CRAYON GROUP HOLDING AS

FINANCIAL REPORT
Q2 2016

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Management commentary – Q2 2016 / H1 2016
Q2 2016 marked another strong quarter for Crayon with gross profit growing from MNOK 235.4 in Q2 2015 to MNOK 330.6 in Q2 2016 (+41% year-over-year ("YoY") and +28% YoY pro-forma adjusted[1]). Investments in geographic expansion are centred on Software Asset Management (SAM) and cloud first, providing customers and key strategic vendors global reach with local execution concentrated around value adding products and services. With the majority of its customer facing employees being advisors and specialist, Crayon is increasingly becoming the trusted advisor for enterprises. Enterprises need expertise to assess their current IT estate and decision making support regarding their future environment. Further, enterprises require assistance with deployment and compliance requirements of the technology and software procured. Driven by Crayon's unique asset base of people, tools and systems, the Group is among the global champions in driving the cloud transition for its licensing partners. As an example, Crayon is among Microsoft's fastest growing global licensing partners with a cloud mix considerably above its benchmark peers.

Financials
The gross profit growth was strong across all markets and business segments, totalling up to gross profit in Q2 2016 of MNOK 330.6 vs. MNOK 235.4 in Q2 2015. For the first half in total, gross profit grew from MNOK 428.8 in H1 2015 to MNOK 579.9 in H1 2016 (+35% YoY and +23% YoY pro-forma adjusted[1]). From a geographical perspective, the newly established markets are growing fastest, showing triple digit growth. Prioritized growth markets and established Nordic markets demonstrate solid double digit growth. H1 2016 YoY gross profit growth in the growth markets was +22%, fuelled by both Germany (+44% YoY), France (+42% YoY) and Middle East (+132% YoY). Given the sheer size of the Nordics, it is a particular highlight that the region is growing at an impressive YoY growth in H1 2016 of more than 10%. This underpins Crayon's unique offering and go to market model across all markets independent of maturity.

Q2 2016 EBITDA[2] was MNOK 61.0 compared to MNOK 53.4 in Q2 2015 (MNOK +7.6 or +14% YoY), totalling up to EBITDA[2] in H1 2016 being MNOK 53.0 vs. MNOK 61.7 in H1 2015 (MNOK -8.7 or -14% YoY). The principal drivers for the negative YoY H1 2016 vs. H1 2015 EBITDA development were the following:

1) Increased investments in the US (incl. Anglepoint), generated a negative H1 2016 EBITDA of MNOK 24.1 compared to MNOK 0 in H1 2015.
2) Newly established markets in 2015 excl. US (e.g. Spain, Portugal, and Switzerland) contributed with a negative H1 2016 EBITDA of MNOK 10.0 compared to MNOK -2.3 in H1 2015.
3) Increased administrative costs to manage increased global operations in addition to investments in strategic Group personnel to develop and roll out new capabilities and service offerings, contributed with a negative H1 2016 EBITDA of MNOK 11.3 compared to MNOK -10.0 in H1 2015.

The above negative YoY EBITDA performance drivers were partially offset by:

1) Strong performance by established Nordic markets[3], generated a positive H1 2016 EBITDA of MNOK 98.4 compared to MNOK +85.3 in H1 2015.
2) Prioritized growth markets[4] generated a positive H1 2016 EBITDA of MNOK 7.9 compared to MNOK +1.7 in H1 2015.
3) Newly established markets with inception point in 2014 (e.g. Austria, Netherlands, India, Malaysia and Singapore) contributed with a negative H1 2016 EBITDA of MNOK 6.6 compared to MNOK -12.6 in H1 2015. The positive YoY development is in line with historical vintage development of new countries.

As mentioned in the Q1 earnings release, Crayon has initiated a cost leadership program in order to amongst other, strengthen the Group's competitive position, and best position the Company for the upcoming refinancing in 2017. As per Q2 2016, the cost leadership program is delivering according to plan, and the ambition of total savings of MNOK ~20 in 2016 stays firm.

