Q1 2021

Crayon Group Interim Financial Report

Content

Highlights

- Crayon starting 2021 with gross profit growth across all business areas and market clusters in Q1 2021. Gross profit grew by 23.2% compared to the same quarter last year (year-over-year, "YoY"), driven by strong growth in the segments Consulting (NOK 42.3m/ +26.6% YoY) and Software & Cloud Direct (NOK 46.6m/ +25.4% YoY). All market clusters delivered solid gross profit growth.
- Adjusted EBITDA has a positive development, and in Q1 2021 adjusted EBITDA[1] increased with NOK 52.4m YoY to NOK 93.0m. The improvement was primarily driven by Software & Cloud (NOK 55.5m), and Services EBITDA (NOK 17.7m)

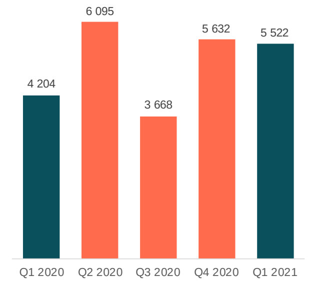
Key consolidated figures

(NOK in thousands, unless stated)	Year to date 2021 Un-audited	Year to date 2020 Un-audited	Full year 2020 Audited
Operating revenue	5 522 457	4 203 953	19 599 455
Gross profit	634 941	515 206	2 344 785
EBITDA	81 209	38 496	381 414
Adjusted EBITDA	93 029	40 602	412 902
Operating (loss)/profit/EBIT	45 124	5 868	241 112
Net (loss) income	15 172	(51 587)	126 831
Cash flow from operations	(401 017)	116 756	941 630
Gross profit margin (%)	11,5 %	12,3 %	12,0 %
Adjusted EBITDA margin (%)	1,7 %	1,0 %	2,1 %
Adjusted EBITDA / Gross profit margin (%)	14,7 %	7,9 %	17,6 %
Earnings per share (NOK per share)	0,19	(0,62)	1,48

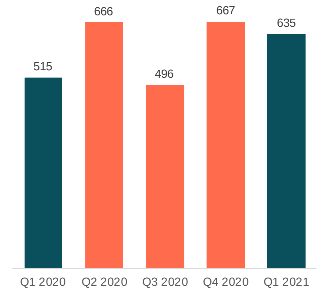
	March 31, 2021	March 31, 2020	December 31, 2020
Liquidity reserve	1 187 977	598 909	1 582 313
Net working capital	(491 222)	(395 406)	(979 161)
Average headcount (number of employees)	1 951	1 615	1 727

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

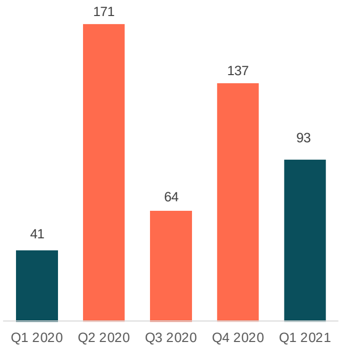
Consolidated Operating Revenue
In millions of NOK



Consolidated Gross Profit
In millions of NOK



Consolidated Adjusted EBITDA[1]
In millions of NOK



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

Business review

Crayon continues to deliver strong financials and starts 2021 with a quarter of gross profit and EBITDA growth. Q1 2021 YoY revenue growth was +31.4% while gross profit growth was +23.2%/ NOK 119.7m, leading to a total Q1 2021 gross profit of NOK 634.9m. Adjusted EBITDA in Q1 2021 was NOK 93.0m, an increase of NOK 52.4m compared with Q1 2020.

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 Q1 2021 compared to Q1 2020. Nordics is the largest market cluster and delivered a +15.4% gross profit growth. Europe and US market clusters both delivered strong gross profit YoY growth of +34.6% and +34.3% respectively, while APAC & MEA had a gross profit YoY development of +31.0%.

The Software & Cloud division overall had a growth of +23.1% YoY, composed of Software & Cloud Direct with +25.4% gross profit growth YoY and Software & Cloud Channel with +17.6% gross profit growth YoY.

