



Crayon Group Holding AS
Consolidated Annual Report

2016

Introduction

Optimising our customer's return on investment from complex technology in the era of hyper scaled cloud computing and global digital transformation



Onwards & Upwards

The mission of Crayon Group continues to be to optimize the ROI on complex technology and software expenditure for our customers. We have operations in 20 global markets and reach around 80% of the global IT addressable market from these locations. Our investment in the skills and expertise of our teams and in unique customer enablement platforms and tools, differentiates the business from other more transactional competitors, enabling us to deliver greater technical capability and value for our customers.

2016 saw consolidation and growth acceleration in many of the new markets entered into in previous years, along with a significant extension of the company's innovation in customer-centric tools and enablement platforms. The latter helping us to solidify our global leadership in both Software Asset Management (SAM) and our ability to optimize the digital transformation of our customers.

The past year also saw an escalation in the need for technical capability to be provided to a market already challenged with competing needs. There is a clear demand to provide more flexible and agile IT solutions whilst at the same time protecting the contemporary enterprise from risk. Customers are constantly reporting the need to be able to do more with less in-house capability and in some cases, technical knowledge. The speed of cloud technology adoption is challenging legacy IT systems and processes precisely at the time when in many

cases they are least able to respond. Crayon's heritage as a global SAM leader, combined with our unique tools and people positions us perfectly to be able to optimize on the market demand for highly informed and technical consultancy services, effective optimization and compliance engagements and for a true trusted advisor to our customers.

As you will see, our business continues to perform strongly with our SAM First...Cloud First strategy never failing to resonate effectively across our global markets, helping us to accelerate market share and optimize differentiation. The challenges impacting the contemporary IT leader are being innovatively addressed through our investments in both skills and unique customer engagement platforms. Our world-class platforms are specifically designed to help our customers optimize their IT governance and control environments, implement flexible, agile procurement and provisioning capabilities, whilst ultimately connecting them seamlessly with high quality technical resources.

We are looking forward to an exciting and successful 2017 and we look forward to sharing that journey with you.

“Winning though deep technical skills & unique IP.”

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SAM First...Cloud First - Delivering the intelligent Foundation to technology Optimisation



Crayon's SAM First...Cloud First strategy describes our fundamental belief that SAM is the foundation of all intelligent IT decision making, including an optimized digital transformation into the cloud. Put simply, it's extremely hard to maximize your ROI from your complex IT investments or expenditure on software licensing if you do not know what is being purchased across your IT estate, you are unaware of the entitlements that your existing agreements provide you with and you do not know what the technology consumption profiles are of your global workforce. A competent SAM engagement and governance environment are essential to these primary IT knowledge silos and form a solid foundation for informed technical decision making and optimized IT project

implementation.

The global technology market continues to see the acceleration of scalable cloud computing adoption. This consumption based model of technology provisioning is a fundamental change from the legacy on-premise IT environments and annuity software licensing frameworks of recent years. A good analogy would be to consider the difference between moving from buying a new car every three years and amortising the cost, to renting a car when you needed one. This rental car may be bigger or smaller than the one you used to use depending on your requirements at the time and also the number of kilometers you want to drive. Clearly the latter model doesn't just move CAPEX to OPEX but has a number of other important implications.

You can therefore imagine the impact this is having on client IT functions who are trying to effectively manage their enterprise's digital transformation and cloud technology adoption across their IT estate. Reflect also on some other technology market dynamics and you'll be able to appreciate even better the challenges faced by the contemporary IT leader. The acceleration of artificial intelligence (AI) and machine learning (ML) is creating more data than the world has ever seen, most of which is currently never analysed. This is driving more innovation in big data and analytics engines with predictions that over 35% of jobs currently in existence could be replaced by machines to help leverage this tsunami of data. This rise in the application of AI combined with the proliferation of the 26 billion smart devices that are predicted to be deployed by 2020, are leading many to question the ability of existing IT security models to secure the enterprise from risk. Indeed, it's rare for a week to go by without another announcement of a significant data breach. Finally and arguably most importantly, the subsidiarization of IT budgets across the modern enterprise may have led to more agile procurement of technology, but over 70% of CIOs now report they lack visibility on what technology is being implemented and deployed across their estate, leaving them unable to optimize on their technology investments or protect their enterprise from risk.

Crayon's deep SAM heritage and expertise allows us to help customers with the above challenges and deliver clarity and visibility where previously

"Cloud & digital transformation materially accelerate customer side complexity and elevate the demand for Crayon's core services"



Our Key Values



there was none. Importantly we see a requirement to provide the customer with the ability to self-serve and gain access to resources that more traditional SAM providers hide behind their SAM consultants.. Crayon's strategy is to capture as many of our capabilities in unique customer engagement platforms such as SAM-iQ, Elevate and Cloud-iQ and then monetize those. This helps our customers access capabilities and technology on a 24/7 basis, when and how they need to and in doing so scale our market access materially beyond what would be possible with a traditional consulting team deployment structure.

We see our SAM First...Cloud First strategy pivoting critically on the combination of the above innovative IP engagement platforms with the alignment of deep technical expertise that is available to customers on either a 'managed service' or project basis. This structure allows us to deliver the depth of capability required to manage, implement and optimize a technology project on behalf of the client. This provides us with two value centric opportunities, the monetization of our customer engagement platforms across the widest possible market and

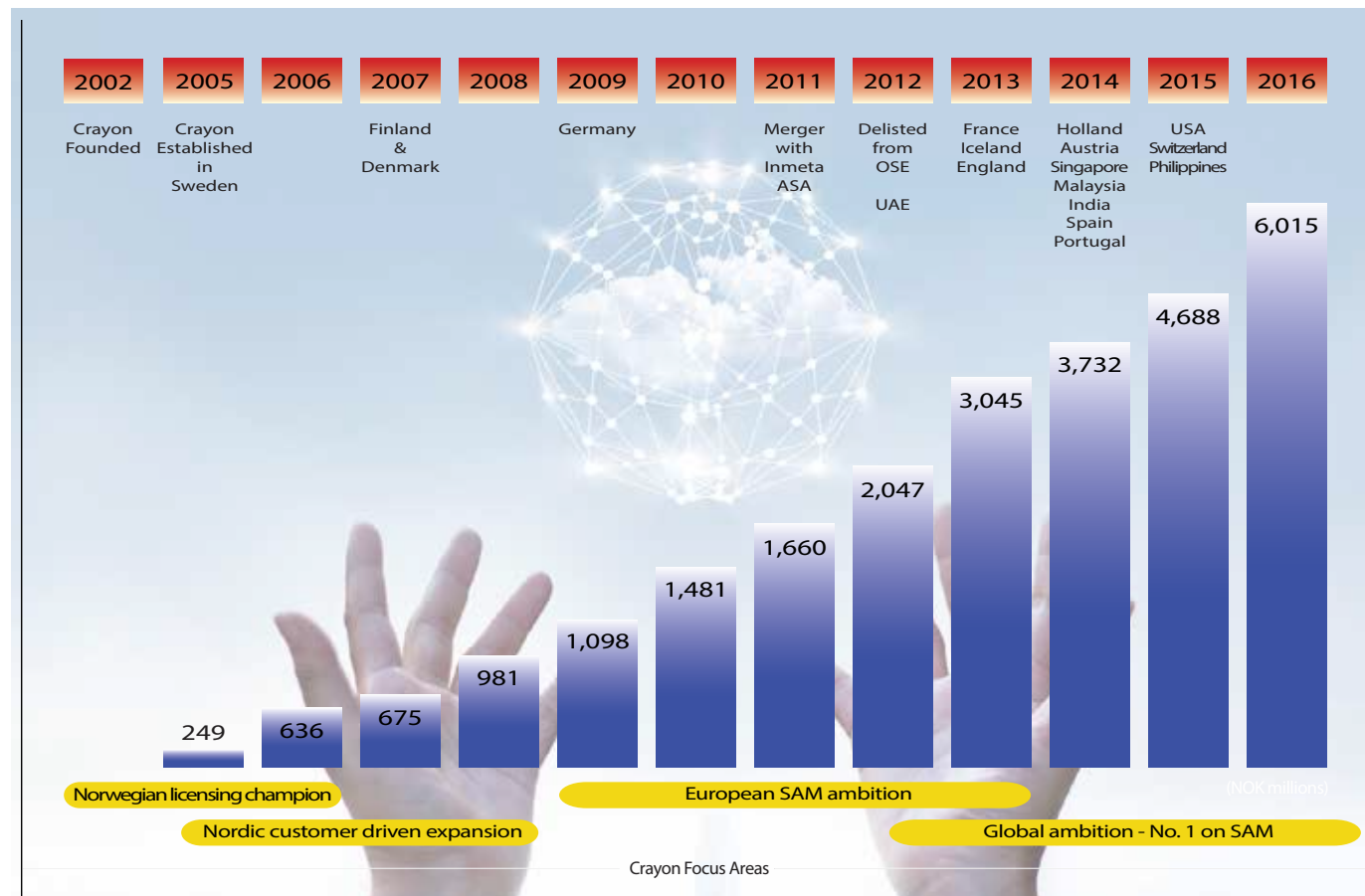
the optimized deployment of our technical resources.

2017 will see an acceleration of this combination of IP and skills approach with the launch of the new Digital360 platform; an IT lifecycle platform designed to help customers understand where they are in the process of digital/cloud transformation and to surface relevant technical services at the most appropriate point. There will also be roll outs of customer enablement and reward platforms, such as CORE (Centre of Reseller Excellence) and Pulse, along with a new on demand video training and enablement platform accessible via subscription. Crayon will continue to work closely with our global technology publisher partners with a particular focus on co-investment models, allowing us to accelerate and build our technical capabilities both within our mature markets and in other significant markets around the world.

We believe the above strategy will allow us to remain the Global Software Experts and the partner of choice for our customers, strategic partners and vendors.

Returns on prior year investments are starting to materialize

Operating income development and selected key historical highlights



Summary – Financial Highlights 2016

2016 marked a solid financial year for Crayon with significant Year over Year (YoY) growth at the revenue and gross profit levels, demonstrating that returns on the significant prior year investments are starting to materialize. There is a strong strategic rationale behind Crayon's geographical expansion, which was further reinforced in 2016 through international customer wins, strengthened vendor positioning and improved economies of scale.

Revenue grew 28% YoY from NOK 4.7b in 2015 to NOK 6.0b in 2016, and gross profit grew around 23% YoY, from NOK 915m in 2015 to NOK 1 128m in 2016.

The Nordics, comprised of Norway (excl. HQ), Sweden, Denmark, Finland, and Iceland, continued to contribute the most at the absolute level, with gross profit of NOK 758m, 67% of the total gross profit in 2016. The Nordics have a large and stable customer base, with 30% of the gross profit being contractually recurring, and a mature organization that optimizes the use of Crayon

IP and tools to deliver high quality services to customers.

In 2016, the Growth Markets contributed NOK 183m in gross profit (16% of total gross profit), and other gross profit sources were USA contributing NOK 101m (9% of total gross profit), in addition to the Start-up countries with inception points in 2014, 2015, and 2016 contributing NOK 71m (6% of total gross profit).

Crayon continued to pursue its "SAM first" strategy, manifested by a YoY gross profit growth of 46% for business area Software Asset Management (SAM) and a global "best-in-class" cloud mix of more than 45% of products sold being categorized as cloud products within the Software business.

EBITDA decreased YoY from NOK 114m in 2015 to NOK 105m in 2016 mainly due to the significant investments in international expansion mentioned above. EBITDA growth continued to be strong in the Nordics with NOK 204m 2016 EBITDA signifying 15% YoY growth, which also showcases the value from the investments done in terms of new

services and capabilities. Furthermore, Crayon implemented a comprehensive cost leadership and working capital program during 2016 in order to improve the company's profitability and cash situation.

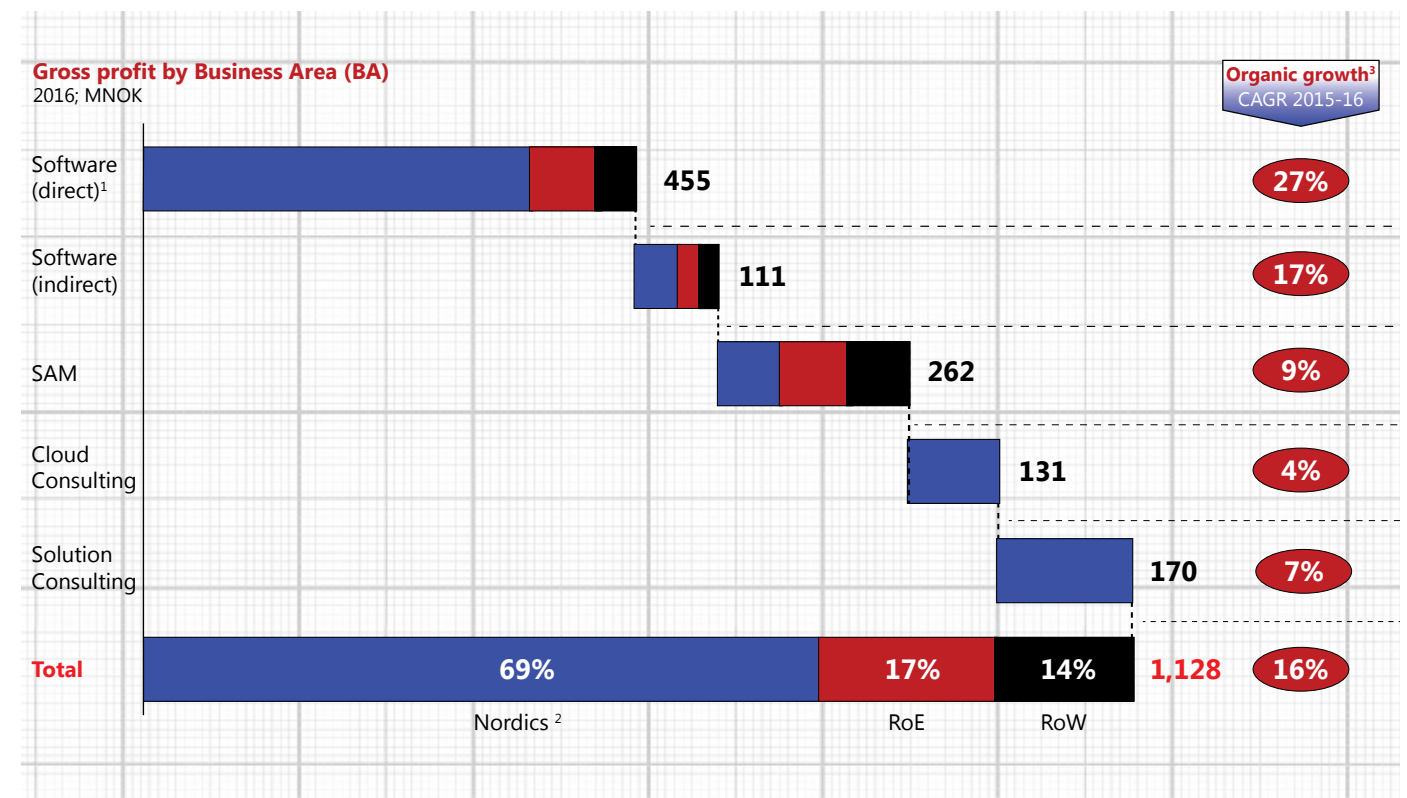
Financial performance outside the Nordics continued to improve in 2016, with the exception of Start-ups 2015 and USA which were still in a start-up phase. India achieved positive full year EBITDA for the first time after close to three years of operations, which is in line with the average profitability vintage curve for the Group, and signifies the future EBITDA embedded in the geographical expansions. Furthermore, December signified the first month of positive EBITDA in USA, contributing to a strong finish for 2016.

Notes:

Non-recurring costs have been allocated out to applicable market clusters for 2016, whereas these are presented under HQ in Note 3 Segment Reporting.

2015 figures have been reclassified such that USA now includes Crayon US (2015: USA included only USA acquisitions, Crayon US was included under start-ups).

