

CRAYON GROUP HOLDING AS
FINANCIAL REPORT
Q4 2014

Management commentary – Q4 2014

Financials

Accumulated gross profit FY 2014 was MNOK 826.3 compared to MNOK 776.3 for the same period in 2013 (6% YoY growth). Accumulated EBITDA as of FY 2014 was MNOK 141.8 (excluding extraordinary costs of MNOK 4), which is MNOK 15.5 below 2013 figures (-10% YoY growth). The negative EBITDA differences vs last year is primarily explained by two principal factors; 1) Inmeta restructuring (FY 2014 EBITDA MNOK 12 below same period last year) and 2) start-up new countries during 2014 contributing with a negative EBITDA of approximately MNOK 18.

Gross profit for Q4 2014 amounted to MNOK 248.2 compared to MNOK 234.0 for same period in 2013 (6% YoY growth), while EBITDA for Q4 2014 amounted to MNOK 57.7 which is MNOK 6.4 better than same period in 2013 figures (12% YoY growth).

The net cash position end December/Q4 2014 was MNOK 296.9, compared to MNOK 133.3 end September/Q3 2014 (MNOK +163.6) and MNOK 225.3 at the beginning of the year (MNOK +71.6). The positive cash flow in Q4 2014 is largely related to underlying cash carrying profits and changes in AR/AP (due to the seasonal nature of the Company's business). As of 31 December 2014 the Company had reasonable headroom to its bank/RCF and bond covenants with NIBD / EBITDA = 2.7.

Business review

The company's core offering (SAM + license) in its established markets (Nordics, Germany, France and UK) is performing well compared to last year with a YoY gross profit growth of approximately 18% and EBITDA growth of 10%.

XSP was the fastest growing Business Area (BA) YTD December 2014, with a gross profit growth of 30% compared to the same period last year, followed by Licensing (15% YoY growth), SAM (28% YoY growth, approximately 42% YoY growth if excluding FAST business in UK) and Consulting (-12% YoY growth). Excluding BA Consulting, the accumulated YoY gross profit growth was around 24% (vs. 8% when including BA Consulting).

From a geographical segment perspective, Germany, UK and Finland were the fastest growing mature countries/established markets FY2014 (YoY gross profit growth of 41%, 13% and 17%, respectively), followed by Sweden, Denmark and Norway (with respective gross profit growth of 8%, 7%, -2% compared to the same period last year). Growth in UK is largely explained by expanded scope of operation (Licensing business), and correcting Norway for the consulting business would yield a positive gross profit growth of around 15%. The relatively newly established markets France and Middle East were experiencing triple digit growth (yet, growing from a small base). Combined gross profit YTD December 2014 for the countries established last 12 months (Netherlands, Austria, India, Singapore, Indonesia, Malaysia, Spain, Portugal) represented a small share of the total business (<1%), yet with a positive development and strong recruitment growth (~80 employees in total).

Crayon Group Holding AS
Condensed Consolidated Statements of Operations

(In thousands of NOK)	Note	Quarter ended		Year to date ended	
		31 December,		31 December,	
		Un-audited 2014	Un-audited 2013	Un-audited 2014	Audited 2013
Operating Income	2,5	1 136 473	940 740	3 731 813	3 045 316
Raw materials and consumables		888 318	706 783	2 905 529	2 269 004
Gross profit		248 155	233 957	826 284	776 312
Payroll and related cost		157 869	154 983	586 340	524 010
Other operating expenses		32 595	27 544	98 146	95 003
EBITDA	5	57 691	51 431	141 798	157 299
Extraordinary items		1 012	678	3 958	4 455
Depreciation and amortization		18 998	26 687	70 393	71 602
Operating profit/EBIT		37 680	24 065	67 446	81 242
Interest expense		21 306	17 455	64 628	54 730
Other financial expense, net	6	(15 877)	5 830	(8 353)	897
Income before income tax expense		498	12 440	(5 534)	27 409
Income tax expense		11 784	9 881	4 882	1 131
Net income		(11 286)	2 560	(10 416)	26 278
Other comprehensive income		(580)	-	1 004	6 913
Total comprehensive income		(11 866)	2 560	(9 412)	33 191
Owners of Crayon Group Holding AS		(7 303)	2 275	(4 983)	32 558
Minority interest		(4 563)	285	(4 429)	633

