflow from operations ended at NOK 478m driven by positive net working capital changes.
- Global expansion continues and markets outside the Nordics comprised 59% of gross profit, up from 51% for the full year 2021.
- For the full year Gross Profit grew by 42% to NOK 4,496m, up from 3,165 in 2021.
- Adjusted EBITDA grew by 30% to NOK 839m reflecting a margin of 18.7%.
- Included in the reported numbers are the effect of change of accounting policy causing a negative EBITDA impact in 2021 of NOK 11m and a negative EBITDA impact in 2022 of NOK 51m (see note 3).

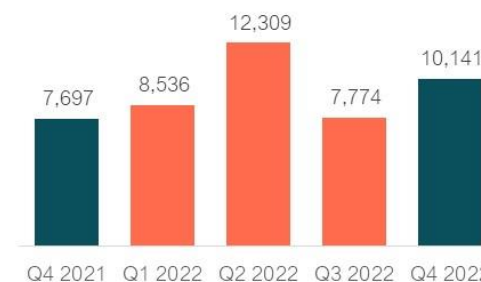
Key figures

	Q4 2022	Q4 2021	Year to date	Full year
	Unaudited	Unaudited Restated	Q4 2022 Unaudited	2021 Restated
(NOK thousands)				
Revenue	1,506,643	1,186,846	5,199,561	3,658,787
Gross profit	1,272,950	1,006,046	4,495,561	3,164,704
EBITDA	184,784	171,375	751,482	579,646
Adjusted EBITDA	258,009	206,412	839,217	643,572
Operating profit/EBIT	65,852	114,037	417,138	405,103
Net income	23,560	199,764	23,326	245,111
Cash flow from operations	478,436	340,688	102,423	25,758
Adjusted EBITDA margin (%)	20.3%	20.5%	18.7%	20.3%
Earnings per share (NOK)	0.38	2.31	0.29	2.59

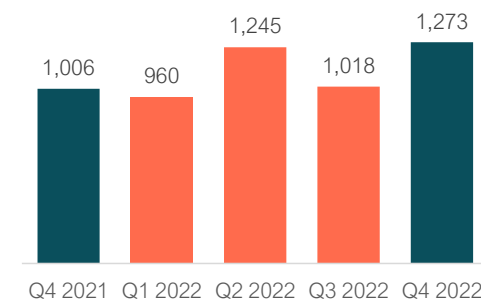
	Dec 31, 2022	Dec 31, 2021
Net interest bearing debt	1,805,057	1,166,233
Liquidity reserve	1,487,379	1,992,143
Leverage ratio (multiple)	2.2	1.8
Net working capital	(120,530)	(462,705)
Full time employees (FTE)	3,447	2,900

All figures are restated and reported according to revised accounting policy regarding agent versus principal assessment for software resellers. See note 3 for further information. See last section for details on Alternative Performance Measures.

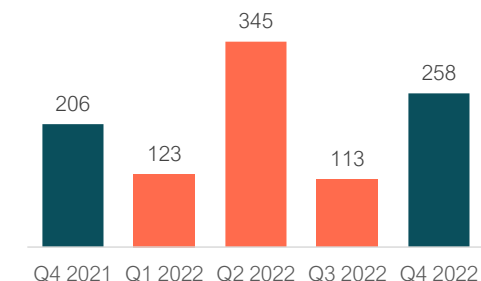
Gross Sales
NOK million



Gross Profit
NOK million



Adjusted EBITDA
NOK million



Business review

(Figures in parentheses refer to the same period in the previous year)

2022 marked another year with strong growth across all market clusters and businesses. Gross profit grew with 42% in particular driven by our international markets, while adjusted EBITDA grew 30% to NOK 839m.

In Q4 Gross profit grew by 27% year-over-year (YoY) to NOK 1,273m, while Adj. EBITDA ended at NOK 258m, up 25% YoY and corresponding to an Adj. EBITDA margin of 20.3% (20.5%). Growth was driven by continued strong performance in our international markets which all grew organically by over 30%.

Market Clusters

All market clusters continued with solid growth, with the strongest gross profit growth coming from APAC & MEA at 59%, with positive impact from the rhipe acquisition.

The Nordics remains Crayon's largest market cluster and reported strong gross profit of NOK 496m (NOK 439m), up 13% YoY in Q4. Adj. EBITDA in the Nordics grew to NOK 175m (153m) reflecting a margin of 35% (35%) YoY.

In Europe, gross profit was NOK 266m, up 35% YoY. Adj. EBITDA was NOK 60m (NOK 60m), corresponding to a margin of 23% (31%).

APAC & MEA Gross profit in the quarter was NOK 334, up 59% with an Adj EBITDA of NOK 60m, corresponding to a margin of 18% (27%).

Investments in the US are materializing, and Gross Profit increased 31% to NOK 149m YoY, driven by solid growth of 53% in Software & Cloud. Consulting was particularly strong with a Gross Profit growth of 71%. Adj. EBITDA for the US came in at NOK13m with a margin of 9% (10%).

Business Areas

All business areas developed positively in the quarter, with Software & Cloud and Services Gross Profit growing 28% and 24% respectively.

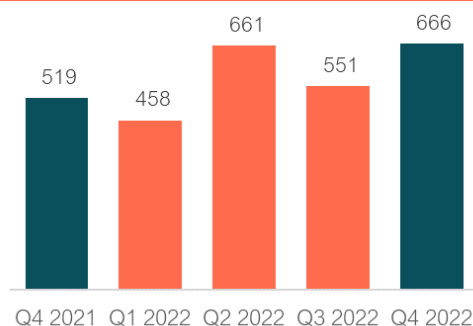
Gross profit in Software & Cloud Channel grew 45% to NOK 257m (NOK 178m). Software & Cloud Direct also delivered solid gross profit growth of 19% YoY. Profitability remains strong for the Software & Cloud division with an Adj. EBITDA of NOK 337 (NOK 294m), corresponding to a margin of 51% (57%).

Gross profit in the Services division grew by 24% to NOK 558m. Adj. EBITDA came in at NOK 49m with a positive margin of 9%, which is a reduction from 20% in Q4 2021. The reduction in margins is driven by continued investments in new service capabilities and ramp-up time of new resources.

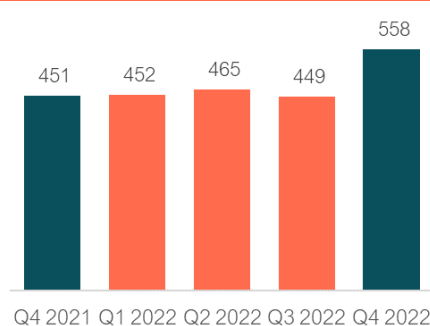
Full year 2022

Gross Profit for the full year was NOK 4 495m up 42% driven primarily by APAC and MEA which grew 140%, positively impacted by rhipe. Nordics and Europe also had a very strong year growing 16% and 33% respectively. Adjusted EBITDA grew 30% to NOK 839, an increase of NOK 195 compared to 2021. Nordics remains the most profitable market with an adjusted EBITDA margin of 34%.

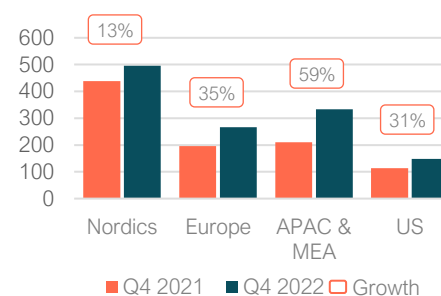
Software & Cloud Gross Profit¹
NOK million



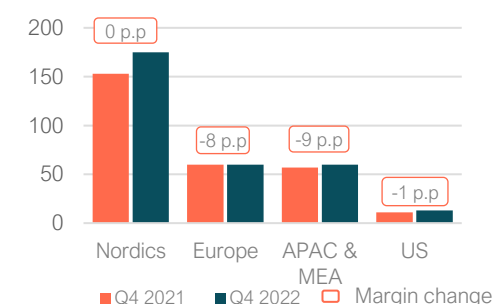
Services Gross Profit
NOK million



Gross Profit by Market Cluster¹
NOK million



Adj. EBITDA by Market Cluster¹
NOK million



Financial review

(Figures in parentheses refer to the same period in the previous year)

During 2022 Crayon changed its interpretation regarding principal versus agent assessment under IFRS 15 for Software Resellers. Prior quarters and comparable numbers have been restated according to this change, and all comments are based on restated numbers. See Note 3 for more details on the change in accounting policy.