The net cash position as of 30 June 2016 was MNOK 180.2 compared to MNOK 236.3 at the beginning of the year, and MNOK 243.4 as of end Q2 2015. During H1 2016 the Company has increased its focus to address the working capital build up which has yielded positive results. As of 30 June 2016, the net trade trade working capital was at a comparable level as of end June 2015 (MNOK +14.6 YoY increase), compared to a trade working capital level which was MNOK +83.9 higher YoY in the beginning of the year. The Company will build on the positive results, and continue optimizing the working capital level.

Net interest bearing debt incl. Anglepoint's interest bearing promissory note, as of end June 2016 was MNOK 506.4 (corrected for restricted cash), corresponding to a leverage ratio of 4.3x EBITDA[5]. The Company had reasonable headroom with regards to its bank covenants.

Business areas - Review
Per H1 2016, all business areas demonstrated a positive YoY gross profit growth, where SAM (+74% YoY), XSP[6] (+30% YoY) and licensing (+19% YoY) showed the largest YoY growth. Consulting experienced a gross profit growth of +7% YoY, driven by solution consulting which grew its gross profit from MNOK 83.3 in H1 2015 to MNOK 89.7 in H1 2016 (+8% YoY). Solution consulting has during 2015 undergone a turnaround, and the development has been positive.

1 Pro-forma adjusted for the Anglepoint acquisition
2 Excluding non-recurring costs
3 Norway, Sweden, Finland, Denmark and Iceland
4 Germany, France, UK and Middle East
5 On a LTM pro-forma basis, correcting for minority
6 Crayon's offering towards hosters, system integrators and ISVs

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Condensed Consolidated Statement of Income

(In thousands of NOK)	Note	Quarter ended 30 June, Un-audited 2016	Quarter ended 30 June, Un-audited 2015	Year to date ended 30 June, Un-audited 2016	Year to date ended 30 June, Un-audited 2015	Year ended 31 December, Audited 2015
Operating revenue	2,5	1 950 459	1 422 598	3 192 693	2 382 737	4 687 943
Materials and supplies		1 619 907	1 187 247	2 612 799	1 953 964	3 773 034
Gross profit		**330 553**	**235 352**	**579 894**	**428 774**	**914 909**
Payroll and related cost		226 705	153 541	447 855	304 536	668 332
Other operating expenses		42 883	28 456	79 048	62 569	132 829
EBITDA	5	**60 964**	**53 355**	**52 991**	**61 668**	**113 748**
Exceptional items		386	2 154	1 057	6 875	16 283
Depreciation and amortization	6	22 491	18 225	43 706	36 075	118 443
Operating profit/EBIT		**38 087**	**32 976**	**8 228**	**18 719**	**(20 978)**
Interest expense		11 950	17 499	29 708	33 541	62 796
Other financial expense, net	7	1 525	69	10 341	7 398	39 273
Ordinary result before tax		**27 661**	**15 545**	**(11 139)**	**(7 424)**	**(44 501)**
Income tax expense on ordinary result		2 531	2 038	(11 723)	(10 038)	(11 581)
Net income		**25 130**	**13 507**	**584**	**2 614**	**(32 920)**
Comprehensive income		(15 057)	311	(36 910)	388	35 079
Total comprehensive income		**10 073**	**13 819**	**(36 327)**	**3 002**	**2 159**
Allocation of comprehensive income						
Owners of Crayon Group Holding AS		8 206	13 577	(32 098)	6 820	10 564
Minority interest		1 867	242	(4 229)	(3 817)	(8 404)
Total comprehensive income allocated		**10 073**	**13 819**	**(36 327)**	**3 002**	**2 159**