Crayon Group Holding AS
Condensed Consolidated Statements of Financial Position

(In thousands of NOK)	Note	31 December	31 December	
		Un-audited	Audited	
ASSETS				
<i>Current assets:</i>				
Inventory (stock)		18 475	16 511	
Accounts receivables		651 019	603 032	
Other receivables		44 906	27 992	
Cash & cash equivalents		296 938	225 329	
Total current assets		1 011 338	872 864	
<i>Long-term assets:</i>				
Technology, software and R&D		35 749	37 580	
Concessions and contracts		185 516	232 610	
Goodwill		745 585	727 453	
Deferred tax asset		-	-	
Property & equipment		23 644	24 094	
Other long-term receivables		2 815	2 016	
Total long-term assets		993 308	1 023 752	
Total assets		2 004 647	1 896 616	
LIABILITIES AND SHAREHOLDERS' EQUITY				
<i>Current liabilities:</i>				
Accounts payable		675 440	551 617	
Income taxes payable		5 474	1 434	
Public duties		149 803	139 668	
Dividends		-	-	
Short-term debt		142 920	145 964	
Total current liabilities		973 637	838 683	
<i>Long-term liabilities:</i>				
Long-term debt	3,4	663 243	625 445	
Deferred tax liabilities		43 413	57 021	
Other long-term liabilities		3 552	48 414	
Total long-term liabilities		710 208	730 880	
<i>Shareholders' equity:</i>				
Share capital		52 476	52 476	
Own shares		(216)	(202)	
Share premium		262 303	262 378	
<i>Sum paid-in equity</i>		314 563	314 652	
Funds		10 163	7 477	
Minority interest		(3 924)	4 924	
Total shareholders' equity		320 801	327 053	
Total liabilities and shareholders' equity		2 004 647	1 896 616	

Crayon Group Holding AS
Condensed Consolidated Statements of Cash Flows

(In thousands of NOK)	Quarter ended 31 December,		Year to date ended 31 December,	
	Un-audited 2014	Un-audited 2013	Un-audited 2014	Audited 2013
Cash flows provided by operating activities:				
Profit before tax	498	14 502	(5 534)	27 408
Taxes paid	(4 654)	4 616	(14 575)	(21 032)
Depreciation and amortisation	18 998	26 687	70 393	71 602
Net interest to credit institutions	10 316	11 890	42 254	40 959
Changes in inventory, receivables/payables	64 395	10 244	69 257	(45 149)
Changes in other current balance assets	87 479	95 622	2 036	89 704
Net cash provided by operating activities	177 032	163 562	163 831	163 492
Cash flows used in investing activities:				
Acquisition of tangible fixed assets	(9 699)	(6 123)	(19 153)	(18 295)
Acquisition of subsidiary	(6 189)	(121)	(27 412)	(121 870)
Divestments	91	-	6 646	-
Purchases of own shares	(14)	-	(89)	-
Net cash used in investing activities	(15 811)	(6 245)	(40 007)	(140 165)
Cash flows (used in) provided by financing activities:				
Net interest paid to credit institutions	(10 337)	(7 641)	(87 786)	(21 325)
New equity	-	-	-	-
Change in subsidiaries	-	(2 465)	(82)	(1 140)
Proceeds from issuance of interest bearing debt	-	-	650 000	122 202
Repayment of interest bearing debt	-	(3 945)	(624 442)	(100 909)
Change in other long term debt	987	3 643	396	-
Net cash (used in) provided by financing activities	(9 350)	(10 407)	(61 915)	(1 171)
Net increase (decrease) in cash and cash equivalents	151 871	146 910	61 909	22 156
Cash and cash equivalents at beginning of period	133 340	78 419	225 329	203 173
Currency translation on cash and cash equivalents	11 727	-	9 700	-
Cash and cash equivalents at end of period	296 938	225 329	296 938	225 329

*Year to date period ending
31 December,*

(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding AS					Total equity
	Share capital	Own shares	Share premium	Funds	Minority	
Balance at January 1, 2013	52 476	(202)	262 378	(25 079)	6 586	296 158
Result YTD after taxes	-	-	-	25 645	633	26 278
Acquisition of minority interest	-	-	-	-	(1 611)	(1 611)
Currency translation	-	-	-	6 913	-	6 913
Other	-	-	-	(1)	(684)	(685)
Balance as of end of period	52 476	(202)	262 378	7 477	4 924	327 053
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(In thousands of NOK)	Attributable to equity holders of Crayon Group Holding AS					Total equity
	Share capital	Own shares	Share premium	Funds	Minority	
Balance at January 1, 2014	52 476	(202)	262 378	7 477	4 924	327 053
Result YTD after taxes	-	-	-	(5 988)	(4 429)	(10 416)
Buy back own shares	-	(15)	(75)	-	-	(89)
Equity adjustments previous years				3 458	(3 458)	-
Acquisitions & divestments				4 211	(962)	3 249
Currency translation	-	-	-	1 004	-	1 004
Other	-	-	-	0	-	0
Balance as of end of period	52 476	(216)	262 303	10 163	(3 924)	320 801

Notes to the Condensed Interim Consolidated Financial Statements - Period ended 31 December, 2014

Note 1 - General

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated condensed interim financial statements have been prepared in accordance with international Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The interim financial information has not been subject to audit or review.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its Consolidated financial statements for the year ended 31 December 2013. There are no changes in accounting policy effective from 1 January 2014 that have impact on the Group accounts.