Revenue and gross profit

Revenue in Q4 2022 increased by 27% YoY to NOK 1,507m, with a gross profit of NOK 1,273m, up from NOK 1,006m in Q4 2021. The gross profit growth is distributed across all market clusters, whereof APAC & MEA contribute most with 59% YoY, of which 34% is organic. A significant share of this region consists of rhipe that was acquired in November 2021.

Adjusted EBITDA

Adjusted EBITDA increased 25% to NOK 258m from the same quarter last year. The increase is related to gross profit growth.

Adjustments amount to NOK 73m for the quarter. In addition to the non-cash share-based compensation of NOK 9m, the amount includes fair value adjustments of contingent considerations related to prior acquisitions amounting to NOK 28m. Additionally, a subsidiary in the Philippines incurred significant expenses because of a tax audit. Formal misinterpretation of local VAT legislation caused significant VAT not becoming refundable that in addition to penalties resulted in an expense of NOK 30m. Crayon would not achieve any tax benefits from the technical error in the reporting, but the consequences were still loss of deduction opportunities, penalties, and interest. Procedures are changed to reduce risk of similar issues. The remaining amount of NOK 6m concerns acquisition related processes.

Net income

Depreciation, amortization and impairment increased by NOK 62m YoY in Q4, primarily driven by new leases, such as the new headquarter in Oslo and a new office in Sydney, and a non-cash impairment related to technology assets in rhipe. Commercialization of a file encryption SaaS acquired by rhipe in August 2019 (prior to Crayon's acquisition), has not been successful and the capitalized asset was impaired to zero resulting in a total charge of NOK 31m in Q4. Alternative use will be considered during 2023.

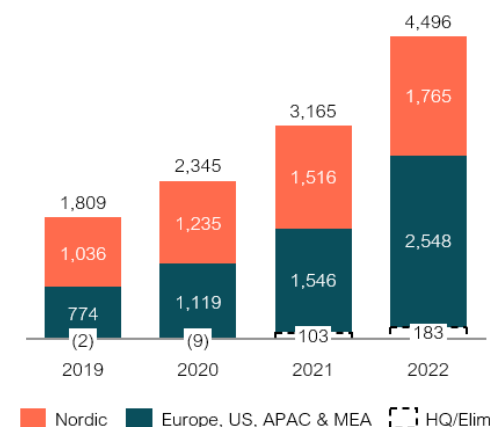
Interest expenses increased YoY by NOK 20m in Q4 to NOK 58m due to an increase in both rates and net interest-bearing debt including new leases. Included in the cost is also a one-off interest charge related to the tax issue in the Philippines amounting to NOK 9m. YTD interest expenses increased with NOK 111m to NOK 194m, also impacted by the full year effect of the NOK 1,800m bond issued in 2021 related to the acquisition of rhipe. Net other financial items contributed positively in the quarter with NOK 55m, but net negative YTD of NOK 164m. Having a significant number of transactions in foreign currencies, several companies in the group are sensitive to currency changes on monetary assets such as accounts receivables, accounts payables, loans and cash. Included in the net financial expense is also an impairment loss on loans towards our prior subsidiary in Russia of NOK 14m. See note 11 for further information. Net financial expense for Q4 amounted to NOK 3m and YTD 352m (NOK 113m).

Net income before tax amounted to NOK 63m for Q4 compared to NOK 200m last year, and NOK 65 versus NOK 292 YTD. The decrease is mainly related to increases in non-cash amortization and impairment, financial expenses and other income and expenses.

Net income for the quarter was NOK 24m, compared to NOK 200m last year. Earnings per share amounted to NOK 0.38 for Q4 compared to 2.31 last year and NOK 0.29 YTD compared to 2.59 last year.

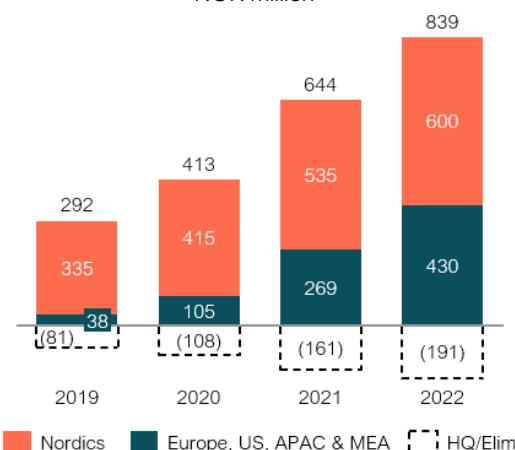
Gross Profit by Market Cluster

NOK million



Adj. EBITDA by Market Cluster

NOK million



For illustration purposes. 2019 and 2020 are based on historical numbers while 2021 and 2022 are in accordance with new accounting policy.

Balance sheet

Total intangible assets increased with NOK 113m from last year to NOK 3,991m. NOK 148m increase in goodwill mainly relates to currency adjustments. Deferred tax assets increased with NOK 64m due to capitalized benefits related to tax losses carried forward in certain countries. Other assets decreased with NOK 99m as amortization and impairment exceeded the CAPEX.

Right of use assets increased from NOK 115m to NOK 451m mostly due to new office leases in Oslo and Sydney.

Total receivables increased with 41% to NOK 8,640m and is mainly related to the increased activity and the full year revenue growth of 42%. Accounts payable and other non-interest-bearing current liabilities increased 33% to NOK 8,777m. Net working capital increased by NOK 342m YoY and was negatively impacted by significant delayed public sector payments in the Philippines amounting to approximately USD 45m. Change of government has led to delayed payments across the public sector in the Philippines. Management is continuing its efforts to control working capital, particularly considering the growth in emerging markets with varying credit risks and payment cycles.

The provision for bad debt increased by NOK 30m compared to Q4 2021 and consists of provisions for specific customers at risk, general provisions, and currency adjustments. Crayon continues to closely follow up the level and nature of the trade receivables to mitigate any collection risk. Crayon has a large number of customers spread across several countries and industries and there is currently no specific concentration of credit risk with respect to accounts receivable, other than some units in the APAC & MEA region. See Note 11 for updated information on credit risk. Crayon has non-recourse factoring agreements, which have been implemented for a set of customers in Norway and in Denmark. As of December 31, 2022, factoring reduced accounts receivable by NOK 311m (NOK 283m).

Total interest-bearing liability increased from last year with NOK 971m to NOK 3,282m. Lease liability increased with NOK 356m, mainly due to the new offices in Oslo and Sydney. Total bond liability was reduced due to repayment of a NOK 300m bond. The remaining increase relates to utilization of revolving credit facilities with Danske Bank. Total cash increased from NOK 1,217m last year to NOK 1,530m end 2022.

Equity increased by NOK 187m from year-end 2021, primarily driven by other comprehensive income gain on currency translation of NOK 134m due NOK weakening against other currencies, in addition to the year-end net income of NOK 23m. The equity ratio was 17% (20%).

Cash flow

Cash flow from operations in Q4 2022 was positive NOK 478m, compared to positive NOK 341m in Q4 2021, an improvement of NOK 138m YoY. Reduced pretax income in 2022 compared to 2021 is levelled out by increase in non-cash amortization and impairment and interest expenses. The improved cash flow is therefore mainly related to improved change in net working capital.

The net cash position as of December 31, 2022, was NOK 1,530m compared to NOK 1,217m as of December 31, 2021. Revolving credit facility ("RCF") previously reported net of cash has been reported gross as long-term interest-bearing liability. The facility of NOK 1,000m was fully utilized at year end.

The liquidity position remained strong, with a total liquidity reserve of NOK 1,487m as of December 31, 2022. 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 on liquidity risk.

Leverage

Net interest-bearing debt as of December 31, 2022, was NOK 1,805m, with a corresponding leverage ratio of 2.2x Adj. EBITDA¹⁾, providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA¹⁾) as of the end of the quarter.

Employees

Our people are our greatest asset, and we strive to continuously attract, develop, and retain top talent, but even more importantly, we empower our employees to perform at the best of their abilities every day.

The number of full-time employees on December 31, 2022, increased by 19% to 3,447 compared to 2,900 on December 31, 2021. In the Software & Cloud business division, full-time employees increased by 150, representing 16% increase, while in the Services business division, it increased by 276 employees, an increase of 18%. Other employees increased by 121 YoY.