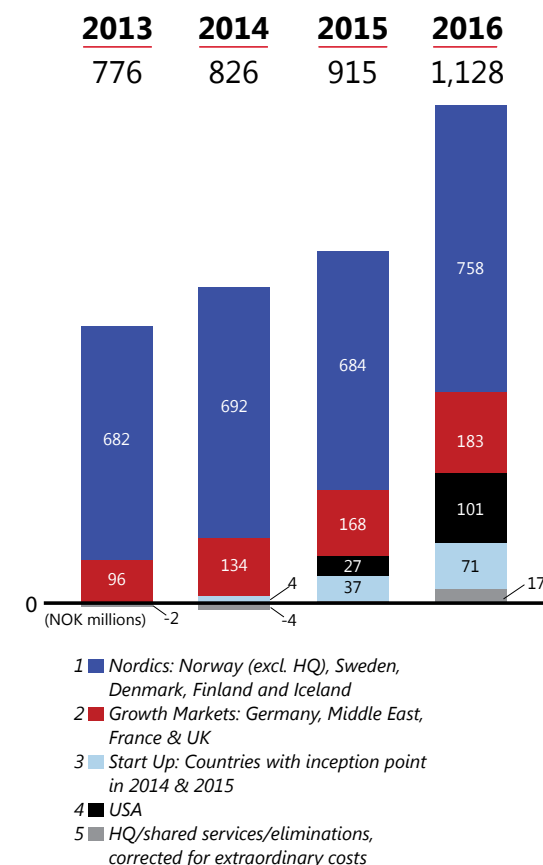
Gross profit breakdown by business area and market cluster



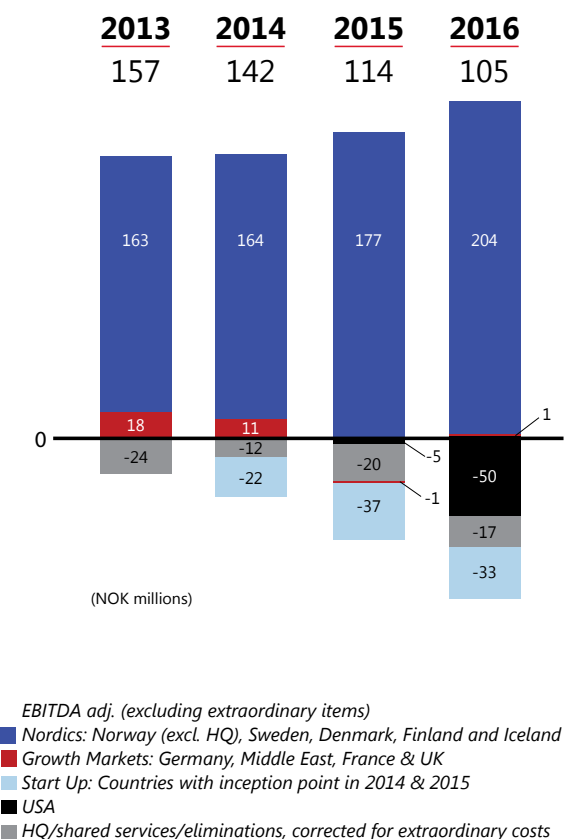
1. Software direct is composed of SW Direct (NOK 425m), Training (NOK 4m), Unknown (NOK -0.1m), admin/elim (NOK 26m)
2. Nordics (NOK 758m) incl HQ/elim (HQ/elim NOK 17m)

3. 2015 pro-forma including Anglepoint
4. RoE: Rest of Europe RoW: Rest of World

Gross profit development



EBITDA (1) development



- 1 EBITDA adj. (excluding extraordinary items)
- 2 Nordics: Norway (excl. HQ), Sweden, Denmark, Finland and Iceland
- 3 Growth Markets: Germany, Middle East, France & UK
- 4 Start Up: Countries with inception point in 2014 & 2015
- 5 USA
- 6 HQ/shared services/eliminations, corrected for extraordinary costs

Hyper scaled cloud technology adoption and the digital transformation of global enterprise are materially adding to client side IT complexity and driving demand for Crayon services at unprecedented rates



Dear Friends of the Company

2016 was an important year for Crayon. With significant investments made over the past years in our global expansion and cloud transformation programs, it was important to demonstrate that these investments are generating value for our customers, teammates and investors. Firstly, revenues from our new markets more than doubled while EBITDA largely followed historical upward trend curves. Secondly, we delivered a global "best-in-class" cloud mix of 45% within the Software business (1.4x better than our peers). A fully invested geographical platform, married with our strong Software Asset Management (SAM) and cloud capabilities, has created a strong foundation that will provide for future growth and profitability. We are a stronger company now than ever before.

2016 Highlights:

- Exceeded NOK 6 billion revenue and are now ranked as Norway's 8th largest IT company whilst once again posting record revenues with an organic revenue growth of 28% compared to the previous year.
- Grew consolidated EBITDA in the Nordics to MNOK 204 (+15% compared to previous year).

- Grew consolidated EBITDA outside the Nordics with MNOK 22 compared to previous year (excluding Start Ups from 2015 and the US, which were still in a Start Up phase)
- Delivered a 46% year-on-year gross profit growth for our "spearhead" Software Asset Management business area
- Onboarded more than 600 partners on a new hyper scalable business model that allows them to more effectively provision and administrate cloud services to their end-customers
- Delivered a 25% year-on-year increase in the number of customer transactions (to approximately 81,000 invoices) with minimum staffing increases in operations
- Successfully implemented a set of comprehensive cost leadership and working capital programs to strengthen the company's profitability and cash positions
- Welcomed around 100 new employees to the company. Out of Crayon's approximately 1,000 employees, 60% of our customer facing representatives are SAM, cloud and technical consultants

Platform for growth & profitability

During the last three years, Crayon has invested approximately MNOK 250 to establish operations in 10 new markets and we are currently present in 20 countries and 40 cities, covering nearly 80% of the global addressable IT market. However understanding Crayon at the start of 2017 requires a longer view-in particular, remembering why we embarked on this geographical expansion journey.

As the world becomes smaller and our industry more global, there is a strong strategic rationale for expanded geographical reach. Our customers will benefit from Crayon's global position and unique end-to-end services along the software & cloud value

chain through a combination of deep technical skills, local presence and best-of-breed service offerings. During 2016 we saw that the investments made in our geographical platform started to pay off through several new international customer wins, strengthened vendor positioning and improved economies of scale. With no additional market entries planned we can now focus on how to accelerate this incremental value creation.

In 2016 we also continued to make significant investments in developing and strengthening our intellectual property & customer support and engagement capabilities with the implementation of software self-provisioning portals, SAM



automization and new cloud services. We have vigorous conviction that the combination of a global platform and unique services gives us the ability to enjoy strong organic growth from an addressable market in excess of \$40 billion with a very attractive return profile in the years to come.

Employee empowerment

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, that we empower our employees to do their best, every single day at work. We aim to accomplish this through a combination of providing a group-wide toolset and ensuring local empowerment. During 2016 we made significant investments in our IP, tools and processes and this year we will see the launch of the next generation ERP & CRM systems, as well as many other commercial applications, such as customer procurement and collaboration portals.

It is important that Crayon has a culture including a strong work ethic and professionalism to sit alongside our unique combination of business systems, customer engagement platforms and processes. Our company is fostered on a strong founder mentality and can-do attitude, customer obsession rather than competitor obsession, a willingness to be agile in our execution whilst having the patience to think long-term and of taking professional pride in every aspect of our work. During 2016 we instituted new company values to ensure that this culture is formalized and communicated in a clear and compelling way. These values are; (1) to always deliver QUALITY, (2) to drive with PACE, (3) to act with INTEGRITY, and (4) to think with AGILITY. We are proud and committed to operate with the high degree of work ethic and professionalism that our customers expect.

Age of digital transformation

We live in a time of digital transformation. Breakthroughs in data, cloud computing, mobility, intelligent things and artificial intelligence will reshape every aspect of a business, from the smallest SMB to the largest of enterprises. The key enabler for this digital transformation is cloud computing. However, cloud computing also creates challenges and complications for the enterprises and government organizations that intersect with Crayon's business and value proposition of how to best manage cloud economics, technology complexity, cyber security and data protection.

According to IDC and Gartner, the worldwide enterprise software market is expected to grow at a healthy CAGR (Compound Annual Growth Rate) of 6-8% from 2016 to 2020, yet with a CAGR of 25-30% within the cloud segments for the same period. Moreover, Cisco predicts that global cloud IP traffic will almost quadruple over the next 5 years, meaning that the amount of data crossing computers and devices will nearly double every year. The question is not whether big data and cloud computing is here to stay, but how organizations can best adapt and optimize business value within this new paradigm. This represents a significant business opportunity for Crayon.

Our services cover nearly every aspect along the cloud and digital transformation value chain, from planning and design to application

development and deployment. Crayon helps customers and partners to more effectively purchase, provision and administrate cloud services. In addition, we have dedicated cloud practices that develop bespoke business applications for our customers, including Machine Learning and predictive analytics solutions. Needless to say, I'm very excited about the future of Crayon in this era of digital transformation!


Stronger than ever before

In 2016, Crayon revenue grew to NOK 6,015 million, a 28% increase compared to NOK 4,688 million in the previous year, and for the tenth consecutive year the company delivered double-digit organic revenue growth. Our core markets delivered the best EBITDA results ever in 2016, and thus, last year was the most profitable year for Crayon since inception when excluding investments in Start Up markets (booked in the P&L statement). Investment rate in new markets peaked half-way into 2016 and is now on a strong declining trend, manifested through a Q4 2016 EBITDA improvement of MNOK 9.4 compared to Q4 2015 (+17% YoY). We see this trend continuing in 2017 and we are confident that our Start Up markets will be profitable in the near future.

It may be a bold statement to announce that Crayon is stronger than ever before but, the financial, strategic and commercial outlook for the company has never been better. Financially, we are set to materialize substantial returns from our fully invested geographical platform. Strategically, our distinct services and value proposition have never before been more strongly supported by underlying market growth and industry dynamic. Commercially, we have never before been better positioned to help customers make informed and wise decisions in order to optimize their investments in complex technology and to lead our competition, on a global scale.

As we work to deliver on this promise, let me take this opportunity to thank all our Crayon teammates for the outstanding work done in 2016. It has been a great privilege to be part of an outstanding team at an exceptional time. In 2017, we will continue to capitalize on our global footprint and investments!

Thank you all for supporting our efforts.


Torgrim Takle (CEO)

Providing self-service customer enablement capabilities to augment our global reach, and deliver unique market value and optimized growth.



“Crayon engagement platforms focus on the key market need siloes of IT Governance, Agile Procurement & Technology Access, Customer Enablement & Reward.”

We are implementing our SAM First...Cloud First strategy through a close coordination between unique IP and skills. 2016 saw a focussed effort to build out our customer engagement platform capabilities so we could jointly scale the reach of our value propositions to a global market, whilst integrating more tightly how we present our technical capabilities.

Our focus is on delivering an enhanced customer self-service capability across the main market need siloes of IT Governance & Control, Agile IT Procurement & Provisioning plus Customer Enablement & Reward and linking this logically to a deep reservoir of technical support capabilities available via a Crayon managed

service, point service or an extended project. In so doing, we are providing the widest global reach whilst delivering easy on demand access to support and resources, when and where our customers need it.

IT Governance & Control SAM-iQ

Launched originally towards the end of 2015, SAM-iQ is the first global SAM as a Service (SAMaaS) platform based on a per user per month subscription model. It is specifically designed to provide a best practice framework for the establishment and maintenance of a world-class, enterprise wide SAM and IT governance environment. SAM-iQ is a comprehensive proprietary platform providing on demand access to a huge library of ready-to-deploy procedures, templates and workflow documentation, along with SAM maturity evaluation tooling and dashboards. Plus, the SAM-iQ platform subscription provides customers with access to Crayon's extensive SAM consulting teams who ensure the power of the SAM-iQ platform is fully leveraged for every customer.

Elevate

Elevate has been developed through the SAM experts in our Anglepoint business and takes our SAMaaS proposition to the next level. As an enormously powerful proprietary platform, Elevate brings the technical SAM analytical capabilities of the big four global IT auditors and puts it at the fingertips of our team and our customers. Elevate is in the process of being deployed as a customer enablement platform for clients with existing in-house technical abilities, looking to evaluate their own IT compliance and optimization position, either to prepare for a major publisher audit or to ensure their IT investment profile is maximized. In addition, the platform will be used to enhance our own SAM team's delivery capabilities in all markets, in order to harmonise the process for supporting Customer Baseline and SAM Evaluation services across the board.

Agile Procurement & Provisioning

Cloud-iQ provides customers with on demand access to leading publisher cloud technology. It supports 1,000's of major cloud technology products and services from the leading publishers such as Microsoft and AWS with more being frequently added. It has a powerful and comprehensive management suite that allows customers to procure and provision in real time, track their purchases and manage expenditure. Through its integration with publisher management consoles Cloud-iQ gives great visibility of what technology has been deployed

across the customers' IT estate. The vision of Cloud-iQ is ultimately to provide the ultimate one-stop-shop for agile cloud technology access, procurement and provisioning, along with exclusive cloud optimization and support services from Crayon.

Customer Enablement & Reward

CORE is a new platform which launched in Q4 2016 and is designed to provide enablement support for channel customers who are looking to understand how to enrol in the correct licensing framework. More importantly, it will support enterprises in leveraging the opportunities provided by the publisher, for example, wrapping their own IP around the publisher technology and utilizing open APIs in order to create unique market propositions. The platform also provides pre-packed marketing collateral that the customer can easily deploy. Removing the need for technical marketing skill sets, the pre-packed marketing collateral within CORE will optimize the visibility of their offer to the market and drive additional cloud technology consumption through their framework agreement with Crayon. The platform is currently specific to the Microsoft Cloud Solution Provider (CSP) licensing framework but will be expanded during 2017 to include other major two tier licensing framework agreements from multiple publishers.

Pulse is also a new platform that launched towards the end of 2016. Its purpose is to reward customer cloud consumption and loyalty, and to allow customers to build up a bank of Pulse points. Users are able to redeem their Pulse points against a vast catalogue of goods and services, including technical Crayon consulting services. Customers can use the platform to provide incentive offers for both their sales teams and customers, and they can even choose to run proof of concept



engagements for their clients in collaboration with Crayon, with the advantage of it being funded from their Pulse points account. Pulse points are funded via publisher COOP marketing programs and similar to the CORE platform above, is currently only specific to the Microsoft CSP licensing framework, but the intent is to add other technology agreements to it from the other major publishers.

IT Lifecycle Optimization & Technical Services Alignment

Technical Digital360 is an exciting new IT lifecycle platform that will transform the visibility of our technical services and facilitate their presentation to the customer at the ideal point in their digital transformation journey to the cloud. The platform is a proprietary solution containing a powerful IT lifecycle engine which challenges the customer to view their maturity position in a multitude of ways with respect

to their digital transformation and cloud adoption. It presents the customer with scenarios and milestones that should be in place at different points in their maturity journey. In turn, this will allow them to self-assess their status and test their evaluation against best practice, whilst Crayon deliver the appropriate technical support and consulting services to support them in their maturity journey. Digital360 will also provide our own team with access to private content that includes comprehensive workflow and service documentation. This allows our teams across the globe to leverage the knowledge and depth of technical services available from our Nordic hub and to sell and deliver them in other markets. This will help us to optimize our investment in technical teammate provisioning and deployment in multiple markets and provide for a more uniform delivery of technical services using tried and trusted mature service models.

Board of Directors

One Team, One Shared Vision



Henning Vold

Chairman

Henning Vold joined Norvestor in 2001 as an Investment Manager and was promoted to Partner in 2008. He has worked on investments within many of Norvestor's core industries, notably within the business and consumer services sectors. Mr. Vold is currently the chairman of Apsis, Cegal, Crayon and Abax. Previous board positions include ELIXIA, Intelcom, eTRAVELi, Confirmit and Retriever. Prior to joining Norvestor, Henning spent 12 years as an officer in the Norwegian army, five years at Cap Gemini / Gemini Consulting and was the CEO of the internet business incubator Modem Bad. Henning also spent a year working full time as a CFO and CTO in the former portfolio company, X.hlp Technologies. He holds an MBA from the University of Colorado, Boulder and has also graduated as an officer from the Norwegian War Academy.



Dagfinn Ringås

Board Member

Dagfinn Ringås is CEO for Schneider Electric Norway, a global leader within energy management and automation, with over 170,000 employees in 100 countries (580 employees and NOK 2.2 billion revenue in Norway). He contributes to the Crayon Board of Directors with more than 20 years experience within the IT industry, of which the last 10 were from Microsoft Norway, where he was responsible for the corporate market and partners. Mr. Ringås holds an MBA degree from Sydney Business School and a Bachelor in American studies and political science from the University of Oslo. Mr. Ringås also holds Board positions in Elko, Møre Electric Group, and EFO.



Rune Syversen

Board Member

Rune Syversen is a co-founder of Crayon and has been its chief executive since 2002. Prior to leading the establishment of Crayon, he held a number of senior positions in the Telenor Group in Norway and Sweden as well as establishing several companies involved with IT and financing. Mr Syversen studied at the Norwegian School of Management.



Eivind Roald

Board Member

Eivind Roald is Executive Vice President & Chief Commercial Officer at SAS, with global responsibility for branding, sales, marketing, product development and revenue management, including the responsibility for EuroBonus. Prior to SAS he was Managing Director at HP Norway for six years and has held several positions in Accenture as Partner. Mr. Roald started his career in the Management Consulting company Railo International, and holds a Bachelor's degree in Management from Norwegian School of Management.

*“Stay committed to
your decisions, but
stay flexible in your
approach.”*

Tony Robbins



Waseem Shad

Board Member

Waseem Shad is an Investment Manager in Norvestor Equity, focusing on IT and technology investments for Norvestor. He has previously worked with Abax, Wema and Panorama for Norvestor, and has also been CFO in Crayon Group post-acquisition and delisting in 2012. Prior experience includes DNB Bank ASA, Telenor ASA, Telenor Pakistan (Pvt.) Limited, Skatteetaten (the Norwegian IRS), Coop Norge SA and ICA Norge AS. Mr. Shad holds a BA in Business and Economics from the Norwegian School of Management and a M.Sc. in International Accounting and Finance from Cass Business School (London City University), London.



Camilla Bertelsen

Employee Representative

Camilla Bertelsen has worked as a consultant within Information Management in Inmeta since 2013. She has over 20 years of work experience combined with former employers Platon and Avenir/Edb. Ms. Bertelsen's primary line of business is banking and finance. She is Head of Professional Development for the BI department within Inmeta and a speaker within this field. Ms. Bertelsen studied applied mathematics at University of Oslo.



Øyvind Aasbø

Board Member

Øyvind Aasbø is an independent investor and a former partner at Norvestor. Mr. Aasbø has extensive experience from board memberships including IT and telecoms, and has significant operational experience from management positions over the past 30 years. Mr. Aasbø holds a M.Sc. in Engineering from the Norwegian Institute of Technology and a Business Degree from the Norwegian School of Management.