Within the Software & Cloud segment, gross profit in the Nordics grew with +15.9% YoY and Europe with +32.6% YoY. Gross profit in APAC & MEA increased with 35.4% YoY, and US increased with 15.0%. Within the Services segment, the overall gross profit growth was +22.1%, driven by Consulting with +26.6% YoY growth and Software & Cloud Economics ("SAM") of +15.0% YoY growth. Within the Services segment, Nordics grew by +14.4% YoY, while Europe, APAC & MEA and US grew by +41.9% YoY, +21.8% YoY and +38.4% YoY respectively.

Q1 2021 adjusted EBITDA was NOK +93.0m (2020: NOK +40.6m YoY). The YoY adjusted EBITDA improvement was driven by the Nordics (NOK +28.9m YoY), Europe (NOK +10.9m YoY), APAC & MEA (NOK +6.2m YoY) and US (NOK 10.0m YoY). In the business area segment, the adjusted EBITDA improvement was driven by Software & Cloud Direct (NOK +34.2m YoY), Software & Cloud Channel (NOK +21.3m YoY), Software & Cloud Economics (NOK +12.2m YoY) and Consulting (NOK +5.5m YoY).

In the light of the Q1 2021 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 Q1 2021.

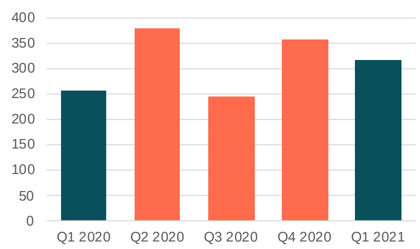
COVID-19

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 Q1 2021.

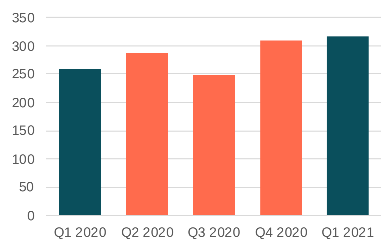
Software Gross Profit

In millions of NOK



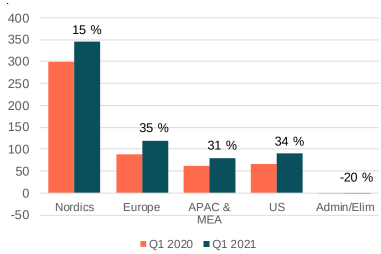
Services Gross Profit

In millions of NOK



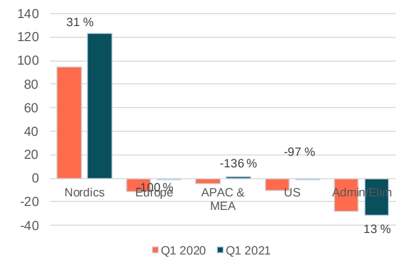
Gross Profit per Market Cluster and Growth

In millions of NOK



Adj. EBITDA per market cluster and growth (%)

In millions of NOK



Financial review

Items below the EBITDA line

Depreciation and amortisation increased NOK 3.5m 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 5.1m, primarily due to a lower interest on borrowings, while other financial expenses decreased with NOK 26.1m due to currency movements. The net income before tax increases YoY by NOK 70.4m to NOK 29.0m, mainly due to decrease of net financial items of NOK 31.2m. Income tax expense for Q1 2021 amounts to NOK 13.8m.

Net profit in the period was NOK 15.2m, compared with the Q1 2020 result of NOK -51.6m. Basic earnings per share increased from NOK -0.62 per share in Q1 2020 to NOK 0.19 per share in Q1 2021.

Adjusted EBITDA

Adjusted EBITDA is adjusted for share based compensation and other income and expenses, totaling NOK 11.8m in Q1 2021. Other income and expenses in Q1 are mainly driven by share-based compensation and accruals of personnel expenses with former CEO. 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.