The invasion of Ukraine by Russia in February 2022 introduced new risks to the health and safety of Crayon's employees in the region. Crayon has taken significant measures to ensure the safety and well-being of its employees and their families as well as to safeguard customers, partners, and society.

1) On an LTM basis, excluding share-based compensation and other income and expense. Also, including restricted cash and lease liabilities in the calculation of net interest-bearing debt.

Condensed Consolidated Statement of Income

		Q4 2022	Q4 2021	Year to date Q4 2022	Full year 2021
(NOK thousands)	Note	Unaudited	Unaudited Restated	Unaudited	Restated
Revenue	3,6	1,506,643	1,186,846	5,199,561	3,658,787
Cost of sales		(233,694)	(180,800)	(704,000)	(494,083)
Gross profit		1,272,950	1,006,046	4,495,561	3,164,704
Payroll and related expenses		(862,126)	(690,598)	(3,076,549)	(2,191,517)
Other operating expenses		(152,815)	(109,035)	(579,795)	(329,615)
Share based compensation		(8,747)	(15,124)	(13,445)	(55,002)
Other income and expenses		(64,478)	(19,913)	(74,290)	(8,923)
EBITDA		184,784	171,375	751,482	579,646
Adjustments		73,225	35,037	87,735	63,926
Adjusted EBITDA		258,009	206,412	839,217	643,572
Depreciation, amortization and impairment	4	(118,932)	(57,338)	(334,344)	(174,543)
Operating profit/EBIT		65,852	114,037	417,138	405,103
Share of profit (loss) from associated companies		359	(1,172)	6,563	(1,172)
Interest expense		(57,852)	(37,900)	(193,924)	(83,067)
Other financial expense, net	5	54,791	124,549	(164,297)	(29,090)
Net income before tax		63,150	199,515	65,480	291,774
Income tax expense on ordinary result		(39,590)	249	(42,154)	(46,663)
Net income		23,560	199,764	23,326	245,111

Comprehensive income

Items that are or may be reclassified subsequently to profit or loss

Currency translation	(166,217)	(671)	133,646	11,488
Comprehensive income net of tax	(142,657)	199,093	156,971	256,599

Allocation of net income

Non-controlling interests	(9,809)	10,882	(1,961)	27,020
Owners of Crayon Group Holding ASA	33,369	188,881	25,286	218,091
Net income allocated	23,560	199,764	23,326	245,111
Earnings per share (NOK)	0.38	2.31	0.29	2.59

Allocation of comprehensive income

Non-controlling interests	(6,270)	11,046	6,672	27,525
Owners of Crayon Group Holding ASA	(136,387)	188,047	150,299	229,074
Comprehensive income allocated	(142,657)	199,093	156,971	256,599

Condensed Consolidated Balance Sheet Statement

ASSETS	Note	Dec 31, 2022	2021	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Dec 31, 2022	2021
		Unaudited	Restated			Unaudited	Restated
Non-current assets:							
Intangible assets				<i>Shareholders' equity:</i>			
Development Costs	8	119,967	98,165	Share capital		89,285	88,072
Technology and software	8	36,556	99,487	Own shares		(10)	(10)
Contracts	8	541,322	598,831	Share premium		1,817,693	1,734,159
Software licenses (IP)	8	1,709	1,941	Total paid-in equity		1,906,968	1,822,221
Goodwill	9	3,146,679	2,998,258	Retained earnings		603,551	494,204
Deferred tax asset		144,790	81,201	Total equity attributable to parent company shareholders		2,510,519	2,316,425
Total intangible assets		3,991,024	3,877,883	Non-controlling interests		29,833	36,440
Tangible assets				Total shareholders' equity		2,540,353	2,352,865
Equipment		90,291	59,753	<i>Non-current liabilities:</i>			
Right of use assets	12	451,499	114,958	Interest-bearing liabilities	10	2,677,987	1,771,052
Total tangible assets		541,790	174,711	Deferred tax liabilities		199,617	189,998
Investment in associated companies		43,133	36,571	Lease liabilities	10	410,047	87,164
Other non-current receivables		70,504	68,574	Other non-current liabilities		33,185	58,197
Total financial assets		113,638	105,145	Total non-current liabilities		3,320,836	2,106,411
Total non-current assets		4,646,452	4,157,739	<i>Current liabilities:</i>			
<i>Current assets:</i>				Accounts payable		6,563,280	4,813,772
Inventory		17,328	2,869	Income taxes payable		76,300	58,171
Total inventory		17,328	2,869	Public duties	14	612,971	458,898
Accounts receivable	11	6,562,970	4,492,969	Current lease liabilities	10	72,578	39,064
Other current receivables	14	2,076,867	1,635,919	Other current interest-bearing liabilities	10	121,796	413,311
Total receivables		8,639,838	6,128,888	Other current liabilities		1,525,145	1,263,621
Cash & cash equivalents	10	1,529,641	1,216,618	Total current liabilities		8,972,070	7,046,838
Total current assets		10,186,807	7,348,376	Total liabilities		12,292,906	9,153,249
Total assets		14,833,259	11,506,114	Total equity and liabilities		14,833,259	11,506,114

Condensed Consolidated Statement of Cash Flows

	Q4 2022	Q4 2021	Year to date Q4 2022	Full year 2021
(NOK thousands)	Unaudited	Unaudited Restated	Unaudited	Restated
Cash flows from operating activities:				
Net income before tax	63,150	199,515	65,480	291,774
Taxes paid	(24,707)	(19,773)	(117,863)	(72,103)
Depreciation, amortization and impairment	118,932	57,338	334,344	174,543
Net interest expense	55,352	30,554	164,480	69,119
Changes in inventory, accounts receivable/payable	209,023	367,737	(332,602)	43,088
Changes in other current accounts	56,687	(294,683)	(11,416)	(480,663)
Net cash flow from operating activities	478,436	340,688	102,423	25,758
Cash flows from investing activities:				
Payment for capitalized assets	(47,988)	(29,528)	(142,328)	(82,807)
Acquisition of subsidiaries - (net of cash acquired) and associated costs	(36,430)	(2,319,310)	(57,177)	(2,477,900)
Divestment - net of cash	(25,750)	-	(25,750)	-
Net cash flow from investing activities	(110,168)	(2,348,838)	(225,255)	(2,560,707)
Cash flows from financing activities:				
Net interest paid on interest-bearing liabilities	(69,334)	(25,682)	(173,901)	(42,057)
Share issues	0	685,892	72,690	685,892
Acquisition/disposal of non-controlling interests	(8,016)	256	(49,761)	(4,964)
Proceeds from issuance of interest bearing liabilities	900,001	1,800,000	900,001	1,800,000
Repayment of interest-bearing liabilities	(310,911)	(14,947)	(350,800)	(53,385)
Other financial items	-	(10,000)	-	(10,000)
Net cash flow from financing activities	511,740	2,435,519	398,229	2,375,486
Net increase (decrease) in cash and cash equivalents	880,009	427,369	275,398	(159,463)
Cash and cash equivalents at beginning of period	604,719	796,286	1,216,618	1,394,120
Currency translation	44,913	(7,037)	37,625	(18,038)
Cash and cash equivalents at end of period	1,529,641	1,216,618	1,529,641	1,216,618

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

December 31, 2021

Attributable to equity holders of Crayon Group Holding ASA

(NOK thousands)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at December 31, 2020	81,688	(10)	976,887	41,276	1,099,841	3,334	1,103,174
Restatement	-	-	-	203,754	203,754	-	203,754
Balance at January 1, 2021	81,688	(10)	976,887	245,030	1,303,595	3,334	1,306,928
Net income	-	-	-	226,926	226,926	27,020	253,947
Net income restatement	-	-	-	(8,835)	(8,835)	-	(8,835)
Currency translation	-	-	-	11,066	11,066	504	11,571
Total comprehensive income	-	-	-	229,158	229,158	27,525	256,682
Share issues	6,384	-	757,272	-	763,656	-	763,656
Share-based compensation	-	-	-	33,443	33,443	2,146	35,589
Transactions with non-controlling interests	-	-	-	(13,426)	(13,426)	3,436	(9,990)
Transactions with owners	6,384	-	757,272	20,017	783,673	5,582	789,255
Balance as of end of period	88,072	(10)	1,734,159	494,204	2,316,425	36,440	2,352,865