Susann Hauglie

Employee Representative

Susann Hauglie has been with Crayon since 2007 and has worked as a Key Account Manager with responsibility for Higher Education and Research institutions in Crayons Norwegian market. Mrs. Hauglie studied Marketing and Public Relations at the Norwegian School of Marketing. She has 15 years of experience within the IT industry in Norway and specializes in software advisory, both from the distribution channel where she worked as a Business Unit Manager Software for Techdata Norway and from the reseller channel. Mrs. Hauglie's current position in Crayon is Alliance Manager.

Report from the Board of Directors 2016

During 2016, Crayon continued to pursue its ‘SAM first... Cloud first’ strategy, which was manifested through a year-on-year (“YoY”) gross profit growth of 46% for business area Software Asset Management (“SAM”) and a global ‘best-in-class’ Cloud mix of more than 45% of products sold being categorized as Cloud products within the Software business (+12 pp. compared to end of 2015). The strong results in these areas demonstrate that return on investments are starting to materialize. Similarly, Crayon has over recent years invested significantly, financed over the P&L, in establishing a global position which in the fiscal year (“FY”) 2016 had a negative EBITDA¹ impact of NOK 77m. Going forward, Crayon expects to see positive contributions from these markets in 2017 and beyond. After three years of operations in India, a financial milestone was achieved as the entity delivered a positive full year EBITDA. This achievement is in-line with the average profitability vintage curve Crayon has experienced in other markets, and signifies the future embedded profitability of the geographical investments done.

Highlights

Investments in geographic expansion are centered 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 specialists, Crayon is increasingly becoming the trusted advisor for enterprises. Enterprises are in demand of expertise to assess their current technology and software estate and decision making support regarding their future environment. Further, enterprises require assistance with deployment and compliance requirements of the technology and software they procure.

Over the course of recent years, Crayon has made significant investments in developing Cloud intellectual property (“IP”) & capabilities, e.g., self-provisioning portal and automating SAM and Cloud services. As a result, Crayon is now leading the cloud transformation in the global software market with a Cloud mix that is 1.4x better than its peers. Furthermore, Crayon has invested in and introduced hyper scalable business models that allow partners to more effectively provision and administrate Cloud services to their end-customers. As these business models are recurring by nature (typically monthly invoicing), significant recurring business is expected going forward.

In Q1 2016, Crayon continued to invest and provide additional value and bespoke services to its clients with the launch of the ‘SAM-iQ’ platform. SAM-iQ is a subscription based SAM as a Service (“SAMaaS”) offer based on a per user per month agreement structure that is specifically designed to provide a best practice framework for the establishment and maintenance of a world class enterprise wide SAM environment. SAM-iQ is a comprehensive proprietary platform providing customers with detailed workflow management support, reporting, dashboarding, and access to an exhaustive online library of ready to use documents and procedures. In addition, the unique ‘services module’ attached to all subscriptions provides access to Crayon’s leading SAM consulting teams who ensure that the functionality of the SAM-iQ platform is fully leveraged by every customer.

In October 2016, Crayon released the study “Software Asset Management, Cloud Transformation and the Cost of Compliance in 2016: Enterprises exposed to a ‘Black hole’ of Risk”. The study, based on 575 interviews across US and Europe with IT decision makers, clearly underpins the value of SAM from a cost, compliance and Cloud enablement point of view. As an example, almost half of the respondent’s organizations have been found non-compliant, with an average cost of USD 0.75m in addition to spending 129 internal resource days to provide necessary documentation. With enterprises deploying an average of three software publishers’ products in their IT environments, they are running the risk of being audited three times a year and exposed to fines in excess of USD 2m in addition to tying up internal resources. Furthermore, 72% of respondents say their organization’s investment in Cloud technology has increased following the deployment of a SAM environment, yet two thirds of the respondents believe a migration to the cloud complicates software licensing. This is an obvious catch-22, which Crayon is well positioned to help its clients mitigate. Through its unique asset base of people, tools and systems, Crayon can support enterprises in navigating through the complexity of cloud software licensing, while ensuring compliance and avoiding costly audit fines and significant internal resource days which can be used differently.

During 2016, Crayon also implemented a set of comprehensive cost leadership and working capital programs to improve the company’s profitability and cash position. These group-wide programs are expected to yield continued annual cost savings going forward, and improve the working capital position further. In July 2017, Crayon’s existing NOK 650m senior secured bond matures (“CGH01”). In March 2017 the company successfully completed the issuance of NOK 600m senior secured bonds in the Nordic bond market. The bond issue was significantly oversubscribed. Settlement is expected to be in April 2017, with final maturity April 2020. The bond issue has a coupon of 3 months NIBOR +5.5% p.a. An application will be made for the bonds to be listed on Oslo Børs. Net proceeds from the bond issue will be used to refinance the outstanding CGH01.

Financial summary

Crayon has a proven, robust and scalable business model, demonstrated by strong growth and profitability in core markets. For the full year 2016, the Nordics² delivered a YoY gross profit growth of 11% while at the same time improved the combined EBITDA by approximately 16% compared to FY 2015. Furthermore, the Nordics have a large and stable customer base, with 30% of gross profit being contractually recurring. The strong performance in the Nordics is largely explained by a mature organization that optimizes the use of Crayon IP and tools to deliver high quality services to customers.

Financial performance outside the Nordics continued to improve in 2016, with the exception of Start-ups 2015³ and the US which were still in a start-up phase. Growth Markets⁴ and Start-ups 2014⁵ improved its EBITDA in 2016 with NOK 4m and NOK 17m compared to FY 2015, respectively. Significant investments were made in the US during 2016 (negative EBITDA impact of NOK 44m, excluding extraordinary items), fueled by a strong commercial momentum and customer interest. Current investment rate is substantially reduced as a strong team is right sized and the business model is established (demonstrated by first month with positive EBITDA in December 2016 in the US). There is a strong strategic rationale behind Crayon’s geographic expansion plan, which was further reinforced in 2016 through several international customer wins, strengthened vendor positioning and improved economies of scale.

When factoring the above, the Group posted another solid financial result in 2016, with sales in excess of NOK 6.0 billion compared to NOK 4.7 billion in FY 2015, and gross profit of NOK 1.1 billion in 2016 compared to NOK 0.9 billion in FY 2015. EBITDA in 2016 was NOK 105m compared to NOK 114m in FY 2015. The decrease in EBITDA was mainly due to significant investments in geographic expansion, which is financed over the P&L, and investments in new services and capabilities. Going forward, Crayon expects to see positive contributions from these investments in 2017 and beyond. Towards the end of 2016, Crayon’s market footprint constitutes 80% of the global addressable market. No new markets were entered during 2016, and no additional market entries are currently planned.

The company has grown significantly over the past couple of years, e.g. revenue has grown 3x, from approximately NOK 2.0 billion in 2012 to NOK 6.0 billion in 2016, and employees 2x, from c. 500 in 2012 to c. 1,000 in 2016. In addition, during the last couple of years Crayon has started operations in 11 new countries. Furthermore, the information technology industry Crayon is part of is one of the most dynamic, fast changing and competitive industries in the world, characterized by relentless cycles of innovation and commoditization. Subsequently, the Board continuously strives to find the right balance in terms of protecting the core, and maintaining short-term profitability while investing for the future. In order to achieve this, the company needs to continue its efforts on institutionalization and drive operational excellence across its operating entities, whilst being agile enough to keep pace with the dynamic industry itself.



Nature of business and location

Crayon Group Holding AS is the holding and parent company of the Crayon Group, headquartered in Oslo, Norway.

The Crayon Group focuses on two primary business areas: Licensing and Consultancy. Licensing sells to and supports large and medium-sized clients with their procurement and utilization of software licenses, both through the direct and indirect channel, i.e. where Crayon’s customers are hosters, system integrators and ISVs rather than end users. SAM represents the core business area for Licensing. SAM is a business process designed to optimize clients’ licensing costs, reduce risk attached to ownership of software, and secure compliance. The Group’s clients are characterized by complex licensing arrangements where Crayon, as a trusted advisor, assists in securing optimally structured commercial agreements that comply with relevant framework conditions. Consultancy provides IT consultancy services including cloud deployment and enablement, primarily to large and medium-sized businesses. Henceforth, Crayon is offering a complete end-to-end service to its clients.

The Crayon Group adopts a defined growth strategy based on a focus on profitable organic growth and strategic acquisitions in order to reinforce existing business areas.

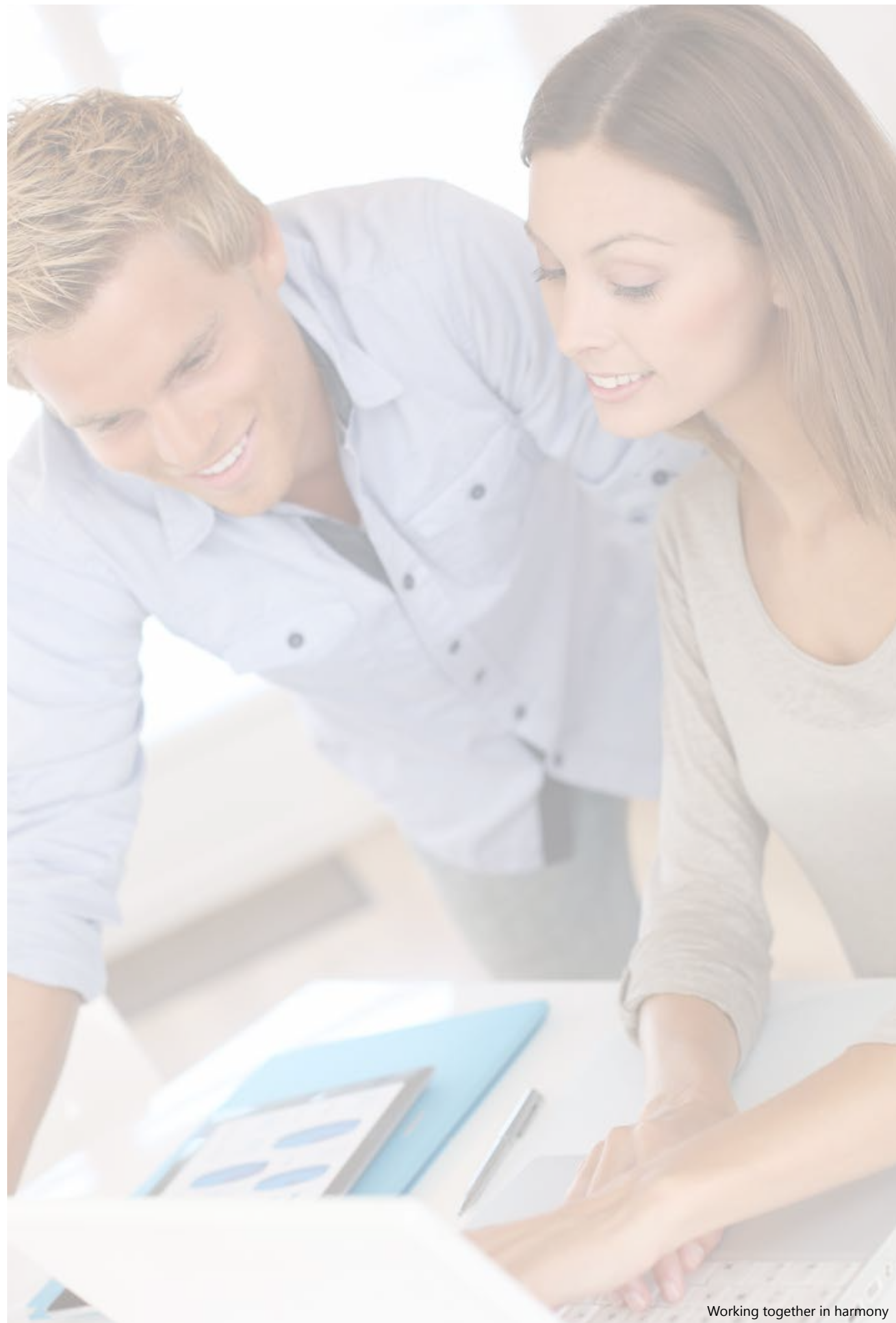
¹ Excluding extraordinary items, cf. note 20

² Norway, Sweden, Finland, Denmark and Iceland

³ Newly established markets (excl. US) with inception point in 2015 (e.g. Spain, Portugal and Switzerland)

⁴ Germany, France, UK and Middle East

⁵ Newly established markets with inception point in 2014 (e.g. Austria, Netherlands, India, Malaysia and Singapore)



Crayon Group Holding AS

Financial Results

Income Statement

In the year under review, the Group posted sales of NOK 6.0b, and gross profit grew more than 23% from NOK 915.0m in FY 2015 to NOK 1,128.0m in FY 2016. The primary gross profit growth drivers were the newly established markets⁶ which almost doubled its gross profit, but also the established Nordic markets demonstrated a solid 11% YoY gross profit in FY 2016. From a business area perspective, SAM was the fastest growing business area with a gross profit growth of 46% YoY driven by the Anglepoint acquisition done in FY 2015, followed by Software Direct with a 24% YoY growth and Software Indirect⁷ with a 17% YoY growth.

EBITDA⁸ in FY 2016 was NOK 105.2m, down from NOK 113.7m in FY 2015. Newly established markets with establishment during the period 2014-2015 including the US, contributed with a negative EBITDA of NOK 77.0m compared to NOK -46.0m in FY 2015. In addition, HQ investments (excl. extraordinary items) in strategic personnel to develop and roll out new capabilities and service offerings incl. IP, e.g. "SAM-iQ", contributed with a negative 2016 EBITDA of NOK 25.3m compared to NOK -21.2m in FY 2015. The above negative profitability drivers were partly offset by continued profitability growth in the established Nordic markets, growing EBITDA from NOK 176.8m in FY 2015 to NOK 204.4m in FY 2016 in addition to profitability growth among the Growth Markets, growing EBITDA from NOK -1.1m in FY 2015 to NOK 3.1m in FY 2016. The Group has performed in line with the business development plans.

The Group had extraordinary costs, primarily related to M&A activity, of NOK 13.5m in FY 2016 compared to NOK 16.3m in FY 2015. The Group posted a decrease in depreciation and amortization in 2016, down from NOK 118.4m in FY 2015 to NOK 99.0m in 2016. This was driven by a reduced impairment of goodwill in FY 2016 compared to FY 2015, which was offset partially by the full year effect of amortizations of identifiable intangible assets arising from the Anglepoint transaction which was concluded end Q3 2015. Impairment of goodwill was NOK 8.9m in FY 2016 compared to NOK 40.0m in FY 2015. Net interest and other financial expenses in FY 2016 was not materially different from FY 2015.

The overall result before tax in FY 2016 was a net loss of NOK 39.8m compared to a loss of NOK 76.1m in FY 2015.

Cash flow and balance sheet items

The Group's cash flow from operating activities came in at NOK 139.7m in 2016 compared to NOK 13.9m in 2015. During 2016 the company has increased its focus on working capital management, which has continued to yield positive results, and the company will continue to focus on optimizing the working capital level. Cash conversion from operations in FY 2016 corresponds to 133% of EBITDA⁹ which signify the company's strong cash generation from operations.

The total CAPEX in FY 2016 was NOK 51.2m, which was an increase of NOK 16.6m compared to FY 2015 driven by investments in IT and capitalization of research and development cost. At the end of the year, the Group's cash and cash equivalents totaled NOK 227.9m in 2016 compared to NOK 236.3m in 2015. The Board continuously monitors the cash generation of the company, and will continue its efforts to maximize the cash position.

Intangible assets decreased from NOK 1,127m in 2015 to NOK 1,071m in 2016 driven by amortizations of intangible assets, including impairment of goodwill, being higher than additions. A significant portion of the Group's balance sheet comprises of goodwill arising from the acquisition of the Inmeta Crayon Group, A Gain A/S, FAST Ltd. and Anglepoint Group, Inc. Impairment tests have been done, and a total impairment of goodwill of NOK 8.9m was done in 2016.

In the opinion of the Board, the Annual Financial Statements provide a true and fair view of the Group's financial position at the end of the year. In light of the ongoing industry transformation, the Board is satisfied with the overall financial result and liquidity position in 2016. The Board deems the Group's liquidity and financing to be satisfactory.

Based on the Annual Financial Statements and the Group's performance, the Board has the view there is a basis for the Group to continue as a going concern.

Organization, personnel and working environment

As of end of year 2016, the Group employed 976 staff, which was an increase of 114 since the start of the year. The Group is satisfied with the working environment, and continuously strives to further improve it. Sickness absence in the Group amounted to 4.4% in 2016. No material personal injuries or damage to material was registered in 2016. Each year employees are offered the opportunity to attend first-aid courses, which includes training in how to use defibrillators. The company's management have implemented a HSE course, and have drawn up an associated plan to maintain compliance with HSE issues. Employee representatives serve on the company's board. At the end of the year, 26.7% of the Group's employees were women. The IT industry in general is characterized by a low female employee percentage. Hence, the Group works systematically to improve the share of female employees at all levels. The Board of Directors comprises of 6 men, and 2 females. One of the company's objectives is to offer equal salary levels and career opportunities regardless of gender.

⁶ Newly established markets with inception point in 2014 (e.g. Austria, Netherlands, India, Malaysia and Singapore) and 2015 (excl. US) (e.g. Spain, Portugal and Switzerland)

⁷ Crayon's offering towards hosters, system integrators and ISVs

⁸ Adjusted for extraordinary items related to M&A activity

⁹ Excluding extraordinary items

The purpose of the Norwegian Anti-Discrimination Act is to promote equality, safeguard equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, national origin, descent, skin color, language, orientation, religion or belief. The Group endeavors to promote the objectives of the Act in its operations including with regard to recruitment, wages and working conditions, promotion, development opportunities and protection against harassment. The Group strives to be a workplace where there is no discrimination on grounds of disability.