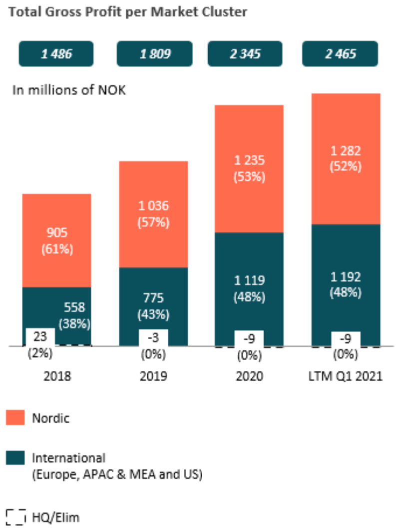
Balance sheet

As of March 31, 2021 Crayon had assets of NOK 5 675m (2020: NOK 4 196m) which is primarily composed of accounts receivables NOK 3 170m (2020: NOK 2 398m), goodwill NOK 846m (2020: NOK 875m) and Cash & cash equivalents NOK 962m (2020: NOK 330m). Total liabilities as of March 31, 2021 amounts to NOK 4 566m (2020: NOK 3 534m), consisting primarily of accounts payables NOK 3 147m (2020: NOK 2 309m) and a bond loan NOK 296m (2020: NOK 294m).

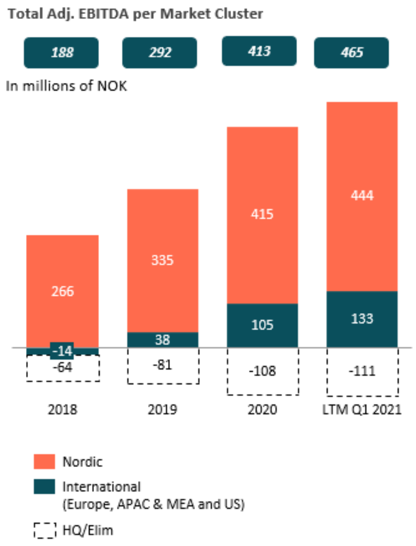
Trade working capital decreased YoY with NOK 80m, compared to the 31.4% YoY revenue growth. This improvement is driven by a combination of improved credit and collection performance with customers.

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 account 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. Account receivables decreased from Q4 2020 related to the cyclicality of the business. The provision for bad debt increased with NOK 4.0m (including currency impact) compared to Q1 2020. 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 up 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.

Crayon has a non-recourse factoring agreement with BNP. This has been implemented for a set of customers in Norway and in Denmark. As of March 31, 2021, factoring is improving our accounts receivables of NOK 180m (2020: NOK 130).

Equity increased by NOK 5.5m from year-end 2020 consisting primarily a total net income of NOK 15.2m and a currency translation on net investments in subsidiaries of NOK -10.9m.

Leverage

Net interest-bearing debt as end of March 31, 2021 was NOK -510m with a net cash position of NOK 962m (the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”)), corresponding to a leverage ratio of -1.1x EBITDA[1]. The Group had significant headroom with regards to its bank covenants as of quarter end.

Cash flow

Cash flow from operations in Q1 2021 was NOK -401m, compared with NOK 117m in Q1 2020 mainly due changes in net income and net working capital.

The net cash position as of March 31, 2021 was NOK 962 (the Company reports its cash balance net of drawdown on its revolving credit facility (“RCF”)) compared to NOK 330m as of March 31, 2020.

The liquidity position of the group remains strong, with a total liquidity reserve as of March 31, 2021 of NOK 1 188m, compared to NOK 599m as of March 31, 2020. 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 Q1 2021 was 1 951, compared to an average during Q1 2020 of 1 615. This represents a YoY increase of 335 employees /+20.7%. The Software & Cloud business division had a total increase in average employees of 123 YoY, representing a 22.9% increase. The average number of employees in the Services business division increased YoY by 211 employees [2], whilst other employees are unchanged YoY. At the date of this report, all Crayon employees are safe and remains productive. Crayon has taken measures to protect employees and support ongoing efforts to contain the COVID-19 pandemic in line with local and global health authorities. The transition to remote work has so far been seamless for our employees, customers and business partners.

[1] On a LTM basis, excluding share based compensation and other income and expenses and non-controlling interest. Also, adjusted for restricted cash of NOK 44.3m, including not registered shares issued.
[2] Includes impact of organic growth and acquisitions.