December 31, 2022

Attributable to equity holders of Crayon Group Holding ASA

(NOK thousands)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at December 31, 2021	88,072	(10)	1,734,159	299,285	2,121,506	36,440	2,157,946
Restatement	-	-	-	194,919	194,919	-	194,919
Balance at December 31, 2021	88,072	(10)	1,734,159	494,204	2,316,425	36,440	2,352,865
Net income	-	-	-	25,286	25,286	(1,961)	23,326
Currency translation	-	-	-	125,013	125,013	8,632	133,646
Total comprehensive income	-	-	-	150,299	150,299	6,672	156,971
Share issues	1,214	-	83,534	-	84,748	-	84,748
Share-based compensation	-	-	-	27,045	27,045	1,807	28,852
Transactions with non-controlling interests	-	-	-	(67,998)	(67,998)	(15,085)	(83,083)
Transactions with owners	1,214	-	83,534	(40,953)	43,796	(13,279)	30,517
Balance as of end of period	89,286	(10)	1,817,693	603,551	2,510,520	29,833	2,540,353

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at December 31, 2022, for publication on February 14, 2023. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA is a public limited company registered in Norway. The company's headquarters are located at Gullhaug Torg 5, 0484 Oslo, Norway. Crayon Group Holding ASA is listed on Oslo Stock Exchange (Oslo Børs) under the ticker "CRAYN".

Crayon specializes in supporting customers across all industry sectors with complex local, regional and global IT estates. Crayon helps clients specify, plan, deploy, manage and optimize technology ecosystems.

Crayon had 3,447 full time employees across 47 countries at the end of the period.

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 2021, which has been prepared according to IFRS as adopted by EU. The report has not been audited.

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 2021, except for those following the change in accounting policy described in Note 3.

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, 2021, except for the change in accounting policy due to IFRS 15 principal vs agent IASB Interpretation Committee agenda decision described below.

Change in accounting policy due to IFRS 15-principal vs agent IASB Interpretation Committee agenda decision

With reference to Note 2 in the 2021 annual report and Note 3 in the Q1 2022 report.

In May 2022, the IFRS Interpretation Committee (IFRIC) formally published the final agenda decision providing guidance to principal versus agent-assessment under IFRS 15 for Software Resellers. The new guidance provided by the IFRIC clarifies that the software reseller pre-sales advice (while important) is not an implicit promise in a contract with a customer. At the time of entering into a contract with the customer, the reseller has already provided the advice. There is no further advice to be provided by the reseller and the advice already provided will not be transferred to the customer after contract inception. Accordingly, the IFRIC concluded that, at the time of entering into a contract with a customer, there is no valid expectation of the customer that the reseller will transfer a good or service to the customer other than the software licenses provided by the software company.

Based on a control assessment of the standard software license as the promised goods rather than a combination with an implied promise of providing a service, arising from the new guidance, Crayon has decided to reassess whether the group acts as a principal or an agent for transactions under the software and cloud divisions. Management concluded that Crayon for a significant part of our operations does not control the software licenses from the software provider before they are transferred to the customer and therefore acts as an agent on the software and cloud licenses business for these agreements. Consequently, the Group has revised its accounting policy for the software and cloud licenses business and is from Q1 2022 accounting for this as agent and recognizes revenue net of related costs. Incentives and rebates from vendors previously recognized as a reduction in cost of sales will be recognized as revenue. Principal vs. agent assessments depend on the specific facts and circumstances and can be very complex and judgmental. Assessment of effects of this change on the accounting policy has been ongoing during 2022. Our operating model focuses on us acting as a principal rather than an agent, and consequently our assessment on certain accounting impact of the change in accounting principle must be based on management estimates. When reporting as a principal the end user was assessed our customer and our performance obligation was connected to delivering software licenses.

Upon the change we act as an agent for the software company and our performance obligation relates to us arranging for the sale of licenses on behalf of the software company. As part of our analysis during 2022 we have in Q4 concluded that for certain multiperiod contracts and for some of our incentives, the timing of our revenue will change. This is because our performance obligation is fulfilled upon the initial arrangement of the sale rather than connected to the licensing period. Some of our incentives and rebates are also reclassified from reduction of cost of sales or other operating expenses to revenues. Based on our change of view, our restatements consist of:

1. Change from principal to agent means the software supplier is our customer rather than the software end-user. Our revenues consist of any agent fees from the software company and any sales proceeds from the end user less any costs from the software company. Our revenues are no longer based on the gross amount invoiced towards the end-user. This change from gross to net reporting took place effective from our Q1, 2022 reporting. Comparable quarters for 2021 were restated.
2. For some multi-period agreements our revenues viewed as a principal was to provide the end user with the license over the license period and by that allocated revenue over the agreement period, aligned to the period being invoiced. Upon change to agent, our performance obligation towards our customer is to arrange for the sale of the license. Normally we will only have one performance obligation that is satisfied upon the initial completion of the contract towards the agent, and we must recognize the full estimated gross margin for the entire agreement period. Gross margins earned but not billed, are recognized as contract assets. This change was implemented effective from Q4, 2022. Prior periods from Q1, 2021 and forward have been restated.
3. Some incentives received from software suppliers viewed as vendors rather than customers were recognized net to expenses assumed to be covered by the agreement. Incentives were recognized in the same period as the cost incurred. Upon change to agent, the software supplier becomes our customer, and the incentives received become our revenue to be recognized in the period earned. This change was implemented effective from Q4, 2022. Prior periods from Q1, 2021 and forward have been restated.

Based on the change, the following updates has been made to our accounting policies:

Sale of software and cloud licenses, acting as an agent

For most of our license reseller contracts we act as an agent. Our performance obligation is to arrange for the licenses to be provided. We normally only have one performance obligation that is satisfied upon the initial completion of the contract towards the agent. Revenues consist of any agent fees from the software company and any sales proceeds from the end user less any costs from the software company. Agent fees are normally due within 30-60 days after completion. Any license cost to be paid to the software company are payable upon 30-60 days, and any gross sales proceeds are normally due within 30 days upon completion. Multiple year agreements commonly include annual settlements with similar due dates based on the annual anniversary date of the contract.

Variable consideration

Any variable consideration is estimated based on the sum of probability-weighted amounts or the single most likely outcome, depending on which method better predicts the amount of consideration, and is consistently applied throughout the contract.

Contract assets

When the Group transfer services to a customer before the customer pays consideration or before payment is due, the revenue is presented as contract asset. This mainly relates to subsequent period payments for multiple period contracts.

Contract assets are included in other current receivables and amount to:

(NOK thousands)	Jan 1, 2021	Dec 31, 2021	Dec 31, 2022
Contract assets	212,185	214,498	199,181

The January 1, 2021 and the December 31, 2021, represent the restated amounts. December 31, 2022 represent our total contract assets end of the year.

Prior period(s) have been restated according to IAS 8. The adjusted amounts for current and comparative periods are presented in the table below.

Effect of Restated Statement of Income and Balance Sheet

(NOK thousands)	Q4 2021			Full Year 2021		
	Reported	IFRS 15 Restatement	Restated	Reported	IFRS 15 Restatement	Restated
Revenue	7,697,348	(6,510,502)	1,186,846	26,438,331	(22,779,544)	3,658,787
Cost of sales	(6,745,930)	6,565,130	(180,800)	(23,398,584)	22,904,501	(494,083)
Gross profit	951,417	54,629	1,006,046	3,039,747	124,957	3,164,704
Payroll and related expenses	(619,749)	(70,849)	(690,598)	(2,067,845)	(123,672)	(2,191,517)
Other operating expenses	(107,008)	(2,027)	(109,035)	(317,004)	(12,611)	(329,615)
EBITDA	189,624	(18,248)	171,375	590,973	(11,327)	579,646
Adjustments	35,037	(0)	35,037	63,926	(0)	63,926
Adjusted EBITDA	224,661	(18,248)	206,413	654,899	(11,327)	643,572
Operating profit/EBIT	132,285	(18,248)	114,037	416,431	(11,327)	405,103
Net income before tax	217,763	(18,248)	199,515	303,101	(11,327)	291,774
Income tax expense on ordinary result	(3,766)	4,015	249	(49,155)	2,492	(46,663)
Net income	213,997	(14,233)	199,764	253,946	(8,835)	245,111