Corporate governance

The Board has adopted general and UN global compact policies for corporate governance to safeguard the interests of the company’s owners, employees and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. These principles and rules are reviewed annually by the Board. The company’s internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (“the Code”). Driven by increased operations across the globe, the Board has increased attention and focus on good business conduct including implementation of a revised anti-corruption policy.

External environment

The company’s activities do not cause any pollution or emissions that harm the external environment.

Research and development

The company continues to develop its own software solutions within the SAM and Cloud area. Research and development that is expected to generate revenue at a later date is capitalized in the balance sheet.

Equity and shareholder issues

At the reporting date, the company’s Share Capital amounted to NOK 52 475 535, allocated to 52 475 535 shares, each with a nominal value of NOK 1.

Ethics

The Crayon Group’s business concept is based on improving clients’ competitiveness through value-increasing services and solutions.

All Crayon Group employees shall display respect and integrity in dealing with their business contacts, colleagues or others with whom they come in contact with through their work. The Crayon Group does not accept any form of harassment, discrimination or other conduct that could be deemed to be threatening or demeaning.

The Crayon Group aims to provide an attractive workplace with good working conditions, a safe working environment, and to promote diversity, equal gender distribution and inclusive recruitment.

The Crayon Group’s employees shall assume responsibility for the market and the society that the company serves by conducting operations to a high ethical standard and in accordance with applicable legislation. The company shall be aware of the impact of technology on society and the environment.

Risk management

The Board is keen to secure systematic and concerted management of risk in all parts of the business, and regards this as critical for long-term value creation. Growth opportunities shall always be weighed against associated risks. The Board of Directors regularly reviews the Crayon Group’s risk profile. This includes risk relating to profitability, HSE, security, market, financial reporting, interest rates, foreign currency, credit and liquidity.

Foreign currency

The company is exposed to currency fluctuations due to the international nature of its operations. Major transactions in foreign currency are hedged according to policy.

As of December 31, 2016, the Group had swapped approximately 28% of its bond principal into the following currencies; GBP, EUR, SEK and DKK. There is no currency hedging related to these currency swaps because the Group has income in GBP, EUR, SEK and DKK. Hence, a natural hedge is achieved as the bond principal swapped into non-NOK currencies reflects the underlying cash generation by the Group. Further, larger transactions involving currency risk are hedged by the means of forward contracts.

Other than the above, the Group does not have any financial instruments in foreign currency beyond the ordinary trade creditors arising from ordinary operation.

The Group buys most of its products in EUR, SEK, DKK and USD. The inventory is minimal, but the exchange rate on the company’s key currency pairs, e.g. NOK/EUR, NOK/SEK, NOK/DKK and NOK/USD, can have an impact on the financials as the exchange rate may appreciate or depreciate in value. To counteract this, significant orders are secured by means of confirmed orders.

Interest

The company’s borrowings are linked to NIBOR, STIBOR, CIBOR, LIBOR and EURIBOR, which means that the company is exposed to interest rate fluctuations. Approximately 50% of the principal amount of the CGH01 bond loan was interest hedged in 2016, while the remaining borrowings use floating interest. The interest rate risk is considered to be at an acceptable level.

Liquidity

Management of liquidity risk is accorded high priority as part of measures to secure financial flexibility. The cash flow from operating activities, which is impacted by a number of factors including changes in working capital, is managed at the operational level by the individual companies. The Finance Department monitors liquidity flows in its short-term and long-term reporting. The Group has significant liquid assets, as a result of which liquidity risk is deemed to be low.

The Group has adequate capitalization to secure freedom of action. In July 2014, Crayon Group Holding AS issued a NOK 650m bond issue (initial loan amount) with a potential tap issue of up to NOK 350m, with maturity in July 2017 (“CGH01”). The bond is to be repaid in full at the maturity date. Interest is set quarterly at 3 month NIBOR + 500bps. As of December 31, 2016, 3 month NIBOR was 1.13%. The initial loan amount was mainly used for refinancing existing credit facilities in addition to provide additional financial flexibility. As of December 31, 2016 the tap issue was unused. Incurrence tests are attached to the bond. In March 2017 the company successfully completed the issuance of NOK 600m senior secured bonds in the Nordic bond market. The bond issue was significantly oversubscribed. Settlement is expected to be in April 2017, with final maturity April 2020. The bond issue has a coupon of 3 months NIBOR +5.5% p.a. An application will be made for the bonds to be listed on Oslo Børs. Net proceeds from the bond issue will be used to refinance the outstanding CGH01. Incurrence tests will be attached to the new bond.

Further, as of December 31, 2016, the Group had a credit facility of NOK 100m. The credit facility is used for working capital and other short-term financing purposes. Quarterly covenant tests are attached to the credit facility. As of December 31, 2016, the company had headroom to its covenants. In light of the successful refinancing mentioned above, the Group has also successfully increased its credit facility to NOK 200m. Quarterly covenant tests will be attached to the new credit facility.

Group outlook

The Group’s main focus will continue to be on the sale of SAM services, software licenses and associated consultancy services to clients in the Nordic region, along with the rest of Europe and, increasingly, the rest of the world. Key focus in 2017 will be to capitalize on the investments made in terms of capabilities, IP and new markets in addition to protecting its strong position in the Nordics. The Group focuses on organic growth in combination with strategic acquisitions. Based on the company’s performance in 2016 and other implemented measures, together with the company’s general position, the Board expects the company to follow on a continued upward trend in 2017. The Board will continue to focus on balancing profitability and growth, with key emphasis towards capitalizing on the investments done.

The company satisfies the conditions necessary to continue as a going concern, and the Annual Financial Statements have been prepared on this basis. There have been no events since the end of the reporting period that materially impact the presentation or interpretation of the Annual Financial Statements.

Allocation of loss for the year

The consolidated accounting loss, post currency translation effects, for the year came in at NOK 70.0m. The parent company posted a profit of NOK 21.0m.

The allocation of the net loss for the year is shown in the Annual Financial Statements.

Oslo, April 21, 2017

 Henning Vold (Chairman)	 Øyvind Aasbø (Board Member)	 Rune Syversen (Board Member)
 Waseem Shad (Board Member)	 Eivind Roald (Board Member)	 Dagfinn Ringås (Board Member)
 Camilla Bertelsen (Employee Rep)	 Susann Hauglie (Employee Rep)	 Torgrim Takle (CEO)

Statement by the board and CEO

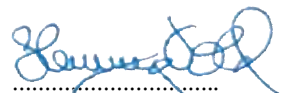
The Board and CEO have today considered and approved the Director's Report and Annual Financial Statements for CRAYON GROUP HOLDING AS Group and parent company as of December 31, 2016 (Annual Report 2016).


Consolidated Financial Statements have been prepared in accordance with the EU-approved IFRS and interpretations, and Norwegian disclosures arising from accounting law to be applied as of December 31, 2016.

Annual Financial Statements in the parent company have been prepared in accordance with the Accounting Act (Norway) and generally accepted accounting principles.

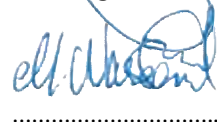
- The Annual Financial Statements for 2016 for the parent company and Group have been prepared in accordance with applicable accounting standards
- The information in the Annual Financial Statements gives a true picture of the assets, liabilities, financial position and overall results as of December 31, 2016.
- The Director's Report gives the Group and the parent company a true picture of:
 - The development, result and position of the Group and parent company
 - The principal risks and uncertainties faced by the Group and the company

Oslo, April 21, 2017


Henning Vold (Chairman)


Øyvind Aasbø (Board Member)


Rune Syversen (Board Member)



Waseem Shad (Board Member)


Eivind Roald (Board Member)


Dagfinn Ringås (Board Member)


Camilla Bertelsen (Employee Rep)


Susann Hauglie (Employee Rep)


Torgrim Takle (CEO)

Consolidated Financial Statements 2016 for **Crayon Group Holding AS**

Consolidated Statement of Profit and Loss 1.1 - 31.12

(In thousands of NOK)	Note	2016	2015*
OPERATING INCOME AND EXPENSES			
Operating Income			
Operating revenue	3	6,015,162	4,687,943
Total operating income		6,015,162	4,687,943
Operating expenses			
Materials and supplies	3	4,886,757	3,773,034
Payroll and related costs	5	877,927	668,332
Depreciation and amortization	6,7	99,018	118,443
Other operating expenses	5,12,20,22	158,759	149,113
Total operating expenses		6,022,460	4,708,921
OPERATING PROFIT		(7,299)	(20,978)
FINANCIAL INCOME AND EXPENSES			
Financial income			
Interest income		13,639	18,400
Other financial income		22,142	139
Total financial income	21	35,780	18,539
Financial expenses			
Interest expenses		63,022	62,796
Other financial expenses		5,278	10,864
Total financial expenses	21	68,300	73,660
NET FINANCIAL INCOME AND EXPENSES		(32,520)	(55,120)
ORDINARY RESULT BEFORE TAX		(39,818)	(76,099)
Income tax expense on ordinary result	19	(9,605)	(11,581)
NET INCOME		(30,213)	(64,518)
Earnings per share (NOK)	11	(0.58)	(1.23)
Allocation of net income			
Owners of Crayon Group Holding AS		(10,769)	(57,051)
Non-controlling interest		(19,444)	(7,467)
Other comprehensive income		(30,213)	(64,518)
Items that will or may be reclassified to profit and loss		-	-
Currency translation		(39,752)	35,079
Total comprehensive income		(69,966)	(29,439)
Allocation of comprehensive income			
Owners of Crayon Group Holding AS		(51,653)	(21,034)
Non-controlling interest		(18,312)	(8,404)
TOTAL COMPREHENSIVE INCOME ALLOCATED		(69,966)	(29,439)

*Restated 2015 figures - please ref. note 25

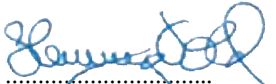
Consolidated Balance Sheet as of 31.12

(In thousands of NOK)	Note	2016	2015*
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Development costs	7	56,093	36,103
Technology and software	7	48,255	62,552
Contracts	7	101,034	158,723
Goodwill	8	827,057	854,412
Software licenses (IP)	7	7,421	7,421
Deferred tax assets	19	29,644	8,244
Total intangible assets		1,069,503	1,127,455
Tangible assets			
Equipment	6,14	18,704	19,691
Total tangible assets		18,704	19,691
Financial assets			
Other receivables		3,203	3,535
Total financial assets		3,203	3,535
TOTAL NON-CURRENT ASSETS		1,091,410	1,150,682
CURRENT ASSETS			
Inventory	4	17,546	21,424
Accounts receivable	12,14	1,206,783	962,359
Income tax receivables	19	2,701	2,662
Other receivables		54,448	35,103
Total receivables		1,281,478	1,021,548
Cash and cash equivalents	13	227,905	236,293
TOTAL CURRENT ASSETS		1,509,383	1,257,842
TOTAL ASSETS		2,600,793	2,408,523

Consolidated Balance Sheet as of 31.12

(In thousands of NOK)	Note	2016	2015*
EQUITY			
Paid-in equity			
Share capital	10,11	52,476	52,476
Own shares	10,11	(12)	(43)
Share premium reserve		262,320	262,163
Total paid-in equity		314,784	314,595
Retained earnings			
Other equity		(53,605)	36,354
Total retained earnings		(53,605)	36,354
Total equity attributable to parent company shareholders		261,179	350,949
Minority interest		11,194	12,989
TOTAL EQUITY		272,373	363,938
LIABILITIES			
LONG-TERM LIABILITIES			
Bond loan	14,15,17	-	650,000
Derivative financial liabilities	17,23	-	29,956
Deferred tax liabilities	19	44,818	49,609
Other long-term liabilities	16	1,472	37,425
TOTAL LONG-TERM LIABILITIES		46,290	766,990
CURRENT LIABILITIES			
Bond loan	14,15,17	650,000	-
Derivative financial liabilities	14,17,23	11,047	-
Trade creditors		1,224,108	905,795
Public duties payable		186,949	180,776
Other current liabilities		210,026	191,024
TOTAL CURRENT LIABILITIES		2,282,130	1,277,595
TOTAL LIABILITIES		2,328,420	2,044,585
TOTAL EQUITY AND LIABILITIES		2,600,793	2,408,523

Oslo, April 21, 2017


Henning Vold (Chairman)


Øyvind Aasbø (Board Member)


Rune Syversen (Board Member)



Waseem Shad (Board Member)


Eivind Roald (Board Member)


Dagfinn Ringås (Board Member)


Camilla Bertelsen (Employee Rep)


Susann Hauglie (Employee Rep)


Torgrim Takle (CEO)

Consolidated Cash Flow Statement

(In thousands of NOK)		01.01-31.12 2016	01.01-31.12 2015
Cash flow from operating activities			
Net income before tax		(39,818)	(76,099)
Taxes paid	19	(17,608)	(21,436)
Depreciation and amortization	6,7	99,018	118,443
Net interest to credit institutions	21	49,384	44,395
Changes in inventory, accounts receivable/payable		77,767	(97,113)
Changes in other current assets		(29,080)	45,725
Net cash flow from operating activities		139,662	13,915
Cash flow from investing activities			
Acquisition of assets	6,7	(51,212)	(34,639)
Acquisition of subsidiaries (cash paid net of cash in acquired entity)	9	(29,620)	(33,100)
Divestments	6,7	146	1,197
Net cash flow from investing activities		(80,686)	(66,542)
Cash flow (used in) provided by financing activities			
Net interest paid to credit institutions	21	(51,112)	(43,888)
Change in subsidiaries	9	-	19,298
Repayment of interest-bearing debt		(73)	(607)
Change in other long-term debt		(3,578)	6,072
Purchase of own shares		-	(115)
Net cash (used in) provided by financing activities		(54,762)	(19,239)
Net increase (decrease) in cash and cash equivalents		4,214	(71,866)
Cash and cash equivalents at beginning of period		236,293	296,938
Currency translation on cash and cash equivalents		(12,602)	11,221
Cash and cash equivalents at end of period		227,905	236,293

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of NOK)

Year to date period ending	Share capital	Own shares	Share premium reserve	Other equity	Non-controlling interest	Total equity
31 December						
Equity as of 01.01.2015	52,476	(53)	262,109	57,413	(2,656)	369,289
Share repurchase (net)		10	54	11		75
Other				207		207
Net income as of 31.12.2015				(57,051)	(7,467)	(64,519)
Restatement (ref note 25)				(242)	24,049	23,807
Currency translation				36,016	(937)	35,079
Equity as of 31.12.2015	52,476	(43)	262,163	36,354	12,989	363,938
Equity as of 01.01.2016	52,476	(43)	262,163	36,354	12,989	363,938
Opening balance adjustments				(13,581)	13,580	(1)
Restated equity as of 01.01.2016	52,476	(43)	262,163	22,773	26,569	363,937
Share repurchase (net)		31	157			189
Reclassification minority-majority				(2,089)	2,089	-
Prior year tax expense true-up				(13,093)		(13,093)
Interest swap true-up				(4,100)		(4,100)
Other				(5,442)	848	(4,594)
Net income as of 31.12.2016				(10,769)	(19,444)	(30,213)
Currency translation				(40,885)	1,132	(39,752)
Equity as of 31.12.2016	52,476	(12)	262,320	(53,605)	11,194	272,373

Crayon Group Holding AS is a private limited company registered in Norway. The company's headquarters are located at Sandakerveien 114A, 0484 Oslo, Norway.

The financial statements were approved and authorized for issue by the Board of Directors on April 21, 2017.

NOTE 1 – BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the Consolidated Financial Statements for Crayon Group Holding AS are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated Financial Statements are presented in Norwegian Kroner (NOK), which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of Consolidated Financial Statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made are disclosed in note 2.2.

BASIS OF MEASUREMENT

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments - stated in the balance sheet at fair value

NOTE 2 – ACCOUNTING PRINCIPLES, CRITICAL ESTIMATES & JUDGEMENTS

2.1 - ACCOUNTING PRINCIPLES

CONSOLIDATION PRINCIPLES

Business acquisitions are accounted for using the acquisition method. Consideration provided is measured at fair value of the transferred assets, liabilities incurred and issued equity instruments. Included in the remuneration is also fair value of all the assets or liabilities as a result of agreed conditions. Expenses related to the business acquisitions are recorded in the Consolidated Financial Statements as they incur. Identifiable assets and liabilities are recorded in the Consolidated Financial Statements at fair value at the time of acquisition. Non-controlling interests in the acquired entity are measured from time to time either at fair value or at their share of the acquired entity's net assets.

If the sum of the remuneration, book value of non-controlling owners and fair value at the time of acquisition of the previous owner's interests exceeds the fair value of identifiable net assets of the acquired entity, the difference is recognized as goodwill in the balance sheet. If the sum is less than the entity's net assets, the difference is immediately recognized in the profit and loss accounts.

Intercompany transactions, balances and unrealized gains and losses between Group companies are eliminated.

Financial statements of subsidiaries are restated when necessary in order to achieve compliance with the Group principles.

The Consolidated Financial Statements are prepared using uniform accounting principles for similar transactions and occurrences, under ordinarily equal conditions.

Assets/liabilities relating to the circular flow of goods and items due for payment within 1 year after the balance sheet date are classified as current assets/current liabilities. Other items are non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and bank deposits. The cash flow statement is prepared using the indirect method.