Condensed Consolidated Statement of Income

(In thousands of NOK)	Quarter ended 31-Mar Un-audited 2021	Quarter ended 31-Mar Un-audited 2020	Year ended 31-Dec Audited 2020
Operating revenue	5 522 457	4 203 953	19 599 455
Cost of sales	4 887 516	3 688 747	17 254 670
Gross profit	**634 941**	**515 206**	**2 344 785**
Payroll and related cost	477 750	393 664	1 685 629
Other operating expenses	64 162	80 941	246 254
Share based compensation	8 883	1 823	48 684
Other income and expenses	2 937	282	(17 196)
EBITDA	81 209	38 496	381 414
Depreciation and amortisation	36 085	32 628	140 302
Operating (loss)/profit/EBIT	45 124	5 868	241 112
Interest expense	10 297	15 398	41 125
Other financial expense, net	5 862	31 933	6 336
Net (loss) income before tax	28 964	(41 464)	193 652
Income tax expense on ordinary result	13 792	10 123	66 821
Net (loss) income	15 172	(51 587)	126 831
Comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation	(10 949)	116 896	8 859
Total comprehensive income -net of tax	4 224	65 309	135 690
Allocation of net income			
Non-controlling interests	(394)	(4 047)	6 336
Owners of Crayon Group Holding ASA	15 566	(47 540)	120 495
Total net income (loss) allocated	15 172	(51 587)	126 831
Earnings (loss) per share (NOK per share)	0,19	(0,62)	1,48
Allocation of Total comprehensive income			
Non-controlling interests	55	(7 874)	5 680
Owners of Crayon Group Holding ASA	4 169	73 183	130 009
Total comprehensive income allocated	4 224	65 309	135 690

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

Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	31-Mar Un-audited 2021	31-Mar Un-Audited 2020	31-Dec Un-Audited 2020
ASSETS			
Non-current assets:			
Development Costs	86 935	88 646	88 756
Technology and software	16 635	28 891	18 515
Contracts	52 865	72 816	60 379
Software licenses (IP)	2 135	1 000	2 215
Goodwill	846 004	874 694	850 933
Deferred tax asset	37 566	36 027	35 458
Total intangible assets	1 042 141	1 102 072	1 056 255
Tangible assets			
Equipment	36 186	40 499	38 624
Right of use assets	107 469	127 593	120 051
Total tangible assets	143 654	168 092	158 676
Other non-current receivables	36 435	20 303	39 962
Total financial assets	36 435	20 303	39 962
Total non-current assets	1 222 231	1 290 467	1 254 893
Current assets:			
Inventory	4 542	18 911	8 846
Total inventory	4 542	18 911	8 846
Accounts receivable	3 170 209	2 397 688	3 393 421
Other current receivables	316 103	158 124	263 347
Total receivable	3 486 311	2 555 812	3 656 768
Cash & cash equivalents	962 059	330 433	1 394 120
Total current assets	4 452 912	2 905 157	5 059 733
Total assets	5 675 143	4 195 624	6 314 626

(In thousands of NOK)	31-Mar Un-audited 2021	31-Mar Un-Audited 2020	31-Dec Un-Audited 2020
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Share capital	83 279	76 624	81 688
Own shares	(10)	(10)	(10)
Share premium	975 296	622 150	976 887
Sum paid-in equity	1 058 565	698 764	1 058 565
Retained Earnings			
Other Equity	48 312	(24 688)	41 276
Total retained earnings	48 312	(24 688)	41 276
Total equity attributable to parent company sharehc	1 106 877	674 076	1 099 840
Non-controlling interests	1 831	(12 882)	3 334
Total shareholders' equity	1 108 707	661 193	1 103 174
Non-current liabilities:			
Bond loan	295 822	293 734	295 215
Derivative financial liabilities	(0,0)	13 877	(0)
Deferred tax liabilities	19 116	31 763	21 505
Lease liabilities	85 032	102 930	95 340
Other non-current liabilities	47 770	42 682	47 503
Total non-current liabilities	447 740	484 987	459 562
Current liabilities:			
Accounts payable	3 146 957	2 309 049	3 560 040
Income taxes payable	41 432	25 135	49 812
Public duties	66 355	156 233	250 918
Current lease liabilities	29 340	29 192	31 230
Other current interest bearing debt	107 281	50 123	75 884
Other current liabilities	727 332	479 712	784 004
Total current liabilities	4 118 695	3 049 444	4 751 889
Total liabilities	4 566 435	3 534 431	5 211 452
Total equity and liabilities	5 675 143	4 195 624	6 314 626

Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 31-Mar Un-audited 2021	Quarter ended 31-Mar Audited 2020	Year ended 31-Dec Un-audited 2020
Cash flows from operating activities:			
Net (loss) income before tax	28 964	(41 464)	193 652
Taxes paid	(15 408)	(10 233)	(34 504)
Depreciation, amortisation and impairment	36 085	32 628	140 302
Net interest expense	7 717	12 352	32 675
Changes in inventory, accounts receivable/payable	(185 567)	98 735	364 059
Changes in other current accounts	(272 808)	24 737	245 446
Net cash flow from operating activities	(401 017)	116 756	941 630
Cash flows from investing activities:			
Payment for capitalised assets	(13 546)	(17 734)	(81 362)
Acquisition of subsidiaries - net of cash acquired	-	(1 000)	(4 616)
Other business combinations	-	-	(8 000)
Net cash flow from investing activities	(13 546)	(18 734)	(93 978)
Cash flow from financing activities:			
Net interest paid to credit institutions and interest to bond loan	(5 137)	(10 470)	(43 899)
Share issues	-	-	335 130
Share capital increase not registered	-	-	24 672
Acquisition/disposal of non-controlling interest	(3 816)	7 756	8 497
Proceeds from issuance of interest bearing debt	-	-	33 922
Repayment of interest bearing debt	(11 395)	(9 826)	(42 863)
Other Financial items	-	(306)	(3 762)
Net cash flow from financing activities	(20 347)	(12 845)	311 697
Net increase (decrease) in cash and cash equivalents	(434 909)	85 176	1 159 349
Cash and cash equivalents at beginning of period	1 394 120	238 817	238 817
Currency translation	2 848	6 440	(4 046)
Cash and cash equivalents at end of period	962 059	330 433	1 394 120

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

March 31, 2020

(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
	Attributable to equity holders of Crayon Group Holding ASA						
Balance at January 1, 2020	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
Adjustment [1]	-	-	-	(485)	(485)	23	(462)
Net (loss) income	-	-	-	(47 540)	(47 540)	(4 047)	(51 587)
Currency translation	-	-	-	120 723	120 723	(3 827)	116 896
Total comprehensive income	-	-	-	73 183	73 183	(7 874)	65 309
Share based compensation	-	-	-	3 085	3 085	92	3 177
Transactions with non-controlling interests	-	-	-	4 821	4 821	2 936	7 756
Transactions with owners	-	-	-	7 906	7 906	3 028	10 933
Balance as of end of period	76 624	(10)	622 150	(24 688)	674 075	(12 883)	661 193

December 31, 2020

(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
	Attributable to equity holders of Crayon Group Holding ASA						
Balance at January 1, 2020	76 624	(10)	622 150	(105 292)	593 472	(8 059)	585 413
Adjustment [1]	-	-	-	(33)	(33)	0	(33)
Net (loss) income	-	-	-	120 495	120 427	6 336	126 831
Currency translation	-	-	-	5 651	5 657	(656)	4 995
Total comprehensive income	-	-	-	126 146	126 146	5 680	131 826
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
Transactions with owners	5 063	-	354 738	20 454	380 256	5 712	385 968
Balance as of end of period	81 688	(10)	976 887	41 276	1 099 841	3 334	1 103 174