(NOK thousands)	Dec 31, 2020		Jan 1, 2021	Sep 30, 2021		Sep 30, 2021	Dec 31, 2021		Dec 31, 2021	Sep 30, 2022		Sep 30, 2022
	Reported	IFRS 15 Restatement		Reported	IFRS 15 Restatement		Reported	IFRS 15 Restatement		Reported	IFRS 15 Restatement	
Total non-current assets	1,254,893	-	1,254,893	1,516,544	-	1,516,544	4,157,739	-	4,157,739	4,665,547	-	4,665,547
Total inventory	8,846	-	8,846	5,485	-	5,485	2,869	-	2,869	4,110	-	4,110
Other current receivables	263,347	212,185	475,532	604,383	197,932	802,315	1,421,421	214,498	1,635,919	1,879,694	201,755	2,081,449
Total receivables	3,656,768	212,185	3,868,953	3,871,819	197,932	4,069,751	5,914,390	214,498	6,128,888	7,286,266	201,755	7,488,021
Total current assets	5,059,733	212,185	5,271,918	6,455,590	197,932	6,653,522	7,133,877	214,498	7,348,376	7,895,095	201,755	8,096,850
Total assets	6,314,626	212,185	6,526,811	7,972,134	197,932	8,170,066	11,291,616	214,498	11,506,114	12,560,642	201,755	12,762,397
Total paid-in equity	1,058,565	-	1,058,565	1,137,484	-	1,137,484	1,822,221	-	1,822,221	1,906,969	-	1,906,969
Retained earnings	41,276	203,754	245,030	92,364	209,153	301,517	299,285	194,919	494,204	568,477	177,928	746,405
Total shareholders' equity	1,103,174	203,754	1,306,928	1,248,895	209,153	1,458,048	2,157,946	194,919	2,352,865	2,518,888	177,928	2,696,816
Deferred tax liability	21,505	57,469	78,974	13,851	58,992	72,843	135,021	54,977	189,998	123,439	50,185	173,624
Total non-current liabilities	459,562	57,469	517,031	468,781	58,992	527,773	2,051,434	54,977	2,106,411	2,269,054	50,185	2,319,239
Other current liabilities	784,004	(49,039)	734,965	832,704	(70,213)	762,491	1,299,019	(35,398)	1,263,621	1,466,769	(26,358)	1,440,411
Total current liabilities	4,751,889	(49,039)	4,702,850	6,254,458	(70,213)	6,184,245	7,082,235	(35,398)	7,046,838	7,772,700	(26,358)	7,746,342
Total liabilities	5,211,452	8,430	5,219,882	6,723,239	(11,221)	6,712,018	9,133,669	19,580	9,153,249	10,041,754	23,827	10,065,581
Total equity and liabilities	6,314,626	212,185	6,526,811	7,972,134	197,932	8,170,066	11,291,616	214,498	11,506,114	12,560,642	201,755	12,762,397

Effect of Restated Segment Information

(NOK thousands)	Q4 2021						Year to date Q4 2021					
	Software & Cloud		Services		Admin & Eliminations	Total	Software & Cloud		Services		Admin & Eliminations	Total
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting			Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting		
Revenue												
Nordics	2,069,772	509,446	40,723	360,800	1,651	2,982,392	6,779,500	1,810,677	141,444	1,190,387	3,343	9,925,351
Europe	1,416,559	344,973	44,347	42,243	1,783	1,849,906	5,299,043	1,276,037	146,677	110,829	3,280	6,835,866
APAC & MEA	1,177,423	956,602	46,109	84,440	1,839	2,266,413	4,233,682	2,054,326	93,464	184,712	3,789	6,569,973
US	316,695	360,583	74,568	17,451	330	769,627	1,823,285	1,384,699	267,397	62,833	972	3,539,186
HQ	-	-	-	164	16,989	17,153	-	-	-	1,012	64,428	65,440
Eliminations	-	-	-	-	(188,143)	(188,143)	-	-	-	-	(497,483)	(497,483)
Revenue Reported	4,980,449	2,171,604	205,748	505,099	(165,551)	7,697,349	18,135,510	6,525,739	648,982	1,549,773	(421,671)	26,438,333
IFRS 15 Restatement	(4,638,549)	(1,994,086)	-	-	122,132	(6,510,503)	(17,023,501)	(6,080,141)	-	-	324,097	(22,779,546)
Revenue Restated	341,900	177,518	205,748	505,099	(43,419)	1,186,846	1,112,009	445,598	648,982	1,549,773	(97,574)	3,658,787
Gross profit												
Nordics	148,156	40,977	31,440	216,356	1,826	438,755	494,448	153,409	118,543	746,289	3,620	1,516,309
Europe	99,309	25,475	39,627	29,859	2,114	196,384	322,810	94,788	124,127	91,210	4,043	636,978
APAC & MEA	55,822	101,304	17,434	34,673	834	210,067	192,238	166,577	46,001	82,316	4,495	491,627
US	22,046	9,762	68,449	12,779	330	113,366	100,199	30,707	240,921	44,414	972	417,213
HQ	-	-	-	61	17,114	17,175	-	116	-	(18)	65,255	65,353
Eliminations	-	-	-	-	(24,330)	(24,330)	-	-	-	-	(87,733)	(87,733)
Gross Profit Reported	325,333	177,518	156,950	293,728	(2,112)	951,417	1,109,695	445,598	529,592	964,212	(9,349)	3,039,748
IFRS 15 Restatement	16,567	0	(0)	(0)	38,062	54,629	2,313	(0)	(0)	0	122,643	124,956
Gross Profit Restated	341,900	177,518	156,950	293,728	35,950	1,006,046	1,112,008	445,598	529,592	964,212	113,294	3,164,704
Operating expenses Reported	(142,647)	(82,625)	(122,339)	(240,020)	(174,163)	(761,794)	(559,146)	(195,948)	(445,263)	(795,137)	(453,279)	(2,448,773)
IFRS 15 Restatement	(0)	0	0	(0)	(72,877)	(72,877)	-	-	-	-	(136,284)	(136,284)
Operating expenses Restated	(142,647)	(82,625)	(122,339)	(240,020)	(247,040)	(834,671)	(559,146)	(195,948)	(445,263)	(795,137)	(589,563)	(2,585,057)
EBITDA Reported	182,687	94,893	34,611	53,708	(176,275)	189,624	550,549	249,649	84,329	169,075	(462,628)	590,974
IFRS 15 Restatement	16,566	0	(0)	(0)	(34,815)	(18,249)	2,313	(0)	(0)	(0)	(13,641)	(11,328)
EBITDA Restated	199,253	94,893	34,611	53,708	(211,090)	171,375	552,862	249,649	84,329	169,075	(476,269)	579,646
Depreciation and Amortization						(57,338)						(174,543)
Share of results from associates						-						-
Net financial income and expenses						85,478						(113,329)
Net income before tax Reported						217,764						303,102
IFRS 15 Restatement						(18,249)						(11,328)
Net income before tax Restated						199,515						291,774
Adjustments					35,037	35,037					63,926	63,926
Adjusted EBITDA Reported	182,687	94,893	34,611	53,708	(141,238)	224,661	550,549	249,649	84,329	169,075	(398,703)	654,899
IFRS 15 Restatement	16,567	0	(0)	(0)	(34,815)	(18,248)						(11,327)
Adjusted EBITDA Restated	199,254	94,893	34,611	53,708	(176,053)	206,412	552,862	249,649	84,329	169,075	(412,344)	643,571

Note 4 – Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

(NOK thousands)			Year to date	Full year
	Q4 2022	Q4 2021	Q4 2022	2021
Depreciation	37,434	20,520	110,851	68,923
Amortisation of intangibles	50,170	36,818	192,166	105,620
Impairment	31,328	-	31,328	0
Total	118,932	57,338	334,344	174,543

The impairment relates a File Encryption SaaS intangible asset acquired by rhipe in August 2019, as commercialization of the asset has not been successful. Alternative use will be considered during 2023. 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:

(NOK thousands)			Year to date	Full year
	Q4 2022	Q4 2021	Q4 2022	2021
Interest income	2,500	7,346	29,444	13,948
Impairment losses on financial assets	(13,957)	-	-	-
Other financial expense, net	66,248	117,203	(193,741)	(43,038)
Other total financial income / (expense)	54,791	124,549	(164,297)	(29,090)

Impairment losses on financial assets relates to impairment on loans to our former Russian subsidiary. Refer to Note 11 for further information.