Gross profit means operating income less direct cost, i.e. raw materials and consumables.

EBIT or "operating profit" means Operating Income less Total operating expenses. EBITDA, when used by the Company, means EBIT adjusted for extraordinary items, impairment of long-term assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes that it provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies. Extraordinary items is defined as exceptional and non-recurring items in accordance with GAAP.

Note 2 - Seasonality

As with all licensing service providers, Crayon is heavily dependent upon successful sales during the final quarter of the year. Activity normally declines again at the beginning of the new year, before normally increasing again in the second quarter. However, usually the fourth quarter outweighs the second quarter, resulting in lower revenue for the first half year and increased revenue for the second half year.

Note 3 - Issue of new Bond

Crayon Group Holding AS issued in July 2014 a NOK 650 million Bond Issue (initial loan amount) with a potential tap issue of up to NOK 350m, with maturity in July 2017. The bond is to be repaid in full at the maturity date. Interest is set quarterly at NIBOR + 500bps. The proceeds from the initial loan amount was used for refinancing and for general corporate purposes. The proceeds from any tap issue shall be used for Permitted Acquisitions and for general corporate purposes of the Group. The outstanding bond principal (NOK) has been hedged against the relevant currencies comprising 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. The bond is listed on the Oslo Stock Exchange. For further information about the Bond we refer to, the Bond agreement.

Note 4 - Net interest bearing debt

Net interest bearing debt means interest bearing debt less cash. Net interest bearing debt is not adjusted for normalized working capital.

(In thousands of NOK)	31 December,	
	2014	2013
Long term debt	663 243	625 445
Cash and cash equivalent	296 938	225 329
Net interest bearing debt	366 305	400 116

Note 5 - Segment information

"Other" includes Corporate administration costs and unallocated Global Shared Cost. For segment reporting by operating segment, "Other" also includes intercompany transactions. Depreciation and amortization, Interest expense, Other financial expense (net), income tax expense and Other comprehensive income are not included in the measure of segment performance.

Licensing is Crayon's license offering from its partners (e.g. Microsoft, Adobe, Symantec, Citrix, VMware, Oracle, IBM and others). The emphasis is towards standard software which customers use consistently year after year, and which play a key role in their technological platforms and critical commercial processes. XSP is Crayon's service offering towards hosts which include license advisory/optimization, software license sale and access to Crayon's reporting portal. Software Asset Management (SAM) services include process & tools for enabling clients to build in-house SAM capabilities, license spend optimization and support for clients in vendor audits.

Consulting services is related to deployment and application services. Crayon offers IT infrastructure services (planning and analysis support related to larger IT upgrade projects) and tailored software or application development.

Note 5 - Segment information cont.

Established markets is defined as markets where the Company has been operating for more than 24 months, while New markets is defined as markets where the Company has been operating for 24 months or less.

Gross profit by operating segment and country classification:

(In thousands of NOK)	Year to date ended 31 December,	
	2014	2013
Gross profit by operating segment:		
- Licensing	325 156	283 990
- XSP	59 862	46 148
- SAM	138 964	108 985
- Consulting	302 546	345 336
Gross profit from operations	826 529	784 459
- Other	(245)	(8 147)
Total gross profit	826 284	776 312
 Gross profit by country classification:		
- Established markets	819 574	776 296
- New markets	6 710	-
Gross profit from operations	826 284	776 296
- Other	0	16
Total gross profit	826 284	776 312

EBITDA by operating segment and country classification:

(In thousands of NOK)	Year to date ended 31 December,	
	2014	2013
EBITDA by operating segment:		
- Licensing	151 859	N/A
- XSP	34 164	N/A
- SAM	34 453	N/A
- Consulting	13 719	N/A
EBITDA from operations	234 195	-
- Other	(92 397)	157 299
Total EBITDA	141 798	157 299
 EBITDA by country classification:		
- Established markets	172 297	182 036
- New markets	(18 020)	-
EBITDA from operations	154 277	182 036
- Other	(12 480)	(24 738)
Total EBITDA	141 798	157 299

Note 6 - Other financial expense, net

Other financial expense, net consists of the following:

(In thousands of NOK)	Quarter ended 31 December,		Year to date ended 31 December,		Year ended 31 December,
	2014	2013	2014	2013	2013
Interest income	10 990	4 637	22 374	13 771	13 711
Other financial income	906	13 022	56 892	58 072	58 132
Other financial expenses	27 773	11 829	87 619	70 946	70 946
Total	(15 877)	5 830	(8 353)	897	897

END OF REPORT