March 31, 2021

(In thousands of NOK)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
	Attributable to equity holders of Crayon Group Holding ASA						
Balance at January 1, 2020	81 688	(10)	976 887	41 276	1 099 841	3 334	1 103 174
Adjustment [1]	-	-	-	83	83	0	83
Net (loss) income	-	-	-	15 566	15 566	(394)	15 172
Currency translation	-	-	-	(11 397)	(11 397)	449	(10 949)
Total comprehensive income	-	-	-	4 169	4 169	55	4 224
Share issues	1 592	-	(1 592)	-	0	-	0
Share based compensation	-	-	-	5 425	5 425	291	5 716
Transactions with non-controlling interests	-	-	-	(2 641)	(2 641)	(1 849)	(4 490)
Transactions with owners	1 592	-	(1 592)	2 785	2 785	(1 558)	1 226
Balance as of end of period	83 279	(10)	975 296	48 312	1 106 877	1 831	1 108 708

[1] *Mainly adjustment to opening balance*

Notes

Note 1 – Corporate information

The Board of Directors approved the condensed interim financial statements for the three months ended March 31, 2021 for publication on May 11, 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 1 951 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 2020, 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 2020.

The annual report for 2020 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, 2020.
New standards, amendments to standards, and interpretations that have been published, but not effective as of December 31, 2020, 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

Depreciation and amortisation consist of the following:

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Depreciation	14 504	12 494	54 078
Amortisation of intangibles	21 581	20 135	86 224
Total	36 085	32 628	140 302

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:

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Interest income	2 580	3 046	8 449
Other financial income	121 407	125 500	478 259
Other financial expenses	(129 850)	(160 480)	(493 044)
Other total financial income / (Expense)	(5 862)	(31 933)	(6 336)

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

Note 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 2020).

- 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 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)	Year to date ended 31-Mar	
Adjusted EBITDA per Operating Segment	2021	2020
- Software & Cloud Direct	95 002	60 794
- Software & Cloud Channel	49 456	28 178
Total Adjusted EBITDA - Software & Cloud	144 458	88 972
- Software & Cloud Economics	11 050	(1 208)
- Consulting	27 826	22 374
Total Adjusted EBITDA - Services	38 876	21 166
Admin & shared services	(90 305)	(69 537)
Total Adjusted EBITDA	93 029	40 602

(In thousands of NOK)	Year to date ended 31-Mar	
Adjusted EBITDA per Market Cluster	2021	2020
- Nordics	123 364	94 420
- Europe	(47)	(10 964)
- APAC & MEA	1 656	(4 581)
- US	-261	(10 239)
- HQ	(31 683)	(28 035)
Total Adjusted EBITDA	93 029	40 602

Segment information March 31, 2021

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	1 707 556	400 596	35 074	247 147	1 150	2 391 523
Europe	783 654	290 894	30 398	22 617	596	1 128 160
APAC & MEA	794 662	338 185	9 928	18 684	639	1 162 097
US	524 589	310 064	61 158	13 973	204	909 989
HQ	-	-	-	252	15 958	16 210
Eliminations	-	-	-	-	(85 521)	(85 521)
Operating revenue	3 810 460	1 339 739	136 559	302 673	(66 974)	5 522 457
Gross profit						
Nordics	116 435	35 832	30 116	162 721	1 106	346 212
Europe	56 003	23 174	23 495	16 723	576	119 971
APAC & MEA	40 633	21 721	7 042	10 139	903	80 436
US	17 232	5 821	54 904	12 143	204	90 305
HQ	-	-	-	(30)	16 163	16 134
Eliminations	-	-	-	-	(18 116)	(18 116)
Gross profit	230 304	86 548	115 556	201 696	837	634 941
Operating expenses	135 302	37 092	104 506	173 870	102 962	553 732
EBITDA	95 002	49 456	11 050	27 826	(102 125)	81 209
Depreciation and Amortisation						36 085
Net financial income and expenses						(16 160)
Net income before tax						28 964
Adjustments	-	-	-	-	11 820	11 820
Adjusted EBITDA	95 002	49 456	11 050	27 826	(90 305)	93 029