Note 6 – Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in 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 analyze performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance. Our internal operating and reporting model focuses on us acting as a principal rather than an agent, and consequently our segment information reports accounting to our prior year principle except for revenues being reported net. The adjustment to the new accounting principle following the IFRS decisions is included as an adjustment under Admin and Elimination for Market Clusters.

The reporting segment are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin & Shared services. Further information is found in Note 2 in the Annual report for 2021.

- **Software & Cloud Direct** is Crayon's license 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 independent software vendors (ISV) which includes license advisory/optimization, software license sales and access to Crayons proprietary tools and IP.
- **Software & Cloud Economics** services include processes and tools for enabling clients to build in-house Software Asset Management (SAM) capabilities, license spend optimization, 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 operations in the different geographical areas. Crayon operates with five geographical areas: Nordics, Europe, APAC & MEA and US in addition to HQ & Eliminations. HQ & Eliminations includes corporate admin costs excluding other income and expenses, unallocated global shared cost, IFRS 15 adjustments and eliminations.

(NOK thousands)			Year to date	Full year
	Q4 2022	Q4 2021	Q4 2022	2021
Adj EBITDA - Operating Segment				
- Software & Cloud Direct	181,338	199,254	727,178	552,863
- Software & Cloud Channel	155,329	94,893	503,963	249,649
Total Adj EBITDA - Software & Cloud	336,667	294,147	1,231,141	802,512
- Software & Cloud Economics	33,634	34,611	88,059	84,329
- Consulting	15,123	53,708	147,518	169,075
Total Adj EBITDA - Services	48,756	88,319	235,576	253,404
Admin & shared services	(127,415)	(176,053)	(627,500)	(412,344)
Total Adjusted EBITDA	258,009	206,413	839,217	643,572

(NOK thousands)			Year to date	Full year
	Q4 2022	Q4 2021	Q4 2022	2021
Adj EBITDA per Market Cluster				
- Nordics	174,601	152,712	599,988	534,941
- Europe	60,303	60,300	131,564	117,933
- APAC & MEA	60,420	56,807	269,390	115,155
- US	13,329	10,736	29,424	36,365
- HQ	(21,712)	(55,894)	(140,434)	(149,495)
IFRS 15 - change in principle	(28,931)	(18,248)	(50,715)	(11,327)
Total Adjusted EBITDA	258,009	206,412	839,217	643,572

Segment Information Dec 31, 2022

(NOK thousands)	Q4 2022						Year to date Q4 2022					
	Software & Cloud			Services			Software & Cloud			Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	169,512	44,755	55,178	375,512	2,109	647,066	573,960	183,756	171,254	1,327,661	16,909	2,273,539
Europe	135,037	37,415	77,497	58,034	26,181	334,164	428,750	127,295	204,862	245,275	29,229	1,035,412
APAC & MEA	87,431	145,480	26,780	132,866	15,257	407,813	309,204	535,250	87,529	501,112	25,444	1,458,539
US	36,717	11,868	75,109	33,476	1,136	158,306	149,547	43,512	278,721	74,610	599	546,989
HQ	(25)	17	-	579	25,656	26,227	(25)	(37)	-	892	101,958	102,789
IFRS 15 - change in principle	(20,478)	17,905	-	-	(26,358)	(28,931)	(33,222)	17,905	-	-	158,089	142,771
Eliminations	-	-	-	-	(38,002)	(38,002)	-	-	-	-	(360,477)	(360,477)
Revenue	408,194	257,439	234,564	600,467	5,979	1,506,643	1,428,214	907,681	742,365	2,149,550	(28,249)	5,199,561
Gross profit												
Nordics	169,512	44,755	40,319	239,245	2,137	495,969	573,960	183,756	138,494	861,192	7,276	1,764,677
Europe	135,037	37,415	53,727	40,270	(563)	265,885	428,750	127,295	159,283	129,698	2,666	847,693
APAC & MEA	87,431	145,480	16,956	67,304	16,651	333,822	309,204	535,250	53,914	254,158	26,971	1,179,497
US	36,717	11,868	77,736	21,855	413	148,590	149,547	43,512	277,520	49,480	658	520,717
HQ	(25)	17	(5)	487	25,644	26,118	(25)	(37)	(5)	462	101,943	102,339
IFRS 15 - change in principle	(20,478)	17,905	-	-	(26,358)	(28,931)	(33,222)	17,905	-	-	158,089	142,771
Eliminations	-	-	-	-	31,499	31,499	-	-	-	-	(62,133)	(62,133)
Gross profit	408,194	257,439	188,733	369,161	49,423	1,272,950	1,428,214	907,681	629,206	1,294,990	235,470	4,495,561
IFRS 15 - change in principle	-	-	-	-	-	-	-	-	-	-	(193,486)	(193,486)
Operating expenses	(226,855)	(102,111)	(155,099)	(354,039)	(250,063)	(1,088,166)	(701,036)	(403,719)	(541,147)	(1,147,472)	(757,218)	(3,550,594)
EBITDA	181,339	155,328	33,634	15,122	(200,640)	184,784	727,178	503,962	88,059	147,518	(715,235)	751,482
Depreciation and Amortization						(118,932)						(334,344)
Share of results from associates						359						6,563
Net financial income and expenses						(3,061)						(358,221)
Net income before tax						63,150						65,479
Adjustments						73,225					87,735	87,735
Adjusted EBITDA	181,339	155,328	33,634	15,122	(127,415)	258,009	727,178	503,962	88,059	147,518	(627,500)	839,217

Segment Information Dec 31, 2021

(NOK thousands)	Q4 2021						Year to date Q4 2021					
	Software & Cloud			Services			Software & Cloud			Services		
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	148,156	40,977	40,723	360,800	1,651	592,307	494,448	153,409	141,444	1,190,387	3,343	1,983,031
Europe	99,309	25,475	44,347	42,243	1,783	213,158	322,810	94,788	146,677	110,829	3,280	678,384
APAC & MEA	55,822	101,304	46,109	84,440	1,839	289,515	192,238	166,577	93,464	184,712	3,789	640,780
US	22,046	9,762	74,568	17,451	330	124,158	100,199	30,707	267,397	62,833	972	462,108
HQ	(0)	-	-	164	16,989	17,153	-	116	-	1,012	64,428	65,556
IFRS 15 - change in principle	16,567	-	-	-	38,062	54,629	2,314	-	-	-	122,643	124,957
Eliminations	-	-	-	-	(104,073)	(104,073)	-	-	-	-	(296,029)	(296,029)
Revenue	341,900	177,518	205,748	505,099	(43,419)	1,186,846	1,112,009	445,598	648,982	1,549,773	(97,574)	3,658,787
Gross profit												
Nordics	148,156	40,977	31,440	216,356	1,826	438,755	494,448	153,409	118,543	746,289	3,620	1,516,311
Europe	99,309	25,475	39,627	29,859	2,114	196,385	322,810	94,788	124,127	91,210	4,043	636,978
APAC & MEA	55,822	101,304	17,434	34,673	834	210,067	192,238	166,577	46,001	82,316	4,495	491,626
US	22,046	9,762	68,449	12,779	330	113,366	100,199	30,707	240,921	44,414	972	417,213
HQ	(0)	-	-	61	17,114	17,174	(0)	116	-	(18)	65,255	65,353
IFRS 15 - change in principle	16,567	-	-	-	38,062	54,629	2,314	-	-	-	122,643	124,957
Eliminations	-	-	-	-	(24,330)	(24,330)	-	-	-	-	(87,733)	(87,733)
Gross profit	341,900	177,518	156,950	293,728	35,950	1,006,046	1,112,008	445,598	529,592	964,212	113,294	3,164,704
IFRS 15 - change in principle	-	-	-	-	(72,877)	(72,876)	-	-	-	-	(136,284)	(136,284)
Operating expenses	(142,647)	(82,625)	(122,339)	(240,020)	(174,163)	(761,794)	(559,146)	(195,948)	(445,263)	(795,137)	(453,279)	(2,448,774)
EBITDA	199,254	94,893	34,611	53,708	(211,091)	171,375	552,862	249,649	84,329	169,075	(476,270)	579,646
Depreciation and Amortization						(57,338)						(174,543)
Share of results from associates						(1,172)						(1,172)
Net financial income and expenses						86,649						(112,158)
Net income before tax						199,515						291,774
Adjustments						35,037					63,926	63,926
Adjusted EBITDA	199,254	94,893	34,611	53,708	(176,053)	206,413	552,862	249,649	84,329	169,075	(412,344)	643,572

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 program). A share grant program has been implemented for general managers in 2021 and 2022 (General manager share grant program). The management share option program and share grant program include both employment and performance vesting conditions. July 2022, Chief Technology Officer (CTO) was awarded 100,000 options with strike price NOK 125.20 (CTO options 2022). The options will vest in three tranches, with 1/3 vesting annually. Vesting of the options are subject to employment vesting conditions. Each share option allows for the subscription of one share in Crayon Group Holding ASA. The fair value of the options and share grant is calculated at grant date and expensed over the vesting period.