TRADE AND OTHER RECEIVABLES

Trade receivables arise from the sale of licenses or services that are within the normal operating cycle. If settlement is expected within a year or less, the receivables are classified as current assets. If not, the receivables are classified as non-current assets.

Trade receivables are measured at fair value at initial recognition in the balance sheet. On subsequent measurement, trade receivables are valued at amortized cost using the effective interest rate minus provision for occurred losses.

INVENTORIES

Inventories consist mainly of licenses, and are stated at the lower of acquisition cost and net selling price. Net selling price is the estimated selling price in the ordinary course of business minus estimated cost of completion, marketing and distribution. Cost of acquisition is assigned using the average method and includes expenditure incurred in acquiring the inventories and costs of bringing goods to their present location.

EQUIPMENT

Equipment is measured at acquisition cost, minus accumulated depreciation and impairments. When assets are sold or disposed, the carrying value is reversed. Any gain or loss is recognized in the income statement.

Acquisition cost of equipment is the purchase price and expenses directly related to making the asset ready for use. Expenses incurred after the asset is put to use, such as ongoing maintenance, are recognized in the income statement, while other expenses that are expected to generate future economic benefits are recognized in the balance sheet.

Equipment is depreciated linearly over the expected useful life.

FINANCIAL ASSETS

Loans and receivables are non-derivate financial assets with fixed payments not traded in an active market. They are classified as current assets, except for maturities greater than 12 months after the balance sheet date, in which case they are classified as non-current assets.

Financial instruments consist of interest rate and cross-currency swaps relating to the Group's bond loan.

Crayon Group Holding AS has swapped approximately 28% of the bond principal into the following currencies; GBP, EUR, SEK and DKK. The outstanding bond principal (NOK) has been hedged against the aforementioned currencies reflecting the underlying cash flow of the company. The bond principal is booked as the actual value representing future liabilities based on the exchange rates at the balance sheet date.

Approximately 50% of the principal amount of the loan is interest hedged, while the remaining borrowings use floating interest. As a consequence of a higher interest on the company's fixed interest products compared to the floating rate, the company has as a future liability until due date of the fixed interest products which is recognized as a liability in the balance sheet.

INTANGIBLE ASSETS

Intangible assets are recognized 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 asset's acquisition cost can be measured reliably.

Intangible assets with limited useful life are measured at their acquisition cost, minus accumulated amortization and impairments. Amortization is recognized linearly over the estimated useful life. Amortization period and method are reviewed annually. Intangible assets with an indefinite useful economic life are not amortized, but are tested annually for impairment.

The difference between acquisition cost by purchase and fair value of net identifiable assets at the time of acquisition is classified as goodwill.

Goodwill is recognized in the balance sheet at acquisition cost, minus any accumulated amortization. Goodwill is tested annually for impairment, and is capitalized at acquisition cost with deduction of impairment. Impairment of goodwill cannot be reversed. Impairment of goodwill will be allocated to current cash-generating units. Allocation is made to those cash-generating units expected to benefit from the acquisition.

Contractual customer relationships

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 amortization. Linear amortization is carried over expected useful life.

Research & development

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the Group has adequate resources to complete the development.

Expenses capitalized include material cost, direct wage costs and a share of directly attributable overhead costs. Capitalized development costs are stated at acquisition cost minus accumulated depreciation and amortization. Capitalized development costs are depreciated linearly over the estimated useful life.

PROVISIONS

A provision is recognized when the Group has an obligation as a result of a past incident, and it is likely that there will be a financial settlement as a result of this obligation, and the amount can be measured reliably. If the effect is significant, the provision is calculated by discounting future cash flows using a pre-tax discount rate that reflects market rates and, if relevant, risks specific to the obligation.

A provision for warranties is recognized when the underlying products or services are provided. The provision is based on historical information about warranties and a weighting of possible outcomes against their associated probabilities. A provision for unprofitable contracts is recognized when the Group's expected revenues from a contract are lower than the expected costs that are assumed to be incurred to meet obligations under the contract.

EQUITY

For repurchases of own shares, the purchase price, including directly attributable costs, such as changes in equity, is recorded. Own shares are presented as a reduction of equity. Gains or losses on transactions in own shares are not recognized in the P&L. Transactions directly related to an equity transaction are recognized directly in equity net of tax.

REVENUE RECOGNITION PRINCIPLES

In accordance with IAS 18, income is defined as the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties.

Revenue is to be recognized in the statement of profit or loss when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Sale of goods

Goods includes goods produced by the entity for the purpose of sale and goods purchased for resale, such as merchandise purchased by a retailer. Revenue from the sale of goods shall be recognized in full when all the criteria below have been satisfied.

Revenue recognition criteria:

- 1) Crayon has transferred to the buyer the significant risks and rewards of ownership of the goods
- 2) Crayon retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- 3) The amount of revenue can be measured reliably
- 4) It is probable that the economic benefits associated with the transaction will flow to Crayon
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably

Rendering of services

The rendering of services typically involves the performance by the entity of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period. Revenue from the rendering of services shall be recognized based on the percentage of completion method when the outcome of the transaction can be estimated reliably, ie. the criteria below are met. The percentage of completion method entails recognizing the proportion of services performed to date as a percentage of total services to be performed. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognized on a straight-line basis over the specified period unless there is evidence that another method better represents the stage of completion (ie. 1/12 recognized per month over the course of a 1 year agreement).

Revenue recognition criteria:

- 1) The amount of revenue can be measured reliably
- 2) It is probable that the economic benefits associated with the transaction will flow to Crayon
- 3) The stage of completion of the transaction at the end of the reporting period can be measured reliably
- 4) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable. When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

Indirect sales

In indirect sales arrangements, Crayon invoices the customer and receives payment from the customer, while the software vendor bills and receives payment from Crayon.

Crayon has a risk of delinquency by the customer, whilst having a financial commitment to the supplier. The gross amount billed to the customer is therefore recognized as revenue in the Financial Statements and the purchase from the supplier appears as cost of sales.

Direct sales

In direct sales arrangements, the vendor invoices customer directly, not through Crayon. Crayon revenue is in the form of incentive fees booked in the same month as the sales agreement was signed. Revenue is presented net in the Financial Statements with no corresponding cost of sales.

FOREIGN CURRENCY

Transactions in foreign currency

Transactions in foreign currency are converted at the exchange rate on the transaction date. Monetary items in a foreign currency are converted to NOK using the exchange rate at the balance sheet date. Non-monetary items measured at the historical rate expressed in a foreign currency are converted into NOK using the exchange rate on the transaction date. Non-monetary items measured at fair value expressed in a foreign currency are converted at the exchange rate determined at the balance sheet date. Changes in exchange rates are recognized in the accounting period.

Activities abroad

Assets and liabilities in foreign companies whose functional currency differs from the presentation currency are converted to NOK using the exchange rate at the balance sheet date. Income and expenses from foreign companies are converted to NOK using the weighted average rate of exchange (if the average is not a reasonable estimate of the cumulative effects of using the transaction rate, the transaction rate is used). Foreign exchange differences are recognized in equity.

GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the company will fulfill the conditions attached to the grants, and that the grants will be received. Grants are charged to the cost that the grant is intended to cover. Investment grants are capitalized and recognized in a systematic manner over their useful life. Investment grants are recognized as a deduction from the asset's carrying amount.

The Group subsidiaries Crayon AS, Crayon Group AS, Inmeta Consulting AS, and Esito AS receive R&D tax credits from the Norwegian "Skattefunn" program for hours and operating expenses spent on approved projects relating to R&D.

INCOME TAX

Tax expenses consist of taxes payable and changes in deferred tax. Deferred tax/deferred tax assets are calculated on all differences between accounting and tax value of assets and liabilities, with the exception of temporary differences relating to goodwill not deductible for tax purposes. Deferred tax assets are recognized when it is likely that the company will have sufficient taxable profit in future periods to utilize the tax benefit. Deferred tax and deferred tax assets are measured based on expected future tax rates of the companies in the Group for which temporary differences have arisen. Deferred tax and deferred tax assets are recognized at their nominal value and are classified as financial assets (long-term liabilities) in the balance sheet. Tax payable and changes in deferred tax are recognized directly in equity to the extent that the tax records relate to items recognized directly in equity.

SEGMENTS

Operating segments are reported in the same manner as internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources to and assessing performance of operating segments, is defined as the corporate management. In the segment reporting, internal profit on sales between the various segments is eliminated.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognized in the Financial Statements unless the probability of liability is high.

Contingent assets are not recognized in the Financial Statements unless there is a certain probability that the benefit will accrue in the Group.

Written put options in non-controlling interests

When non-controlling interests hold put options related to shares in subsidiaries and Crayon Group is required to acquire such shares by cash considerations, a financial liability is recognized.

When non-controlling interests hold put options related to shares in subsidiaries and Crayon Group is required to acquire such shares by equity considerations, a financial liability is recognized.

Financial liabilities are recognized based on fair value measurement and changes are recognized in profit or loss.

EVENTS AFTER THE REPORTING DATE

Information regarding the company's financial position received after the balance sheet date is recognized in the financial statements. If the information will affect the company's future financial position significantly, it is disclosed.

2.2 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and associated assumptions are based on historical experience and other reasonable factors, considering the circumstances. These calculations form the basis for assessment of the book value of assets and liabilities that are not clearly observable from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are continuously reviewed. Changes in accounting estimates are recognized in the period when the changes occurred, if they only apply to that period. If the changes also apply to future periods, the effect will be distributed between the current period and future periods.

The most important estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to impairment assessment of goodwill and other intangible assets. Goodwill has an indefinite useful life and is tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assessment of impairment for 2016 is based on management assumptions using conservative estimates with regard to future cash flows and discount rates.

Contingent consideration in business combinations related to non-controlling interests put options are recognized as financial liabilities, see note 24. The liabilities are estimated, as the consideration to be paid is dependent upon future fair value and/or future results.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable the taxable profit will be available which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

2.3 - CHANGES IN ACCOUNTING POLICIES

a) New standards, interpretations and amendments effective from 1 January 2016

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016 that had a significant effect on the Group's financial statements.

IFRS 14 Regulatory Deferral Accounts is the only new Standard effective from 1 January 2016.

None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

-IFRS 9 Financial Instruments (2014) is the standard that replaces IAS 39 Financial Instruments:

Recognition and Measurement. It incorporates the final requirements on all three phases of the financial instruments project – classification and measurement, impairment and hedge accounting – which were issued between 2009 and 2013. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss, with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted. The Group has yet to assess the full impact of IFRS 9.

-IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the said goods or services. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Preliminary assessment indicates no significant changes in revenue recognition.

-IFRS 16 Leases changes the accounting principles for leasing contracts and will require leases to recognize most lease liabilities in the balance sheet together with corresponding assets. Expenses will be recognized as depreciation of the asset and interest expense of the liability rather than being classified as on operating expense. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. The Group has yet to assess the full impact of IFRS 16. Preliminary assessment indicates an significant operational leases to be presented as financial lease, and see note 22 for further details of operational lease types.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group has not come to any conclusion as to whether or not the new standards, changes to the existing standards or the interpretation will have any effect, but the changes are not expected to have any substantial impact on the consolidated accounts.

NOTE 3 - SEGMENT INFORMATION

The Group reports regularly in functional operating segments and geographical market clusters.

- The operational units that form a natural reporting segment are the software direct, software indirect, SAM and consulting units. "Admin & shared services" includes administrative costs, corporate administration costs, unallocated global shared cost and eliminations. 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.
- Software direct 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 plays a key role in their technological platforms and critical commercial processes.
- Software indirect is Crayon's service offering towards hosters, system integrators and ISVs, which includes license advisory/optimization, software license sales and access to Crayon's reporting portal.
- Software Asset Management (SAM) services include processes and tools for enabling clients to build in-house SAM capabilities, license spend optimization and support for clients in vendor audits.
- Consulting services relate 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.
- The geographical market clusters are composed of operating countries with similar maturity. "Nordics" is composed of Norway, Sweden, Denmark, Finland and Iceland. "Growth Markets" is composed of Germany, Middle East, France and UK. "Start-ups" is composed of markets with inception point during 2014-2015 timeframe (i.e. India, Singapore, Malaysia, Philippines, Austria, Netherlands, Spain, Portugal, and Switzerland), while "USA" represents the post-closing financial contributions from the Anglepoint and SWI acquisitions, as well as Crayon US. "HQ & eliminations" includes corporate administration costs (excl. one-off items), unallocated global shared cost and eliminations.

(In thousands of NOK)

Revenue per operating segment	2016	2015
Software Direct	3,935,677	2,907,231
Software Indirect	1,441,226	1,247,703
SAM	291,175	202,008
Consulting	403,386	352,039
Admin & shared services	77,536	55,636
Eliminations	(133,839)	(76,674)
Total	6,015,162	4,687,943

Gross profit per operating segment	2016	2015
Software Direct	429,095	345,421
Software Indirect	110,541	94,222
SAM	261,987	178,907
Consulting	301,206	285,041
Admin & shared services	62,765	46,780
Eliminations	(37,190)	(35,461)
Total	1,128,404	914,909

Gross margin (%) per operating segment	2016	2015
Software Direct	10.9 %	11.9 %
Software Indirect	7.7 %	7.6 %
SAM	90.0 %	88.6 %
Consulting	74.7 %	81.0 %
Admin & shared services	nmf.*	nmf.*
Eliminations	nmf.*	nmf.*
Total	18.8 %	19.5 %

EBITDA per operating segment	2016	2015
Software Direct	139,138	127,580
Software Indirect	50,323	53,027
SAM	13,380	2,171
Consulting	33,551	42,178
Admin & shared services	(131,217)	(112,011)
Eliminations	-	802
Total	105,175	113,748

EBITDA margin (%) per operating segment	2016	2015
Software Direct	3.5 %	4.4 %
Software Indirect	3.5 %	4.2 %
SAM	4.6 %	1.1 %
Consulting	8.3 %	12.0 %
Admin & shared services	nmf.*	nmf.*
Eliminations	nmf.*	nmf.*
Total	1.7 %	2.4 %

Revenue per market cluster	2016	2015
Nordics	3,767,901	3,547,206
Growth Markets	1,243,515	660,403
Start-ups	890,852	474,815
USA	178,804	39,126
HQ	67,929	43,068
Eliminations	(133,839)	(76,674)
Total	6,015,162	4,687,943

Gross profit per market cluster	2016	2015
Nordics	757,670	685,071
Growth Markets	182,764	167,501
Start-ups	70,581	36,505
USA	100,688	25,326
HQ	53,891	35,966
Eliminations	(37,190)	(35,461)
Total	1,128,404	914,909

Gross margin (%) per market cluster	2016	2015
Nordics	20.1 %	19.3 %
Growth Markets	14.7 %	25.4 %
Start-ups	7.9 %	7.7 %
USA	56.3 %	64.7 %
HQ	nmf.*	nmf.*
Eliminations	nmf.*	nmf.*
Total	18.8 %	19.5 %

EBITDA per market cluster	2016	2015
Nordics	204,377	176,836
Growth Markets	1,301	(1,116)
Start-ups	(32,951)	(45,957)
USA	(50,148)	5,247
HQ	(17,405)	(22,063)
Eliminations	-	802
Total	105,175	113,748

EBITDA margin (%) per market cluster	2016	2015
Nordics	5.4 %	5.0 %
Growth Markets	0.1 %	-0.2 %
Start-ups	-3.7 %	-9.7 %
USA	-28.0 %	13.4 %
HQ	nmf.*	nmf.*
Eliminations	nmf.*	nmf.*
Total	1.7 %	2.4 %

Assets per market cluster	2016	2015
Nordics	1,462,866	1,280,012
Growth Markets	358,994	313,205
Start-ups	260,164	160,955
USA	307,270	244,247
HQ	220,673	417,896
Total	2,609,967	2,416,314

One-off items (note 20) have been adjusted out from HQ EBITDA.

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

EBIT or "operating profit" means total operating income less total operating expenses. EBITDA, when used by the company, means EBIT adjusted for one-off items (note 20), impairment of non-current assets and depreciation & 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 its debt and to fund capital expenditures, and provides investors with a helpful measure for comparing its operating performance with that of other companies.

*Nmf. means not meaningful

NOTE 4 - INVENTORY

The Group only has finished goods in stock. The inventory consists of software programs, CDs and documentation. The inventory is valued at the lower of cost and estimated selling price after deducting selling costs.

The book value of inventory for the Group amounted to NOK 17.5m as of 31.12.2016 (NOK 21.4m as of 31.12.2015).

NOTE 5 - WAGES AND EMPLOYEE BENEFIT EXPENSES, MANAGEMENT REMUNERATION AND AUDITOR'S FEE

(In thousands of NOK)

Payroll expenses	2016	2015
Wages and salaries	708,421	545,327
Social security	98,638	78,395
Pension expenses	33,476	30,242
Other benefits	37,392	14,368
Payroll expenses	877,927	668,332

Average number of employees	945	807
Women	26.5 %	26.7 %

Compensation to the members of the Board amounted to NOK 0 in 2016, compared to NOK 0.1m in 2015.

Compensation to the executive management in 2016 is detailed below. The Group CEO is entitled to 6 months salary in the event of termination initiated by the company. None of the Board Members or the CEO have executive loans or guarantees in the company.