Segment information March, 31, 2020

(In thousands of NOK)	Software & Cloud		Services			
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Operating revenue						
Nordics	1 206 539	362 578	38 918	213 328	8 367	1 829 729
Europe	592 525	214 452	19 654	23 571	569	850 772
APAC & MEA	452 499	364 740	8 204	11 873	971	838 286
US	336 275	349 419	49 080	1 433	252	736 459
HQ	-	(0)	(0)	2	13 866	13 869
Eliminations	-	-	-	-	(65 162)	(65 162)
Operating revenue	2 587 838	1 291 189	115 856	250 207	(41 137)	4 203 953
Gross profit						
Nordics	100 718	30 672	27 051	141 563	-104	299 901
Europe	44 172	15 559	19 844	8 502	1 086	89 163
APAC & MEA	25 477	20 571	5 787	8 317	1 228	61 380
US	13 327	6 721	47 469	978	-1 240	67 256
HQ	-	74	353	2	14 234	14 663
Eliminations	-	-	-	-	(17 156)	(17 156)
Gross profit	183 694	73 597	100 505	159 362	-1 951	515 206
Operating expenses	122 900	45 419	101 713	136 988	69 691	476 710
EBITDA	60 794	28 178	-1 208	22 374	(71 642)	38 496
Depreciation and Amortisation						32 628
Net financial income and expenses						(47 332)
Net income before tax						-41 464
Adjustments	-	-	-	-	2 105	2 105
Adjusted EBITDA	60 794	28 178	-1 208	22 374	(69 537)	40 601

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). The 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.

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 bonus 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	1.90 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 Q1 2020 for IPO Share incentive scheme is related to adjustment of accrued employee social security tax.

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Share incentive scheme (IPO)	447	-1 200	21 648
Employee share purchase program 2019 and 2020	4 482	1 723	10 369
Management share options program	3 954	1 300	16 667
Share based compensation	8 883	1 823	48 684

Note 8 – Intangible assets

2020	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Aquisition cost 01.01	8 769	316 823	401 684	67 741	795 017
Additions	-	11 202	0	0	11 202
FX translation	(12)	171	(1 174)	100	(915)
Aquisitition cost at the end of the period	**8 757**	**328 196**	**400 510**	**67 841**	**805 304**
Amortisation and impairment 01.01	6 554	228 067	341 305	49 226	625 152
Amortisation	67,647	13 194	6 340	1 980	21 581
Accumulated amortisation and impairment	**6 622**	**241 261**	**347 645**	**51 206**	**646 733**
Net value at the end of the period	**2 135**	**86 935**	**52 865**	**16 635**	**158 571**
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 assessment at December 31, 2020.

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

Technology and software:

According to 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)	Goodwill
Aquisition cost at 01.01	960 450
Additions	0
Currency translation	(4 929)
Aquisition cost at the end of the period	955 521
Impairment at 01.01	109 517
Impairment during the period	-
Accumulated Impairment at the end of the period	109 517
Net book value at the end of the period	846 004

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

Impairment of goodwill is tested by comparing the carrying value of goodwill for each CGU to the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The impairment assessment is built on a discounted cashflow model (DCF), with the model assumptions relating to WACC and CAGR.

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

Crayon assess indication of impairment at each reporting period. At March 31, 2021 no impairment indication has been identified. Regarding Covid-19 outlook, although hope is on the horizon with the roll-out of several vaccines across most countries, as well as third-party intervention from governments and central banks to stabilize economic conditions, impacts of the COVID-19 outbreak continue to evolve. However, Crayon's financial performance and operations has not negatively been affected during the pandemic, on the contrary, further business opportunities have raised and materialized. Crayon is not experiencing decreased revenues, significant changes with adverse effect on the entity, or other factors described in IFRS 36 that indicate that their assets should be tested for impairment.

For more information on sensitivity analysis see Note 9 in the 2020 consolidated financial statements.

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.

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Bond loan, other non-current liabilities	300 000	303 761	302 283
Other short-term interest bearing debt	107 281	50 123	75 884
Cash & cash equivalents	(962 059)	(330 433)	(1 394 120)
Restricted cash	44 332	13 127	93 676
Net interest bearing debt	(510 446)	36 579	(922 277)

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 2020 annual report 20, note 19.

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 2020 is unchanged. Management believes that satisfactory mitigating actions are implemented.