Q2 2022, 250 000 options from the IPO Share incentive scheme and 92 332 options from Management share option program were exercised.

Employee share purchase program (ESPP)

In the employee share purchase program, 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 in 2019 (ESPP 2019) and a second offer in Q4 2020 (ESPP 2020). Latest offer was given in Q2 2022 (ESPP 2022). 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. In Q2 2022, 913 employees participated in the ESPP 2022 and a total of 542 498 shares were subscribed for. Board of directors and executive management subscribed for approximately 17 000 and 7 000 shares, 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 bonus shares is calculated at grant date and expensed over the vesting period. Bonus shares related to ESPP 2019-program were released in Q4 2021.

In Q4 2022, bonus shares under the ESPP 2020 program were released to participants in the program still employed in Crayon. In total 115,576 bonus shares were released to employees. The board of directors and executive management were allotted approximately 7 000 and 2 000 shares, respectively.

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	CTO options 2022	General manager share grant program 2021	General manager share grant program 2022	ESPP 2019	ESPP 2020	ESPP 2022
		1.70 m						
Number of share options allotted	1.92 m options	options	0.1 m options	-	-	-	-	-
Exercise price	NOK 15.50	NOK 53.60	NOK 125.20	-	-	-	-	-
Term of the option	5 years	5 years	5 years	-	-	-	-	-
Share price at grant date	NOK 15.50	NOK 53.60	NOK 125.20	NOK 118.40	NOK 166.40	NOK 52.00	NOK 112.40	NOK 126.70
					86 k shares			
Numbers of shares allotted	-	-		69 k shares	(estimate)	1.23 m shares	0.5 m shares	0.5 m shares
Subscription price	-	-		-	-	NOK 30.00	NOK 85.90	NOK 117.70
Lock-up period	-	-		0 - 2 years	0 - 2 years	2 years	2 years	2 years

Cost related to share-based compensation, as displayed in the table below, includes employee social security tax. Negative amounts are related to reversal of accrued employee social security tax as a consequence of a reduction in share price during the quarter.

(NOK thousands)	Q4 2022	Q4 2021	Year to date Q4 2022	Full year 2021
Share incentive scheme (IPO)	(379)	1,368	(3,794)	4,488
Employee share purchase program 2019-2022	1,382	(2,008)	8,835	12,320
Management share options program 2020-2022	7,744	15,764	8,404	38,194
Share based compensation	8,747	15,124	13,445	55,002

Note 8 – Intangible assets

(NOK thousands)	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Acquisition cost 01.01	8,760	386,130	986,201	208,585	1,589,675
Additions	-	78,076	-	-	78,076
Currency translation	44	22,550	24,409	(590)	46,415
Acquisition cost at the end of the period	8,804	486,756	1,010,610	207,995	1,714,166
Amortisation and impairment 01.01	6,820	287,965	387,370	109,098	791,252
Amortisation	276	78,820	81,919	31,017	192,032
Impairment	-	-	-	31,328	31,328
Accumulated amortisation and impairment	7,096	366,785	469,289	171,443	1,014,612
Net value at the end of the period	1,709	119,971	541,321	36,552	699,554
Amortisation period	0-5 years	3 years	5-20 years	3-10 years	
Amortisation method	Linear	Linear	Linear	Linear	

The company recognizes intangible assets if it is likely that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets with a limited useful life are measured at cost less accumulated amortization and impairments. Amortization is recognized on a straight-line basis over the estimated useful life. Amortization period is reviewed annually.

The impairment relates to an intangible asset connected to a File Encryption SaaS acquired by rhipe in August 2019. The commercialization of the asset has not been successful. Alternative use will be considered during 2023. See Note 9 for additional information of impairment assessment on December 31, 2022.

Amortization of intangible assets identified as part of purchase price allocation from acquisitions amount to NOK 106m year to date.

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

Software licenses (IP):

Intangible assets from historical acquisitions.

Development cost:

Crayon capitalizes expenses related to development activities according to IAS 38. Expenses capitalized include costs of materials and services used or consumed in generating the intangible asset and costs of employee benefits arising from the generation of the intangible asset. Capitalized development costs are depreciated on a straight-line basis over the estimated useful life.

Contracts:

The intangible asset value related to contractual customers are mainly from the acquisitions of Sensa and rhipe. These assets are amortized on a straight-line basis over the estimated useful lifetime.

Technology and software:

Technology and software include intangible assets arising from the business combinations of Anglepoint, FAST and rhipe. FAST comprise a set of technology and software, primarily used in subscription services to customers who need both Software & Cloud Economics (previous SAM) and IT compliance services. Anglepoint contain capitalized software and technology

developed internally by Anglepoint. Intangible assets from the rhipe acquisition are related to an internally developed subscription management platform used in the licensing business.

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 (including intangible 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 recognized. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Reconciliation of the carrying amount of goodwill is presented below:

(NOK thousands)	Goodwill
Acquisition cost at 01.01	3,107,775
Additions	39,511
Currency translation	108,911
Acquisition cost at the end of the period	3,256,196
Impairment at 01.01	109,517
Impairment during the period	-
Accumulated impairment at the end of the	109,517
Net book value at the end of the period	3,146,679

Additions include two smaller acquisitions in Finland and the UK aggregating NOK 14m. The remaining amount is an adjustment to a prior period acquisition.

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. When assessing impairment, assets are grouped into cash generating units (CGU's), normally per business area, being the lowest levels of cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 management assumptions relating to WACC (weighted average cost of capital) and CAGR (compound annual growth rates). As a general principle, the Group pre-tax WACC is used for most CGUs in the model. 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 2022, pre-tax WACC used was 12.8% (2021: 9.11%).

No impairment indication is identified as a result of the annual impairment test performed as per December 31, 2022, on the identified CGU's related to goodwill.

Sensitivity analysis has been prepared for 2022. 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. The calculation is most sensitive to changes in EBITDA and gross profit (GP) margins. No reasonably likely change in the key assumptions listed above would cause the carrying value to materially exceed the recoverable amount for any of the CGUs

Note 10 – Interest-bearing debt

Interest-bearing debt is recognized at amortized cost.

In November 2019, the company issued a NOK 300m senior unsecured bond, with a NOK 600m borrowing limit. The bond has a floating coupon rate of 3 months NIBOR + 350 bps p.a. Maturity date and settlement was November 21, 2022.

On July 1, 2021, Crayon entered a NOK 1,800m 4-year senior unsecured floating rate bond with a coupon of 3 months NIBOR + 375 bps. The bond was issued July 15th, 2021, and matures July 15th 2025 and is listed on the Oslo Stock Exchange (CRAYON 04).

The group have revolving credit facility (RCF) of NOK 1,000m, fully utilized on December 31, 2022. The facilities mature on April 15, 2025. The outstanding liability is presented as a long-term liability.

Transaction costs of NOK 29m related to the NOK 1,800m bond and the RCF are carried at amortized cost.

Net interest-bearing debt means senior debt to credit institutions and other interest-bearing debt including leasing less freely available cash.

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Bond loan, non-current liabilities	1,777,986	1,771,052
Revolving credit facility	900,001	-
Bond loan, current liabilities	-	300,000
Lease liabilities	410,047	87,164
Current lease liabilities	72,578	39,064
Other current interest-bearing liabilities	121,796	113,311
Cash & cash equivalents	(1,529,641)	(1,216,618)
Restricted cash	52,290	72,261
Net interest bearing debt	1,805,057	1,166,233

Note 11 – Financial Risk

Crayon Group is exposed to a number of risks, including foreign exchange risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how they are managed, please see the 2021 annual report, Note 19. Financial risk management at Crayon is governed by the Group Treasury through its internal policy. The Group Treasury identifies, assesses, and hedges financial risks in close collaboration with the Group's operating units.