(In thousands of NOK)

2016	Salary	Bonus	Pension	Total
CEO of Crayon Group Holding	2,169	-	67	2,236
CEO of Crayon Group/Chairman of Crayon AS	2,766	-	68	2,833
CFO of Crayon Group AS	1,077	188	66	1,331
COO of Crayon Group AS	1,220	110	69	1,399
CTO of Crayon Group AS	1,427	200	327	1,954
Total	8,659	498	596	9,753

2015	Salary	Bonus	Pension	Total
Chairman of Crayon AS	3,037	-	70	3,107
CEO of Crayon Group Holding	1,903	1,168	70	3,140
CEO of Crayon Group	3,092	100	70	3,262
Total	8,031	1,268	211	9,510

The above mentioned functions represent the Group's executive leadership.

Auditor

Fees for audit and audit-related services in the Group are expensed at NOK 1.8m (excluding VAT) in 2016 (2015: NOK 1.9m) and compensation for financial assistance is expensed at NOK 0.8m (excluding VAT) (2015: NOK 0.8m).

Pensions

All of the Group companies have pension schemes that satisfy the provisions of the Act on mandatory occupational pensions, for all employees. These are defined contribution schemes with a total pension cost of NOK 33.5m in 2016 (2015: NOK 30.2m). The Group obligations are limited to the annual contributions to the scheme.

Share-based payments

There are no options or agreements for share-based payments to employees or Board Members.

NOTE 6 - TANGIBLE ASSETS

(In thousands of NOK)

Tangible assets 2016	IT systems and equipment	Office furnishings, fixtures and cars	Total
Acquisition cost 01.01.2016	27,384	24,516	51,900
Additions	5,695	3,276	8,971
Additions from acquisitions	-	-	-
Reclassifications	(147)	147	-
Disposals	(631)	(172)	(802)
Acquisition cost 31.12.2016	32,302	27,767	60,069
Accumulated depreciation 01.01.2016	17,790	14,418	32,208
Reclassifications	-	-	-
Depreciation/impairment 2016	4,993	4,265	9,258
Disposals	(492)	(680)	(1,172)
Accumulated depreciation 31.12.2016	22,292	18,003	40,294
Net value per 31.12.2016 excl currency translation	10,010	9,764	19,774
Currency translation	(1,082)	12	(1,070)
Net value per 31.12.2016	8,928	9,776	18,704
Depreciation period	1-5 years	1-5 years	
Depreciation method	Linear	Linear	

Tangible assets 2015	IT systems and equipment	Office furnishings, fixtures and cars	Total
Acquisition cost 01.01.2015	38,486	14,725	53,211
Additions	19,542	7,639	27,181
Additions from acquisitions	1,213	3,137	4,349
Reclassifications	(31,744)	-	(31,744)
Disposals	(113)	(985)	(1,098)
Acquisition cost 31.12.2015	27,384	24,516	51,900
Accumulated depreciation 01.01.2015	20,849	9,256	30,105
Reclassifications	(16,011)	-	(16,011)
Depreciation/impairment 2015	12,952	5,162	18,114
Accumulated depreciation 31.12.2015	17,790	14,418	32,208
Net value per 31.12.2015	9,593	10,098	19,691
Depreciation period	1-5 years	1-5 years	
Depreciation method	Linear	Linear	

Tangible assets are tested for impairment when there are indications that future earnings cannot justify the carrying amount. The difference between the carrying amount and recoverable amount is recognized as impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels where it is possible to distinguish independent cash flows (cash generating units). Possible reversal of previous impairment of non-financial assets (excluding goodwill) is evaluated on each reporting date.

NOTE 7 - INTANGIBLE ASSETS

(In thousands of NOK)

Intangible assets 2016	Software, licenses (IP)	Development costs
Acquisition cost 01.01.2016	7,421	77,931
Additions	-	43,939
FX translation	-	(2,477)
Acquisition cost 31.12.2016	7,421	119,393
Amortization and impairment 01.01.2016	-	41,828
Amortization	-	21,472
Impairment	-	-
Accumulated amortization and impairment 31.12.2016	-	63,300
Net value 31.12.2016	7,421	56,093
Amortization period	None	1-10 years
Amortization method	None	Linear

Intangible assets 2016	Contracts	Technology and software	Total
Acquisition cost 01.01.2016	366,111	72,912	524,375
Additions	-	-	43,939
FX translation	(6,032)	(6,558)	(15,067)
Acquisition cost 31.12.2016	360,079	66,354	553,247
Amortization 01.01.2016	207,388	10,360	259,576
Amortization	51,657	7,739	80,868
Impairment	-	-	-
Accumulated amortization 31.12.2016	259,045	18,099	340,444
Net value 31.12.2016	101,034	48,255	212,803
Amortization period	1-10 years	1-10 years	
Amortization method	Linear	Linear	

In 2016, the total capitalized development costs of NOK 43.9m consist of NOK 29.0m from capitalized internal hours and NOK 14.9m from capitalized external operating expenses.

Total non-capitalized R&D costs amounted to NOK 38.2m relating to the Norwegian SkatteFUNN projects.

Intangible assets 2015	Software, licenses (IP)	Development costs
Acquisition cost 01.01.2015	7,420	30,613
Reclassifications	-	31,744
Additions	1	14,772
Additions from acquisitions	-	802
FX translation	-	-
Acquisition cost 31.12.2015	7,421	77,931
Amortization 01.01.2015	-	20,148
Reclassifications	-	16,011
Amortization	-	5,669
Impairment	-	-
Accumulated amortization and impairment 31.12.2015	-	41,828
Net value 31.12.2015	7,421	36,103
Amortization period	None	1-10 years
Amortization method	None	Linear

Intangible assets 2015	Contracts	Technology and software	Total
Acquisition cost 01.01.2015	344,896	40,040	422,969
Reclassifications	-	-	31,744
Additions	17,443	28,324	60,540
Additions from acquisitions	-	-	802
FX translation	3,772	4,548	8,320
Acquisition cost 31.12.2015	366,111	72,912	524,375
Amortization 01.01.2015	156,759	6,315	183,222
Reclassifications	-	-	16,011
Amortization	50,629	4,045	60,343
Impairment	-	-	-
Accumulated amortization 31.12.2015	207,388	10,360	259,576
Net value 31.12.2015	158,723	62,552	264,799
Amortization period	1-10 years	1-10 years	
Amortization method	Linear	Linear	

Intangible assets with an indefinite useful life are not amortized, but are annually tested for impairment. Intangible assets are tested for impairment when there are indications that future earnings cannot justify the carrying amount. The difference between the carrying amount and recoverable amount is recognized as impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels where it is possible to distinguish independent cash flows (cash - generating units). Possible reversal of previous impairment of non-financial assets is evaluated at each reporting date.

NOTE 8 - GOODWILL

Goodwill is not amortized, but tested annually for impairment. The difference between the carrying amount and recoverable amount is recognized as impairment. The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels where it is possible to distinguish independent cash flows (cash generating units).

The impairment assessment is built on a discounted cashflow model (DCF), with the model assumptions relating to WACC and CAGR specified per CGU below.

Goodwill impairments of NOK 8.9m in 2016 relate to the following CGUs: Consulting Sweden (NOK 6.7m) and Crayon Cloud Consulting (Germany) (NOK 2.2m).

Goodwill impairments of NOK 40.0m in 2015 relate to following CGUs: Consulting Norway (NOK 21.3m), Consulting Sweden (NOK 10.1m), ICE Distribution (NOK 3.3m), Crayon South-East Asia (NOK 5.2m).

Goodwill	2016	2015
Acquisition cost 01.01	894,398	780,202
Additions	8,720	96,410
Currency translation	(27,184)	25,576
Restatement (ref note 25)	-	(7,790)
Acquisition cost 31.12	875,934	894,398
Impairment 01.01	39,986	-
Impairment	8,891	39,986
Accumulated impairment 31.12	48,877	39,986
Net value 31.12	827,057	854,412
Amortization period	None	None
Amortization method	None	None

Goodwill split by CGU	2016	5 year sales CAGR assumption	Pre-tax WACC assumption	2015	5 year sales CAGR assumption	Pre-tax WACC assumption
Licensing Norway (Inmeta Crayon PPA)	267,967	4.2 %	12.2 %	267,967	5.0%	12.6 %
Consulting Norway (Inmeta Crayon PPA)	149,713	3.3 %	12.2 %	149,713	6.0%	12.6 %
Puzzlepart	5,927	10.6 %	12.2 %	5,927	11.0%	12.6 %
Licensing Sweden (Inmeta Crayon PPA)	52,991	2.7 %	12.2 %	52,991	5.0%	12.6 %
Consulting Sweden (Inmeta Crayon PPA)	875	18.7 %	12.2 %	7,604	23.0%	12.6 %
Crayon Denmark (Inmeta Crayon PPA and Again PPA)	86,343	3.2 %	12.2 %	89,859	6.0%	12.6 %
Crayon Finland (Inmeta Crayon PPA)	47,623	5.5 %	12.2 %	47,623	5.0%	12.6 %
Crayon Germany (Inmeta Crayon PPA)	15,948	10.6 %	12.2 %	15,948	17.0%	12.6 %
Cloud Consulting (Germany)	-	19.8 %	12.2 %	2,282	19.0%	12.6 %
Crayon UK (Fast PPA)	93,229	-3.3 %	12.2 %	114,285	14.0%	12.6 %
Kryptos (India)	24,291	20.5 %	15.4 %	18,604	7.0%	15.8 %
Angelpoint (Anglepoint PPA)	73,423	12.8 %	14.4 %	73,153	19.0%	12.6 %
Crayon US (SWI)	8,342	47.6 %	14.4 %	8,069	20.0%	12.6 %
Other	387	N/A	N/A	387	N/A	N/A
Total	827,057			854,412		

Sensitivity analysis:

An increase in the DCF model WACC and a reduction in 5 year sales CAGR by 1 percentage point would result in an increase of approximately NOK 30.0m in the 2016 impairment.

A decrease in the DCF model WACC and an increase in 5 year sales CAGR by 1 percentage point would result in the same 2016 impairment as calculated above.

According to IAS 21.47, any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are to be treated as assets and liabilities of the foreign operation. They are expressed in the functional currency of the foreign operation and are translated in the consolidated balance sheet at the closing rate.

NOTE 9 - ACQUISITION OF BUSINESS

Infrahouse A/S

In January 2016, Crayon Group AS acquired the Danish consulting company InfraHouse, as part of its ongoing expansion of the firm's global cloud-based services business. The acquisition was completed as an asset purchase, including 10 highly skilled cloud and infrastructure consultants hired into the Danish subsidiary Crayon Consulting A/S.

There were no further acquisitions performed during 2016. In 2015 Crayon Group acquired the subsidiaries detailed below:

Atria Technologies Pte Ltd

In July 2015, Crayon Group AS bought 100% of the shares in Atria Technologies Pte Ltd.

(In thousands of NOK)

Acquisition analysis

100% of the shares Atria Technologies Pte Ltd

Purchase consideration	4,319
Total	4,319

Book Values

Assets	7,422
Liabilities	8,709
Equity	(1,287)
Existing goodwill	-
Value to distribution	(1,287)

Customer relations	-
Technology and software	-
Deferred tax on unrealized gains	-
Net identifiable unrealized gains	-

Goodwill (CGU: Crayon SEA)	5,605
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In 2015, Atria Technologies Pte Ltd contributed with NOK 1.0m in EBITDA (NOK 30.3m revenue) in the consolidated profit & loss.

The company contributed with EBITDA NOK 1.8m (NOK 32.3m revenue) from January 1st 2015 proforma adjusted.

Atria Solutions Sdn Bhd

In July 2015, Crayon Group AS bought 100% of the shares in Atria Solutions Sdn Bhd.

(In thousands of NOK)

Acquisition analysis

100% of the shares Atria Solutions Sdn Bhd

Purchase consideration	2,867
Total	2,867

Book Values

Assets	4,221
Liabilities	964
Equity	3,258
Existing goodwill	-
Value to distribution	3,258

Customer relations	-
Technology and software	-
Deferred tax on unrealized gains	-
Net identifiable unrealized gains	-

Goodwill (CGU: Crayon SEA)	(391)
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In 2015, Atria Solutions Sdn Bhd contributed with NOK 0.4m in EBITDA (NOK 3.7m revenue) in the consolidated profit & loss.

The company contributed with EBITDA NOK 0.4m (NOK 3.8m revenue) from January 1st 2015 proforma adjusted.

Software Wholesale International Inc.

In July 2015, Crayon Group AS purchased 100% of the shares in Software Wholesale International Inc.* through the 74% owned US subsidiary Crayon Software Experts LLC.

(In thousands of NOK)

Acquisition analysis

100% of the shares of Software Wholesale International Inc.

Purchase consideration	7,653
Total	7,653

Book Values

Assets	5,360
Liabilities	(5,776)
Equity	(416)
Existing goodwill	-
Value to distribution	(416)

Customer relations	-
Technology and software	-
Deferred tax on unrealized gains	-
Net identifiable unrealized gains	-

Goodwill (CGU: Crayon US)	8,069
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In 2015, Software Wholesale International Inc. contributed with MNOK -0.05 in EBITDA (NOK 14.8m revenue) in the profit & loss.

The company contributed with EBITDA NOK 1.6m (NOK 70.8m revenue) from January 1st 2015 proforma adjusted.

Anglepoint Group Inc.

In September 2015, Crayon Group AS purchased 100% of the shares in Anglepoint Group Inc.* through the 74% owned US subsidiary Crayon Software Experts LLC.

(In thousands of NOK)

Acquisition analysis

100% of the shares Anglepoint Group Inc.

Purchase consideration	107,175
Total	107,175

Book Values

Assets	21,646
Liabilities	14,042
Equity	7,604
Existing goodwill	-
Value to distribution	7,604

Customer relations	17,094
Technology and software	30,158
Litigation and claims	(221)
Deferred tax on unrealized gains	(20,614)
Net identifiable unrealized gains	26,418

Goodwill (CGU: Anglepoint)	73,153
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In 2015, Anglepoint Group Inc. contributed with NOK 5.3m in EBITDA (NOK 24.3m revenue) in the consolidated profit & loss.

The company contributed with NOK 20.7m in EBITDA (NOK 87.5m revenue) from January 1st 2015 proforma adjusted.

Puzzlepart AS

In December 2015, Crayon Group AS bought 50.1% of the shares in Puzzlepart AS.

(In thousands of NOK)

Acquisition analysis

50.1% of the shares Puzzlepart AS

Purchase consideration	7,515
Total	7,515

Book values (50.1% ownership)

Assets	3,543
Liabilities	1,954
Equity	1,588
Existing goodwill	-
Value to distribution	1,588

Customer relations	-
Technology and software	-
Deferred tax on unrealized gains	-
Net identifiable unrealized gains	-

Goodwill (CGU: Puzzlepart)	5,927
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In 2015, Puzzlepart AS contributed with NOK -0.3m in EBITDA (NOK 1.3m revenue) in the consolidated profit & loss.

The company contributed with NOK 0.9m in EBITDA (NOK 21.5m revenue) from January 1st 2015 proforma adjusted.

**Restated 2015 figures - please ref. note 25*

NOTE 10 - EQUITY

The company has 52 475 535 shares at a nominal value of NOK 1. The total share capital amounts to NOK 52 475 535.

The company owns 11 743 of its own shares to facilitate management of employee share purchases.

There are two classes of shares in the Company (A-shares and B-shares) with different risk and return profiles. The A-shares are structured to provide a stable return on equity. The B-shares shall have a larger risk relating to the investment in the Company, but a corresponding increased possibility for a greater return on equity to compensate such higher risk.

The company's share capital is divided into the two classes of shares as follows:

Class of shares	Number of shares	Total nominal value	Statutory provisions on voting
A-shares	49,351,737	49,351,737	One share – one vote
B-shares	3,123,798	3,123,798	One share – one vote
Total	52,475,535	52,475,535	

The following rights can lead to the issue of new shares: the Board of Directors has authorization to increase the share capital by up to NOK 5 247 554. The authorization is valid until the annual general meeting in 2017, but no longer than July 31, 2017.

The company's four major shareholders, who own more than 5% of the share capital, are:

Shareholder's name	Shareholding
Norvestor Holding I AS	59.5 %
Sevencs AS	8.0 %
Rugz II AS	6.5 %
Frank Mortensen Holding AS	5.2 %

The company's trustees have shares in the company:

Officer	A-shares	B-shares	Total number of shares
Rune Syversen, Sevencs AS	3,780,852	411,724	4,192,576
Jens Rugseth, Rugz II AS	3,016,805	368,187	3,384,992

NOTE 11 - EARNINGS PER SHARE

The Group's earnings per share are calculated as:	2016	2015
Net income (kNOK)	(30,213)	(64,518)
Outstanding common shares (in thousands)	52,476	52,476
Earnings per share (NOK)	(0.58)	(1.23)
Own shares (in thousands)	12	43
Average shares outstanding minus own shares (in thousands)	52,464	52,433
Net earnings per shares outstanding	(0.58)	(1.23)
Number of outstanding shares per 01.01	52,475,535	52,475,535
Number of outstanding shares per 31.12	52,475,535	52,475,535



Reaching goals together

NOTE 12 - ACCOUNTS RECEIVABLE

Accounts receivable relate to the sale of licenses or services that are within the normal operating cycle. If the settlement is expected within one year or less, the receivable is classified under current assets. If exceeding more than one year, the receivable is classified under fixed assets.