Crayon Group Holding AS
Condensed Consolidated Balance Sheet Statement

(In thousands of NOK)	Note	30 June Un-audited 2016	31 December Audited 2015
ASSETS			
Current assets:			
Inventory		21 822	21 424
Accounts receivable		1 224 908	962 359
Other receivables		31 237	35 102
Cash & cash equivalents		180 153	236 293
Total current assets		**1 458 121**	**1 255 178**
Non-current assets:			
Technology, software and R&D		100 792	98 655
Contracts		127 863	158 723
Software licenses		7 421	7 421
Goodwill		843 362	862 203
Deferred tax asset		-	-
Property & equipment		18 253	19 691
Investment in associates		(0)	0
Other long-term receivables		3 384	3 535
Total non-current assets		**1 101 075**	**1 150 228**
Total assets		**2 559 195**	**2 405 406**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		1 111 438	905 795
Income taxes payable		(3 700)	(2 662)
Public duties		207 924	180 776
Dividends		-	-
Other current liabilities		191 892	191 024
Total current liabilities		**1 507 555**	**1 274 933**
Long-term liabilities:			
Long-term debt	3,4	666 089	679 956
Deferred tax liabilities		21 468	41 365
Other long-term liabilities		28 872	37 425
Total long-term liabilities		**716 429**	**758 746**
Shareholders' equity:			
Share capital		52 476	52 476
Own shares		(11)	(43)
Share premium		262 320	262 163
Sum paid-in equity		314 784	314 595
Funds		19 952	54 612
Minority interest		475	2 520
Total shareholders' equity		**335 212**	**371 727**
Total liabilities and shareholders' equity		**2 559 195**	**2 405 406**

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Condensed Consolidated Statement of Cash Flows

(In thousands of NOK)	Quarter ended 30 June, Un-audited 2016	Quarter ended 30 June, Un-audited 2015	Year to date ended 30 June, Un-audited 2016	Year to date ended 30 June, Un-audited 2015	Year ended 31 December, Audited 2015
Cash flows provided by operating activities:					
Ordinary result before tax	27 661	15 545	(11 139)	(7 424)	(44 501)
Taxes paid	(7 084)	(6 739)	(10 209)	(9 678)	(21 436)
Depreciation and amortisation	22 491	18 225	43 706	36 075	118 443
Net interest to credit institutions	11 652	11 692	24 796	23 027	44 395
Changes in inventory, accounts receivable/payable	39 518	(25 672)	(48 779)	(123 982)	(97 113)
Changes in other current assets	66 560	84 552	22 022	74 683	45 725
Net cash flow from (used in) operating activities	**160 798**	**97 603**	**20 397**	**(7 299)**	**45 513**
Cash flows used in investing activities:					
Acquisition of assets	(18 535)	(5 304)	(27 767)	(10 891)	(34 639)
Acquisition of subsidiaries	(6 672)	(8 900)	(8 218)	(12 524)	(64 698)
Divestments	30	36	80	173	1 197
Repurchase of own shares	-	(415)	-	(415)	(115)
Net cash flow from (used in) investing activities	**(25 177)**	**(14 581)**	**(35 905)**	**(23 656)**	**(98 254)**
Cash flow used in financing activities:					
Net interest paid to credit institutions	(13 559)	(10 999)	(25 868)	(20 281)	(43 888)
New equity	-	-	-	-	
Change in subsidiaries	-	1 257	-	1 257	19 298
Proceeds from issuance of interest bearing debt	-	-	-	-	-
Repayment of interest bearing debt	(73)	(198)	(73)	(131)	(607)
Change in other long-term debt	(4 372)	(433)	(4 706)	(2 130)	6 072
Net cash flow from (used in) financing activities	**(18 004)**	**(10 374)**	**(30 647)**	**(21 286)**	**(19 125)**
Net increase (decrease) in cash and cash equivalents	**117 616**	**72 648**	**(46 155)**	**(52 240)**	**(71 866)**
Cash and cash equivalents at beginning of period	68 565	167 169	236 293	296 938	296 938
Currency translation	(6 028)	3 608	(9 985)	(1 273)	11 221
Cash and cash equivalents at end of period	**180 153**	**243 425**	**180 153**	**243 425**	**236 293**

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Condensed Consolidated Statement of Changes in Shareholders' Equity

Year to date period ending
30 June,

(In thousands of NOK)	Share capital	Own shares	Share premium	Funds	Minority	Total equity
	Attributable to equity holders of Crayon Group Holding AS					
Balance at January 1, 2015	**52 476**	**(216)**	**262 303**	**8 889**	**(2 650)**	**320 801**
Net income	-	-	-	6 431	(3 817)	2 614
Currency translation	-	-	-	388		388
Other	-	103	(490)	(581)	(256)	(1 224)
Balance as of end of period	**52 476**	**(113)**	**261 813**	**15 127**	**(6 723)**	**322 579**