On April 26, 2022, Crayon announced its decision to cease operations in Russia due to the war in Ukraine. On September 30, 2022, the remaining net investment including internal loans, were reclassified to assets held for sale, refer to Note 15 in the Q3,22 report for further information. An agreement was signed in December 2022 for a management buyout. The transaction will be subject to governmental approval in Russia that is expected to take 3-6 months. The risk of the transaction not being approved is considered low, and consequently the sale transaction is recognized in December 2022. Impairment losses related to financial assets of 14m NOK were recognized as other financial expenses as a result of the transaction.

Operations in Ukraine are progressing as planned with limited financial risk for the group.

Market risk

Interest rate exposure

The Group's interest rate risk arises from non-current borrowings at floating rate (cash flow interest rate risk). The Group is sensitive for changes in NIBOR having impact on the 1,800m bond and the 1,000m revolving credit facilities. The Group can also be sensitive to interests on other currencies due to a multicurrency cash-pool in Danske Bank. No interest positions are hedged. See note 10 for further information.

Foreign currency risk exposure

Crayon has revenues and operating costs in various currencies. The global expansion of Crayon has led to significant business growth as well as currency exposure. The gross cost of licenses and proceeds for incentives are to a large extent determined in international markets, primarily denominated in Euro (EUR), US Dollar (USD), Swedish Kroner (SEK) and Australian Dollar (AUD) in addition to Norwegian kroner (NOK), while our operating cost and any gross revenues more often are denominated in local currencies. A rather comprehensive volume of transactions and balances in foreign currencies make the group volatile for exchange rate changes. The Group assesses business opportunities carefully to mitigate any current and future currency risks. The Group has a limited number of cash flow hedges to cover the risk of sale and purchase in different currencies. Crayon seeks primarily natural hedge to the extent it is economically viable.

By having operational units in different functional currencies, the Group is exposed to currency translation risks related to subsidiaries. Crayon aims to establish natural hedging

positions if this is possible and economically viable. Financial derivatives can be used to hedge the remaining net currency risk exposures. Larger transactions involving currency exposure can be hedged by means of currency forwards.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due, and that financing will not be available at a reasonable price. Crayon Group is impacted by liquidity fluctuation associated with its gross sales and growth. The cash flow from operating activities is mainly impacted by changes in the net working capital managed by the subsidiaries. The Group Treasury Department is responsible for Group cash flow forecasting and optimizing liquidity flows centrally. Group Treasury monitors forecasts of the Group's liquidity frequently and ensures that the operational requirements are met as well as always maintaining sufficient headroom on debt facilities. The Group has significant liquidity reserves available both through bank deposits, multicurrency cash-pool and credit facilities and the liquidity risk is therefore considered low.

Credit risk

The Group is exposed to credit risk from its operational activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group have deposits with sound financial institutions. The Group Treasury overlooks the credit risk on a centralized level whilst the subsidiaries are responsible for enforcing standard payment and delivery terms and conditions towards the clients. Credit risk exposure is largely impacted by outstanding receivables and contract assets. Credit check and control procedure conducted by local subsidiaries ensure the credit quality of the customers of Crayon.

The Group continues to intensify collection efforts over accounts receivable as a precaution against risk brought about by increased operations in new markets outside the core Nordic region.

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

Allowance for doubtful accounts in the balance sheet

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Opening balance 01.01	85,622	52,492
Currency translation	(497)	16,386
Net reversal/ allowance	30,416	16,744
Closing balance	115,541	85,622

Profit or loss effect of bad debt

(NOK thousands)	Q4 2022	Q4 2021	Year to date Q4 2022	Full year 2021
Realized losses	7,592	4,896	27,856	10,042
Allowance for doubtful accounts	11,044	(3,450)	30,416	16,744
Net accounting losses on receivables	18,636	1,446	58,272	26,786

Note 12 – Right-of-use assets and lease liabilities

(NOK thousands)	Right-of-use assets
Acquisition cost at 01.01	237,932
Additions	398,298
Disposals	(16,908)
Currency translation	10,546
Acquisition cost at the end of the period	629,868
Depreciation at 01.01	126,386
Depreciation during the period	68,199
Disposals	(16,908)
Currency translation	692
Accumulated depreciation at the end of the period	178,368
Net book value at the end of the period	451,499
Depreciation period	1-10 years
Depreciation method	Linear

Future cash outflows related to lease agreements not reflected in the measurements of lease liabilities amount to NOK 26.1m. Cash outflows are related to signed lease agreements where the leases have not yet commenced and relates to a period of 3 to 6 years starting during 2023.

The significant addition in right-of-use assets is mainly explained by the new headquarters in Nydalen (Oslo) and a new office in Sydney.

Note 13 – Seasonality of operations

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

Note 14 – Events after the balance sheet date

No significant events to report after the balance sheet date.

Alternative Performance Measures

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of Crayon's performance, the company has presented several alternative performance measures (APMs). An APM is defined 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). Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. The Group believes that APMs such as adjusted EBITDA are commonly reported by companies in the markets in which Crayon compete and are widely used by investors in comparing performance on a consistent basis without regard to factors such as other share-based payments and other income and expenses, which can vary significantly from period to period, especially due to M&A transactions and reorganizations. Crayon discloses the APMs to permit a more complete and comprehensive analysis of its underlying operating performance relative to other companies and across periods. Because companies may calculate gross profit, adjusted EBITDA, other income and expenses, net working capital and liquidity reserve differently, the Company's presentation of these APMs may not be comparable to similar titled measures used by other companies.

Crayon uses the following APM's:

Gross sales: Gross revenues assuming we were principal and not agent on all software resale being restated.

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Gross Sales	38,760,511	26,438,331

Gross profit: Operating Revenue less materials and supplies.

EBITDA: Earnings before interest expense, other financial items, income taxes, depreciation, impairment and amortization.

Adjusted EBITDA: EBITDA excluding share-based compensation and other income and expenses.

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
EBITDA	751,482	579,646
<i>Adjustments:</i>		
Share based compensation	13,445	55,002
Other income and expenses	74,290	8,923
Adjusted EBITDA	839,217	643,572

Adjusted EBITDA margin: Adjusted EBITDA / Gross profit

Other income and expenses: Other income and expenses consist of M&A expenses and directly related reorganizations, subsequent adjustment of contingent considerations or other subsequent adjustments in business combinations including earn-out payments recognized in profit or loss and any other significant non-recurring items. Other personnel costs in 2022 are mainly related to redundancy costs for restructuring following the acquisition of rhipe. See table below.

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Business development expenses and legal structuring	(4,698)	(19,701)
Forgivable loan (US)	-	13,516
Tax reassessment	(30,361)	-
Fair value adjustment earn-out	(27,835)	-
Other personell costs	(11,396)	(2,738)
Other income and expenses	(74,290)	(8,923)

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. On 31 December:

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Inventory	17,328	2,869
Accounts receivable	6,562,970	4,492,969
Other current receivables	2,076,867	1,635,919
Income taxes payable	(76,300)	(58,171)
Accounts payable	(6,563,280)	(4,813,772)
Public duties	(612,971)	(458,898)
Other current liabilities	(1,525,145)	(1,263,621)
Net working capital	(120,530)	(462,705)

Liquidity reserve: Free available cash and available credit facilities in each company where Crayon operates. The liquidity reserve does not consider any restrictions on cross border cash transfers. On 31 December:

	Year to date	Full year
(NOK thousands)	Q4 2022	2021
Cash & cash equivalents	1,529,641	1,216,618
Restricted cash	(52,290)	(72,261)
Free available cash	1,477,352	1,144,357
Available credit facility	10,027	847,786
Liquidity reserve	1,487,379	1,992,143

Other definitions:

CAPEX: Capital expenditures that mainly consist of office equipment and capitalizes expenses related to development activities according to IAS 38.

EBIT: Earnings before interest expense, other financial items, and income taxes.

LTM: Last twelve months.

Trade Working Capital: The net amount of inventory, accounts receivables and accounts payables.

Leverage ratio: Net interest-bearing debt (Note 10), divided by LTM adjusted EBITDA.

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

Restricted cash: The amount consists of employee taxes withheld and cash as collateral for bank guarantees.

YoY: Year over year, i.e. comparable period (e.g. quarter or YTD) last year.

YTD: Year to date.

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