Receivables outstanding	2016	%
Not due	1,049,350	87%
1 - 30 days overdue	113,145	9%
30 - 60 days overdue	41,886	3%
60 - 90 days overdue	(19,172)	-2%
90 - 120 days overdue	(11,293)	-1%
More than 120 days overdue	32,868	3%
Closing balance 31.12	1,206,783	

(In thousands of NOK)

Allowance for doubtful accounts in the balance sheet	2016	2015
Opening balance 01.01	(2,174)	(1,359)
Additions from acquisitions	-	(178)
Currency effect	200	(195)
Net reversal/(allowance) YTD	91	(442)
Closing balance 31.12	(1,883)	(2,174)

Profit & loss effect of bad debt	2016	2015
Realized losses	769	214
Reversal of allowance	(472)	(290)
Allowance for doubtful accounts	381	517
Net accounting losses on receivables	678	442

The Group has historically had low losses on receivables. In 2016, the Group continued the intensified efforts to collect outstanding receivables.

NOTE 13 - CASH & CASH EQUIVALENTS

NOK 14.5m of the total bank deposits as of 31.12.2016 is restricted cash. As of 31.12.2015 restricted cash was NOK 14.1m. The amounts consist in full of employee taxes withheld.

NOTE 14 - COLLATERAL AND GUARANTEES

(In thousands of NOK)

Mortgages	2016	2015
Bond loan	650,000	650,000
Currency swap	9,582	29,956
Interest swap	1,465	-
Debts secured by mortgages	661,047	679,956
Pledged assets		
Accounts receivable	2 000 000	2 000 000
Property, plant and equipment	2 000 000	2 000 000
<u>Inventories</u>	-	-
Total assets pledged	2 000 000	2 000 000

The book values of pledged assets are as specified in the balance sheet.

As security for the Crayon Group Holding AS' bond, FRN Crayon Group Holding AS Senior Secured Callable Bond Issue 2014/2017 (ISIN: NO0010714595), where Nordic Trustee ASA is functioning as a bond trustee, and the company's Super Senior Revolving Credit Facility, Crayon Group Holding AS has provided a first priority assignment agreement with respect to the top account in the cash pool agreement to which it is a party. Furthermore, Crayon Group Holding AS and the guarantors listed below have each provided a first priority assignment over Intra-Group Loans to which it is a creditor, in addition to providing security up to NOK 2 billion with a first priority pledge related to the company's shares (share pledge), operating equipment (machinery and plant) and accounts receivable to Nordic Trustee ASA and Nordea Bank Finland PLC. The guarantors are compensated with a guarantee fee amounting to NOK 7.8m in total for 2016.

List of guarantors

Crayon Group Holding AS
Crayon Group AS
Crayon AS
Inmeta Consulting AS
Crayon A/S
Crayon AB
Crayon Oy
Crayon Limited

Crayon Group has provided guarantees for the following creditors:

(In thousands)

Guarantee for	Creditor	Amount	Currency
Purchase of goods	Citrix Syst. Int Gmbh	500	USD
Purchase of goods	Adobe	1,000	USD
Purchase of goods	Microsoft	20,000	USD

NOTE 15 - DEBT

(In thousands of NOK)

Maturity	Payment
	Bond issue 2014/2014
2014	-
2015	-
2016	-
2017	650,000
Total	650,000
Bond principal	650,000

In July 2014, Crayon Group Holding AS issued a NOK 650 million bond issue (initial loan amount) with a potential tap issue of up to NOK 350m. Interest is set quarterly at 3 month NIBOR + 500bps. As of December 31, 2016, 3 month NIBOR was 1.13%.

Approximately 28% of the bond principal has been currency hedged and approximately 50% of the bond principal has been interest hedged, please refer to Note 23 for details.

In July 2017, Crayon's existing NOK 650.0m senior secured bond matures. The bond was reclassified from long-term debt to short-term debt as of December 31, 2016 in line with its approaching maturity date. Based on ongoing discussions with banks and other lenders, Crayon and its owners are confident that refinancing will be secured in full, within the maturity of the bond.

The proceeds from the initial loan amount were 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 bond was listed on Oslo Stock Exchange on December 22, 2014, and a complete listing prospectus is available at the Group's online web portal.

Crayon Group Holding AS has also established a super senior revolving credit facility of NOK 100.0m with Nordea Bank ASA (as agent). The credit facility is used for working capital and other short-term financing purposes.

Both the bond and the credit facility have covenants related to financial charges and leverage ratio. As of December 31, 2016, the Group was within the limits of the covenants.

NOTE 16 - OTHER LONG-TERM LIABILITIES

(In thousands of NOK)

Other long-term liabilities	2016	2015
Liabilities relating to aquisition of subsidiaries	-	26,311
Fixed proportion of working capital loan (India)	-	4,069
Deferred revenue	983	6,812
Other	489	233
Total	1,472	37,425

NOTE 17 - FINANCIAL RISK

The Group has adequate capitalization to secure freedom of action. Covenants are attached to the Group's loans. As of December 31, 2016, the Group had credit facilities of NOK 100.0m. The credit facility is used for working capital and other short-term financing purposes. The Group's interest-bearing debt is shown in detail in note 15.

Currency risk

The company is exposed to currency fluctuations due to the international nature of its operations. Major transactions in foreign currency are hedged according to policy.

As of December 31, 2016, the Group had swapped approximately 28% of its bond principal into the following currencies: GBP 4.1m, EUR 4.5m, SEK 60.0m and DKK 36.0m. There is no currency hedging related to these currency swaps because the Group has income in GBP, EUR, SEK and DKK. Hence, a natural hedge is achieved as the bond principal swapped into non-NOK currencies reflects the underlying cash generation by the Group. Further, larger transactions involving currency risk are hedged by the means of forward contracts.

Other than the above, the Group does not have any financial instruments in foreign currency beyond the ordinary trade creditors arising from ordinary operation.

The Group buys most of its products in EUR, SEK, DKK and USD. The inventory is minimal, but the exchange rate on the company's key currency pairs, e.g. NOK/EUR, NOK/SEK, NOK/DKK and NOK/USD, can have an impact on the financials as the exchange rate may appreciate or depreciate in value. To counteract this, significant orders are secured by means of confirmed orders.

Interest rate risk

The company's borrowings are linked to NIBOR, STIBOR, CIBOR, LIBOR and EURIBOR, which means that the company is exposed to interest rate fluctuations. Approximately 50% of the principal amount of the loan was interest hedged in 2016, while the remaining borrowings use floating interest. The interest rate risk is considered to be at an acceptable level.

Liquidity risk

Management of liquidity risk is accorded high priority as part of measures to secure financial flexibility. The cash flow from operating activities, which is impacted by a number of factors including changes in working capital, is managed at the operational level by the individual companies. The Finance Department monitors liquidity flows in its short-term and long-term reporting. The Group also has significant liquidity reserves available through credit facilities with its primary bank, as a result of which liquidity risk is deemed to be low.

Credit risk

The Group has historically had low losses on receivables. The Group has not experienced materially greater losses on receivables in 2016 than in previous years, however given increased operations of the Group in new markets outside the core Nordic region, which also entails different credit risk environments, the Group has intensified its efforts to collect outstanding receivables. The Group deems credit risk to be at an acceptable level.

Sensitivity

The Group has identified currency risk (foreign exchange risk, primarily with respect to EUR, SEK, DKK, GBP and USD) and floating interest rate risk as the two important financial risk factors it is exposed to. Table A below outlines how fluctuations in currency risks will affect the Group's EBITDA, while table B outlines how fluctuations in interest rate risks will affect the Group's net financial income and expenses.

Table A

(In thousands of NOK)

Currency	2016	NOK	NOK	2015	NOK	NOK
	EBITDA*	appreciates 10%	depreciates 10%	EBITDA*	appreciates 10%	depreciates 10%
SEK	42,643	(4,264)	4,264	37,689	(3,769)	3,769
DKK	24,688	(2,469)	2,469	18,667	(1,867)	1,867
GBP	6,493	(649)	649	16,703	(1,670)	1,670
EUR	(279)	28	(28)	2,386	(239)	239
USD	(51,300)	5,130	(5,130)	(9,906)	991	(991)
Effect of sensitivity		(2,224)	2,224		(6,554)	6,554

*Cf. note 3

Table B

(In thousands of NOK)

Interest rate risk	Effect on net financial income and expenses*	
	+100bps	-100bps
NIBOR	(2,405)	2,405
STIBOR	(289)	289
CIBOR	(223)	223
LIBOR	(217)	217
EURIBOR	(208)	208
Effect of sensitivity	(3,342)	3,342

*Compared to 2016 interest levels.

NOTE 18 - RELATED PARTIES

A related party is defined as being either a member of the same group, having significant influence over the entity, or being a member of the key management personnel. Relationships between related parties must be regarded as normal in business activities. Related parties are, however, in a position to make transactions with the company that would not be made between unrelated parties. A company's result and financial position could, in principle, be affected by the relationship even though, in reality, there have been no transactions with related parties. The existence of a relationship may be sufficient to affect the perception of the company's other transactions.

Crayon Group Holding AS has not engaged individuals or companies that fall under this definition in 2016, with the exception of two promissory notes toward minority shareholders. The promissory notes total

USD 650k principal and are due July 1, 2017. The annual interest rate charged is 4%.

NOTE 19 - TAX

Net income tax expense consists of the following:

(In thousands of NOK)

Tax expense	2016	2015
Income tax on net profit	5,443	2,124
Deferred taxes	(15,048)	(13,704)
Total	(9,605)	(11,581)

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

(In thousands of NOK)

Reconciliation of tax charge	2016	2015
Income before income tax expense	(39,818)	(44,501)
Norwegian statutory rate	25%	27%
Provision for income taxes at statutory rate	(9,955)	(12,015)

Increase (decrease) in income taxes from:

Effect of tax rates other than statutory tax rate in Norway	(3,437)	2,115
Changes in unrecognized deferred tax assets	7,126	5,168
Other permanent items	(3,340)	(6,848)
Total income tax expense	(9,605)	(11,581)

The Group subsidiaries Crayon AS, Crayon Group AS, Inmeta Consulting AS, and Esito AS receive tax deductions from the Norwegian SkatteFUNN scheme for hours and operating expenses spent on approved projects relating to R&D. Under the SkatteFUNN scheme, business enterprises engaged in research and development activity may apply for a tax deduction. As described by the Research Council of Norway, the primary objective of the SkatteFUNN scheme is to provide support to R&D projects carried out by companies, enhance innovation in Norwegian trade, industry, and services, foster the development of good business ideas, motivate Norwegian companies to make their R&D efforts more strategic and targeted, and encourage greater use of development and research as strategic instruments to improve competitiveness. The total tax receivable from the SkatteFUNN scheme amounted to NOK 8.0m as of 31.12.2016.

The tax effects of the Company's temporary differences are as follows:

(In thousands of NOK)

Basis for recognized deferred tax assets	2016	2015
Current assets	131	375
Fixed assets	9,156	11,160
Provisional for liabilities	-	103
Tax losses carried forward	71,749	22,043
Deferred tax assets	81,036	33,681
Deferred tax assets	29,644	8,244
Tax rate in Norway	37%	24%
Basis for recognized deferred tax liabilities	2016	2015
Current assets	266	364
Purchase price allocations	149,043	193,546
Other fixed assets	6,165	5,232
Deferred tax liabilities	155,474	199,142
Deferred tax liabilities	44,818	49,609
Effective tax rate	29%	25%

Deferred taxes on purchase price allocations in countries other than Norway are calculated at the time of acquisition based on local tax rates:

Acquisition	Country	Tax rate
Fast Compliance Ltd	UK	24%
Again A/S	Denmark	25%
Anglepoint Group Inc	USA	44%
Inmeta	Norway, Sweden, Denmark, Finland	24%

NOTE 20 - ONE-OFF COSTS

In 2016, the company had one-off costs outside the scope of ordinary business of NOK 13.5m (2015: NOK 16.3m). One-off costs mainly relate to strategy projects, restructurings, and the acquisition of businesses. These costs are included in other operating expenses or personnel expenses, depending on the nature of the costs.

NOTE 21 - FINANCIAL INCOME AND EXPENSES

(In thousands of NOK)

Financial income	2016	2015
Interest income from bank deposits	3,642	4,440
Interest swap income	8,396	11,275
Interest income from accounts receivable	1,601	2,685
Total other interest income	13,639	18,400
Gain on sale of shares*	-	-
Net foreign currency gain	18,431	-
Other financial income	3,710	139
Total other financial income	22,142	139
Total financial income	35,780	18,539

Financial expenses

Interest expense credit institutions	10,784	8,287
Interest swap expense	11,279	12,170
Interest promissory note	505	378
Interest bond loan	40,453	41,961
Total other interest expenses	63,022	62,796
Net foreign currency loss	-	8,709
Write-down of financial assets (reversal)	-	(1,456)
Other financial expenses	5,278	3,611
Total other financial expenses	5,278	10,864
Total financial expenses	68,300	73,660

*Gain on sale of shares of NOK 31.6m from 2015 relating to the US acquisitions has been reversed, please ref. note 25.

NOTE 22 - OPERATING LEASES

Total leasing cost for 2016 was NOK 33.1m, split on buildings NOK 28.6m, cars NOK 3.9m and other NOK 0.6m. The Company has operating lease commitments expiring at various dates through 2026. Future minimum payments related to non-cancellable operating leases were as follows:

(In thousands of NOK)	December 31, 2016
2017	35,894
2018	28,855
2019	22,644
2020	19,601
2021	16,974
thereafter	68,042
Total	192,030

The future minimum payments under the Company's operating leases are for the following types of property:

Buildings	184,384
Cars	7,227
Office Equipment	419
Total	192,030

NOTE 23 - FINANCIAL INSTRUMENTS

Currency swaps

Crayon Group Holding AS has swapped approximately 28% of the NOK 650.0m bond principal (ref. note 15) into the following currencies: GBP, EUR, SEK and DKK. The outstanding bond principal (NOK) has been hedged against the aforementioned currencies reflecting the underlying cash flow of the company.

The currency swap is recognized in the balance sheet at fair value, representing future liabilities based on the exchange rates at the balance sheet date. Given the development of these currencies vs NOK, the total obligation to be repaid at maturity in NOK has increased by NOK 9.6m from when the swap agreements were executed to 31.12.2016.

Interest swaps

Approximately 50% of the NOK 650.0m bond principal is interest hedged. The effective interest rate for the bond as of December 31, 2016 was approximately 6.57%.

The interest swap is recognized in the balance sheet at fair value, representing future liabilities based on the interest rates at the balance sheet date. As a consequence of a higher interest on the company's fixed interest products compared to the floating rate, the company per 31.12.2016 has as a future liability until due date of the fixed interest products amounting to NOK 1.5m.

The total financial liabilities relating to the bond loan amounted to the following as at 31.12:

(In thousands of NOK)	2016	2015
Bond principal	650,000	650,000
Currency swap	9,582	29,956
Interest swap	1,465	0*
Total financial liabilities	661,047	679,956

*The fair value of the interest swap was not recognized in the balance sheet as at 31.12.2015. The fair value amounted to NOK 4.1m and has been recognized directly to equity in 2016.

Financial liabilities measured at fair value, specified as per the IFRS 13 fair value hierarchy:

(In thousands of NOK)

Financial liabilities at fair value through profit & loss	2016	2015
Level 1	-	-
Level 2	11,047	29,956
Level 3	-	-
Total	11,047	29,956

The fair value hierarchies are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. [IFRS 13:76]

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. [IFRS 13:81]

Level 3 inputs are unobservable inputs for the asset or liability. [IFRS 13:86]

NOTE 24 - SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The Crayon Group consists of the following subsidiaries as of 31.12:

Subsidiary	Office location	2016	Ownership % 2015
Inmeta Consulting AS	Oslo	100%	100%
Crayon AS	Oslo	100%	100%
Map License AS	Oslo	100%	100%
Crayon A/S	Copenhagen	100%	100%
Crayon DMCC	Dubai	100%	100%
Kryptos Networks Pvt Ltd	Chennai	100%	80%
Crayon OY	Helsinki	100%	100%
Crayon Software Experts Philippines Inc	Makati City	100%	100%
Crayon UK Ltd	London	100%	100%
Crayon Iceland ehf.	Reykjavik	100%	100%
Crayon BV	Amsterdam	100%	80%
Atria Solutions Sdn Bhd	Kuala Lumpur	100%	100%
Atria Technologies Pte Ltd	Singapore	100%	100%
Crayon Software Experts India Pvt Ltd	New Delhi	100%	100%
Crayon Software Experts Holding LLC	Dallas	100%	100%
Crayon AB	Stockholm	100%	100%
Crayon Consulting A/S	Copenhagen	69.5 %	100%
Crayon Pte Ltd	Singapore	90%	90%
Crayon Schweiz AG	Altdorf	87.5 %	87.5 %
Crayon Software Experts Malaysia Sdn Bhd	Kuala Lumpur	85%	85%
Crayon Software Licensing Unipessoal LDA	Lisbon	84%	100%
Kryptos Networks Pte Ltd	Singapore	90%	80%
Crayon Software Experts Spain SL	Madrid	84%	100%
Crayon France SAS	Paris	75%	75%
Crayon Austria GmbH	Vienna	87.5 %	75%
Crayon Deutschland GmbH	Munich	74.2 %	74.2 %
Crayon Cloud Consulting GmbH	Munich	74.2 %	74.2 %
Crayon Software Experts LLC	Dallas	74%	74%
Anglepoint Group Inc	San Francisco	74%	74%
Software Wholesale International Inc	Denver	74%	74%
Crayon Global Services GmbH	Munich	74%	74%
Esito AS	Oslo	51%	51%
Puzzlepart AS	Oslo	50.1 %	50.1 %

The non-controlling interest share of the net income for 2016 and equity as of 31.12.2016 is detailed below:

Specification of non-controlling interests 2016	NCI ownership share	NCI share of equity (kNOK)	NCI share of net income (kNOK)
Crayon Consulting A/S	30.5 %	(152)	(479)
Crayon Pte Ltd	10%	1,424	(379)
Crayon Schweiz AG	12.5 %	2,123	(1,684)
Crayon Software Experts Malaysia Sdn Bhd	15%	1,042	(401)
Crayon Software Licensing Unipessoal LDA	16%	836	(501)
Kryptos Networks Pte Ltd	10%	3	1
Crayon Software Experts Spain SL	16%	1,218	(836)
Crayon France SAS	25%	3,088	(119)
Crayon Austria GmbH	12.5 %	2,206	(669)
Crayon Deutschland GmbH	25.8 %	5,583	(2,297)
Crayon Cloud Consulting GmbH	25.8 %	-	-
Crayon Software Experts LLC	26%	1,745	(11,973)
Anglepoint Group Inc	26%	(750)	(2,230)
Software Wholesale International Inc	26%	616	(173)
Crayon Global Services GmbH	26%	1,729	(24)
Esito AS	49%	(5,856)	1,517
Puzzlepart AS	49.9 %	(2,000)	803
Total		12,855	(19,444)

Written Put Options over Non-Controlling Interests

In September 2015, Crayon Group Holding AS acquired 100% of the shares in Anglepoint Group Inc. through its wholly owned subsidiary Crayon Software Experts LLC. As part of the consideration, the shareholders of Anglepoint received a 26% non-controlling interest in Crayon Software Experts LLC. Simultaneously, Crayon Group Holding AS issued written put options over the non-controlling interests in Crayon Software Experts LLC. The put options will be settled by non-controlling interests selling their shares in Crayon Software Experts LLC in exchange for shares in Crayon Group Holding AS.