(In thousands of NOK)	Share capital	Own shares	Share premium	Funds	Minority	Total equity
	Attributable to equity holders of Crayon Group Holding AS					
Balance at January 1, 2016	**52 476**	**(43)**	**262 163**	**54 613**	**2 520**	**371 729**
Opening balance adj.	(0)	-	1	(1 077)	(1)	(1 077)
Adjustment	-	-	-	(1 486)	2 185	699
Share repurchase (net)	-	31	156	-	-	188
Net income	-	-	-	5 558	(4 974)	584
Currency translation	-	-	-	(37 656)	746	(36 910)
Other	0	0	0	-0	-	0
Balance as of end of period	**52 476**	**(11)**	**262 320**	**19 952**	**475**	**335 212**

Notes to the Condensed Interim Consolidated Financial Statements - Period ended 30 June,2016

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 AccountingStandards ("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 2015.

Gross profit means operating income less direct cost, i.e. raw materials and supplies.
EBIT or "operating profit" means Operating Income less Total operating expenses. EBITDA, when used by the Company, means EBIT adjusted for exceptional items, impairment of non-current 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 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. Exceptional items is defined as extraordinary 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 long-term interest bearing debt less cash. Net interest-bearing debt is not adjusted for normalized working capital.

	As of 30 June,	
(In thousands of NOK)	2016	2015
Long-term interest debt	671 614	663 727
Cash and cash equivalents	180 153	243 425
Net interest bearing debt	**491 460**	**420 302**

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Note 5 - Segment information

"Other" includes administration costs, unallocated Global Shared Cost and 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 hosters which include license advisory/optimization, software license sale and access to Crayon's reporting portal. Software Asset Managment (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.

Established markets is defined as markets where operations begun before FY 2014, while New markets is defined as markets where the Company has been operating since FY 2014.

Gross profit by operating segment and country classification:

	Year to date ended 30 June,	
(In thousands of NOK)	2016	2015
Gross profit by operating segment:		
- Licensing	218 694	184 113
- XSP	52 780	40 539
- SAM	132 826	76 472
- Consulting	157 863	147 201
Gross profit from operations	**562 163**	**448 325**
- Other	17 731	(19 551)
Total gross profit	**579 894**	**428 774**

	Year to date ended 30 June,	
(In thousands of NOK)	2016	2015
Gross profit by country classification:		
- Established markets	491 488	433 066
- New markets	80 316	14 545
Gross profit from operations	**571 803**	**447 611**
- Other	8 090	(18 837)
Total gross profit	**579 894**	**428 774**

EBITDA by operating segment and country classification:

	Year to date ended 30 June,	
(In thousands of NOK)	2016	2015
EBITDA by operating segment:		
- Licensing	74 087	86 324
- XSP	23 526	22 339
- SAM	12 145	(616)
- Consulting	14 112	15 303
EBITDA from operations	**123 870**	**123 350**
- Other	(70 879)	(61 682)
Total EBITDA	**52 991**	**61 668**

	Year to date ended 30 June,	
(In thousands of NOK)	2016	2015
EBITDA by country classification:		
- Established markets	106 350	86 939
- New markets	(41 668)	(14 850)
EBITDA from operations	**64 682**	**72 089**
- Other	(11 691)	(10 421)
Total EBITDA	**52 991**	**61 668**

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Note 6 -Depreciation and amortization

Depreciation and amortization consists of the following:

	Year to date ended 30 June,		Quarter ended 30 June,		Year ended 31 December,
(In thousands of NOK)	2016	2015	2016	2015	2015
Depreciation	7 879	9 909	4 098	5 142	18 114
Amortization of intangibles (incl. write-down)	35 827	26 166	18 393	13 083	100 329
Total	**43 706**	**36 075**	**22 491**	**18 225**	**118 443**

Note 7 - Other financial expense, net

Other financial expense, net consists of the following:

	Year to date ended 30 June,		Quarter ended 30 June,		Year ended 31 December,
(In thousands of NOK)	2016	2015	2016	2015	2015
Interest income	4 911	10 514	298	5 808	18 400
Other financial income	35 444	65 238	16 789	40 744	112 993
Other financial expenses	30 015	68 354	15 563	46 482	92 120
Total	**10 341**	**7 398**	**1 525**	**69**	**39 273**

*****END OF REPORT*****