Credit risk

At March 31, 2021, payments from customers are not significantly impacted by the COVID-19 pandemic. DSO (Days of Sales Outstanding) is as of March 31, 2021 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 March 31, 2021 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 2020 covers any adverse effects from the

COVID-19 pandemic. Within Q1 2021 the impact of Net accounting losses on receivables was NOK 5.7m compared to last year of NOK 17.5m.

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

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Opening balance 01.01	52 492	30 113	30 113
Currency translation	(398)	6 074	(2 575)
Net reversal/ allowance	3 972	15 924	24 954
Closing balance	56 067	52 111	52 492

Profit or loss effect of bad debt

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Realised losses	1 749	1 565	11 676
Allowance for doubtful accounts	3 972	15 924	24 954
Net accounting losses on receivables	5 721	17 489	36 630

Note 12 – Right-of-use assets

(In thousands of NOK)	Right of use assets
Aquisition cost at 01.01	177 395
Additions	1 020
Currency translation	621
Aquisition cost at the end of the period	179 036
Depreciation at 01.01	61 944
Depreciation during the period	9 623
Accumulated Impairment at the end of the period	71 567
Net book value at the end of the period	107 469
Depreciation period	1-12 years
Depreciation method	Linear

Future cash outflows related to lease agreements not reflected in the measurements of lease liabilities amount to NOK 268m. Cash outflows are related to signed lease agreements where the leases are not yet commenced and relates to a period of 10 years starting 2022.

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

In 2020, Crayon received a forgivable loan in US of NOK 14m assessed according to IAS 20 on terms of government grant. This is presented as other short-term interest-bearing debt as of March 31, 2021.

Note 15 – Events after the balance sheet date

On April 8, 2021 the acquisition of Sensa Ehf. was finalized and closed.
Sensa is a leading IT service company for providing hosting and operations services as well as communications and security solutions to the corporate market. The company is based in Reykjavik, Iceland and has 120 employees working with consultancy and IT support. The acquisition is expected to support Crayon in expanding the value chain into cloud managed services for multi-cloud environments and further accelerate Crayon's global service operations.
The agreement purchase price for 100% of shares is ISK 3.5bn. The transaction has been settled with 699 635 shares in Crayon Group Holding ASA and ISK 2.3bn in cash, in line with the enterprise value of ISK 3.25bn in the share purchase agreement. The shares are subject to a 12-month lock-up from date of agreement, however with a monthly release of 1/12 of the shares.
Due to the short period of time after acquisition Crayon has not obtained all necessary information and hence not performed the price purchase allocation at date of this report.

On April 28, 2021 Crayon received confirmation that the forgivable loan described in Note 14 was fully forgiven.

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

Alternative Performance Measures

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

Crayon uses the following APM's:

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

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
EBITDA	81 209	38 496	381 414
Other Income and Expenses	11 820	2 105	31 488
Adjusted EBITDA	93 029	40 602	412 902

Other Income and expenses: Specifications of items defined as adjustments. Other personnel costs are related to former CEO. See table below.

	Year to date ended 31-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Business development expenses and legal structuring	199	282	416
Forgivable loan (US)	-	-	(17 612)
Share based compensation	8 883	1 823	48 684
Other personell costs	2 738	-	-
Other income and expenses	11 820	2 105	31 488

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-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Inventory	4 542	18 911	8 846
Accounts receivable	3 170 209	2 397 688	3 393 421
Other receivables	316 103	158 124	263 347
Income taxes payable	(41 432)	(25 135)	(49 812)
Accounts payable	(3 146 957)	(2 309 049)	(3 560 040)
Public duties	(66 355)	(156 233)	(250 918)
Other current liabilities	(727 332)	(479 712)	(784 004)
Net working capital	(491 222)	(395 406)	(979 161)

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-Mar		Year ended 31-Dec
(In thousands of NOK)	2021	2020	2020
Cash & cash equivalents	962 059	330 433	1 394 120
Restricted cash	(44 332)	(13 127)	(93 676)
Free available cash	917 727	317 306	1 300 444
Available credit facility	270 250	281 604	281 869
Liquidity reserve	1 187 977	598 909	1 582 313

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