The written put options over non-controlling interests are a current obligation for Crayon Group Holding to purchase its own equity instruments for cash or another financial instrument, and classified as derivative financial liabilities and presented on net basis at fair value. The accounting policy applied for written put options over non-controlling interests is stated in note 2.

The number of put shares to be issued shall be such number of put shares whose fair market value is equal to the fair market value of the share units being exchanged by the non-controlling interests. Hence, the fair value of the written put options over non-controlling interests is zero as of 31 December 2016.

NOTE 25 - RESTATEMENTS 2015

Two business acquisitions were recognized with incorrect amounts in 2015, and restatements affect 2015 figures for goodwill, non-controlling interest, equity, and gains on sales of shares in subsidiaries. The table below shows the accounting effects of restatements for 2015.

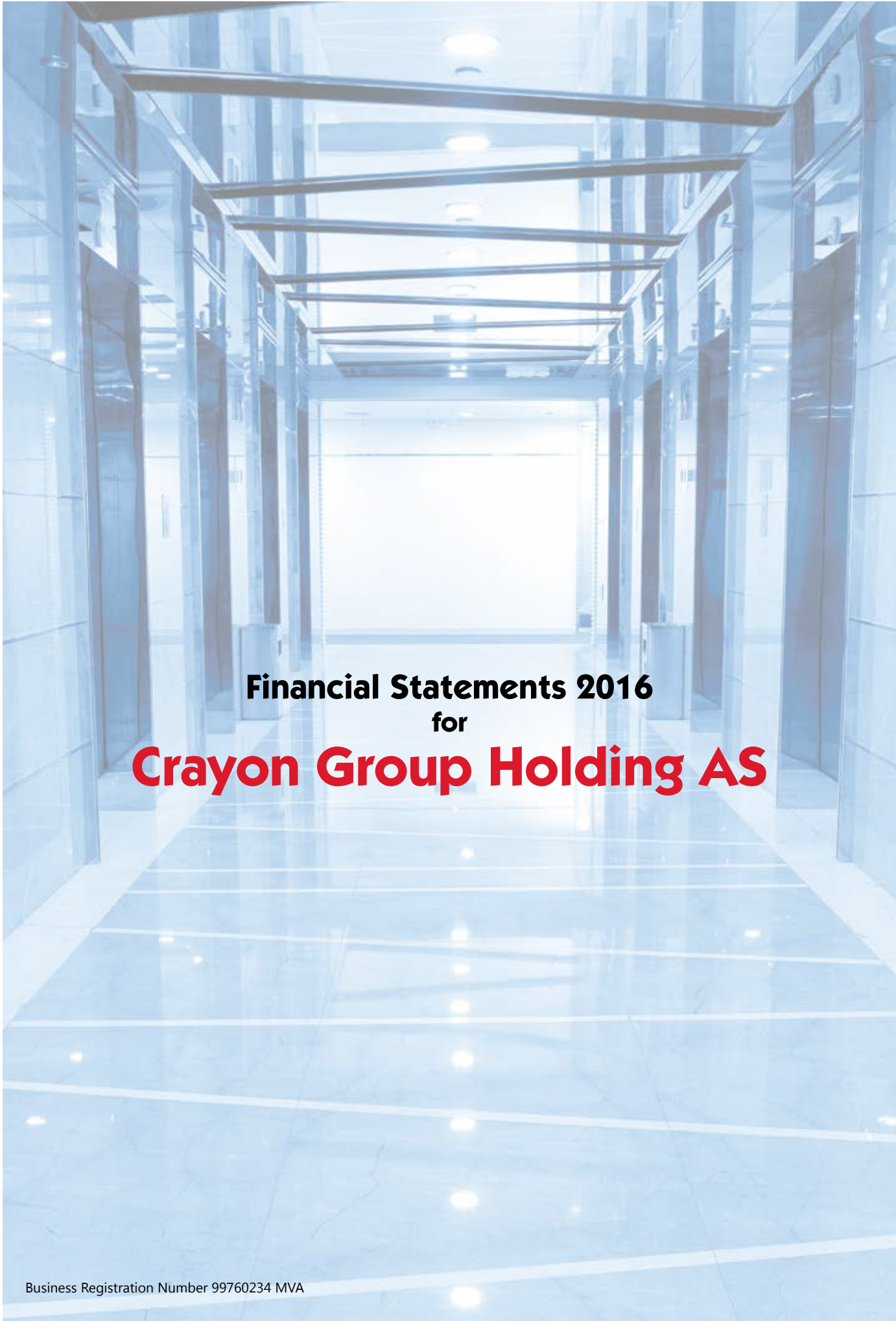
(In thousands of NOK)

Balance sheet	Reported 2015	Restatements 2015	Adjusted 2015
Goodwill	862,203	(7,790)	854,412
Non-controlling interest	(11,060)	24,049	12,989
Equity (majority interest)	382,790	(31,839)	350,950
Profit and loss			
Reverse gain on shares	31,737	(31,598)	139

NOK amounts have been converted from USD at the 31.12.2015 end rate for the balance sheet and the 2015 average rate for the P&L.

NOTE 26 - SUBSEQUENT EVENTS

In March 2017 the company successfully completed the issuance of NOK 600m senior secured bonds in the Nordic bond market. The bond issue was significantly oversubscribed. Settlement is expected to be in April 2017, with final maturity April 2020. The bond issue has a coupon of 3 months NIBOR +5.5% p.a. An application will be made for the bonds to be listed on Oslo Børs. Net proceeds from the bond issue will be used to refinance the outstanding CGH01. Incurrence tests will be attached to the new bond.



Financial Statements 2016
for
Crayon Group Holding AS

Business Registration Number 99760234 MVA

Statement of Profit and Loss 1.1 - 31.12

(In thousands of NOK)

	Note	2016	2015
OPERATING INCOME AND EXPENSES			
Payroll expenses	1, 2	480	580
Other operating expenses	2	5,274	1,416
Total operating expenses		5,754	1,996
OPERATING PROFIT		(5,754)	(1,996)
FINANCIAL INCOME AND EXPENSES			
Income from subsidiaries and other group entities	3	62,642	55,691
Interest income from group entities		67	68
Other interest income		9,042	12,407
Other financial income		32,848	17,477
Impairment financial fixed assets	3	-	2,894
Other interest expenses		52,308	54,356
Other financial expenses		19,923	37,210
NET FINANCIAL INCOME AND EXPENSES		32,369	(8,817)
ORDINARY RESULT BEFORE TAX		26,614	(10,813)
Income tax expense on ordinary result	4	5,662	(1,768)
NET INCOME		20,993	(9,045)
Brought forward			
To other equity	5	20,993	-
Loss brought forward		-	9,045
Net brought forward		20,993	(9,045)

Balance Sheet as of 31.12

(In thousands of NOK)

ASSETS

	Note	2016	2015
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax asset	4	16	4,629
Total intangible assets		16	4,629
Financial assets			
Investments in subsidiaries	3	784,154	784,154
Total financial assets		784,154	784,154
TOTAL NON-CURRENT ASSETS		784,170	788,782
CURRENT ASSETS			
Debtors		-	-
Other receivables	1	106,354	140,984
Total debtors		106,354	140,984
Cash and cash equivalents		176,858	115,380
TOTAL CURRENT ASSETS		283,212	256,364
TOTAL ASSETS		1,067,381	1,045,146
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	5, 6	52,476	52,476
Own shares	5, 6	(12)	(43)
Share premium reserve	5	262,320	262,163
Total paid-in equity		314,784	314,596
Retained earnings			
Other equity	5	47,247	30,325
Total retained earnings		47,247	30,325
TOTAL EQUITY		362,031	344,920
LIABILITIES			
Other long-term liabilities			
Bonds	7, 8	-	650,000
Derivative financial liabilities	7	-	29,956
Total other long-term liabilities		0	679,956

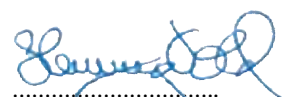
CURRENT LIABILITIES

Bonds	7, 8	650,000	-
Derivative financial liabilities	7	11,048	-
Liabilities to financial institutions		18,732	8,377
Trade creditors		624	454
Taxes payable	4	1,009	-
Other short term liabilities		23,937	11,439
TOTAL CURRENT LIABILITIES		705.350	20,270

TOTAL LIABILITIES **705,350** **700,226**

TOTAL EQUITY AND LIABILITIES **1,067,381** **1,045,146**

Oslo, April 21, 2017



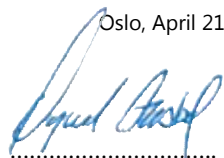
Henning Vold (Chairman)



Waseem Shad (Board Member)



Camilla Bertelsen (Employee rep)



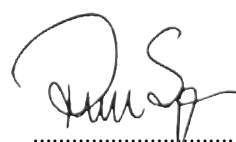
Øyvind Aasbø (Board Member)



Eivind Roald (Board Member)




Susann Hauglie (Employee rep)



Rune Syversen (Board Member)



Dagfinn Ringås (Board Member)



Torgrim Takle (CEO)

Crayon Group Holding AS**Cash Flow Statement**

(In thousands of NOK)

	01.01-31.12 2016	01.01-31.12 2015
Cash flow from operating activities		
Profit before tax	26,614	(10,813)
Taxes paid	-	(1,369)
Depreciation and amortization	-	2,894
Net interest to credit institutions	43,328	42,855
Changes in invent. rec./payables	170	454
Changes in other current assets	24,090	44,701
Net cash provided by operating activities	94,202	78,723

Cash flow from investing activities

Sales/purchase of own shares	249	(115)
Net cash used in investing activities	249	(115)

Cash flow (used in) provided by financing activities

Net interest paid to credit institutions	(43,328)	(42,855)
Change in other short term debt	10,355	8,376
Net cash (used in) provided by financing activities	(32,973)	(34,479)

Net increase (decrease) in cash and cash equivalents **61,478** **44,129**

Cash and cash equivalents at beginning of period	115,380	71,251
Currency translation on cash and cash equivalents	-	-
Cash and cash equivalents end of period	176,858	115,380

Accounting principles

The financial statements have been prepared in accordance with the Accounting Act (Norway) and generally accepted accounting principles in Norway.

Current assets and liabilities

Current assets and liabilities are comprised of items receivable/due within one year and items related to the circular flow of goods. Current assets are valued at the lower of cost and market value.

Tangible assets

Fixed assets are comprised of assets intended for long-term ownership and use. Fixed assets are valued at cost. Fixed assets are recorded in the balance sheet and depreciated over the estimated useful economic life. Fixed assets are written down to recoverable amount when decreases in value are expected to be permanent. Impairment losses recognized are reversed when the basis for the impairment loss is no longer evident.

Shares and subsidiaries

Shareholdings are valued at cost. If actual value is below cost value and this continues over time, the shareholdings will be impaired. Shares in subsidiaries are also valued at cost. A specification of investments is shown in a separate note to the account.

Foreign currency

Transactions in foreign currency are converted at the exchange rate applicable on the transaction date. Monetary items in a foreign currency are converted to NOK using the exchange rate applicable on the balance sheet date. Non-monetary items measured at the historical rate expressed in a foreign currency are converted into NOK using the exchange rate applicable on the transaction date. Non-monetary items measured at fair value expressed in a foreign currency are converted at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Cash flow

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term, highly liquid investments.

Receivables

Accounts receivable and other receivables are recorded in the balance sheet at nominal value, minus a provision for bad debt. Provision for bad debt is determined on the basis of an individual assessment of receivables. Other receivables are valued using the same principle.

Taxes

The income tax expense is comprised of both taxes payable (25%) for the period, which will be due in the next financial year, and changes in deferred tax. Deferred tax is determined on the basis of existing temporary differences between booked net income and taxable net income, including year-end loss carry-forwards, calculated at 24%. Temporary differences, both positive and negative, which will be reversed, or are likely to be reversed, in the same period, are recorded net.

NOTE 1 – TRANSACTIONS WITH RELATED PARTIES

Accounts receivable and payable to Group companies:

(In thousands of NOK)

Receivables	2016	2015
Received group contribution	54,685	55,691
Other receivables	39,392	78,901
Total receivables	94,077	134,592

Liabilities

Other payables	10,261	384
Total liabilities	10,261	384

Liabilities not recognized in the balance sheet

The company has not given any mortgage, security or other guarantee to related parties.

Transactions with related parties:

(In thousands of NOK)

Purchases of services:	2016	2015
Purchases from Crayon Group AS	480	580
Guarantee fees	7,800	-
Total purchases	8,280	580

Sales of services

Sales of services	-	-
Total sales of services	-	-

NOTE 2 – OTHER OPERATING EXPENSES

The company has no employees. Compensation to the members of the Board amounted to NOK 0 in 2016. The company has paid remuneration to the auditor in the following amounts:

(In thousands of NOK)	2016	2015
Expensed auditor's fees	146	235
Other services related to auditing	416	196
Total	562	431

Fees are quoted excluding VAT.

NOTE 3 – SUBSIDIARIES

The company is the parent company to Crayon Group AS. The company owns shares in:

(In thousands of NOK)	Registered office	Historical cost	Book value	Ownership interest and voting rights	Net profit/loss	Company's equity
Company						
Crayon Group AS	Oslo	783,903	783,903	100%	111,651	572,142
ICE Distribution hf	Reykjavik	3,145	251*	100%	939	(1,719)

*The shares in ICE Distribution hf were impaired by NOK 2.9m in 2015.

Crayon Group Holding AS has received the following group contributions in 2016:

(In thousands of NOK)

Crayon Group AS	54,685
Total	54,685

Group accounts have been made for Crayon Group Holding AS. Accounts are available from:

Crayon Group Holding AS
Sandakerveien 114 A
0484 OSLO

NOTE 4 – TAX

(In thousands of NOK)	2016	2015
Taxes payable on profit for the year	1,009	-
Change in deferred tax	4,613	1,768
Total taxes for the year	5,622	1,768

Specification of the tax base:

Profit before income tax	26,614	(10,813)
+ Permanent differences	(66,773)	(52,797)
+ Changes in temporary differences	-	-
+ Received group contributions	62,642	55,691
- Use of losses carry-forward	(18,448)	7,919
+ Limited deduction for interest on related parties		
= Tax base	4,036	-

Specification of tax expenses:

Taxes payable in the balance sheet consists of	1,009	-
= Total taxes payable	-	-
+/- Changes in tax rate	1	370
+/- Change in deferred tax/tax assets	4,612	(2,138)
= Income tax expense	5,622	(1,768)

Taxes payable in the balance sheet consists of:

Total taxes payable	1,009	-
= Taxes payable in the balance sheet	1,009	-

Deferred tax/deferred tax assets

	2016	2015
Tax losses carried forward not previously recognized	-	(18,448)
Limited deduction for interest on related parties	(5,138)	(5,138)
= Basis for deferred tax	(5,138)	(23,585)
Deferred tax	-	-
Negative basis for deferred tax	5,138	23,585
Tax assets not booked	(5,070)	(5,070)
= Basis for deferred tax asset	68	18,515
Deferred tax asset	16	4,629
Tax rate 31.12 (%)	24%	25%

Deferred tax assets can be set off against future income.

NOTE 5 – EQUITY

(In thousands of NOK)	Share capital	Treasury shares	Premium fund	Other equity	Total equity
Per 01.01.	52,476	(43)	262,163	30,325	344,920
Purchase of shares		31	156	62	249
Recognition interest rate swap*				(4,131)	(4,131)
+ net profit 2016				20,993	20,993
Per 31.12.	52,476	(12)	262,320	47,247	362,031

*The company has recognized a liability related to the interest swap, described in note 7. The liability per 31.12.15 has been estimated to NOK 4.1m.

NOTE 6 – SHARE CAPITAL

The company has 52 475 535 shares at a nominal value of NOK 1.

The total share capital amounts to NOK 52 475 535.

The company owns 11 743 of its own shares to facilitate management of the share purchase plan for employees.

The company's share capital is divided into the following classes of shares.

Class of share	Number of shares	Total nominal value	Statutory provisions on voting
A-shares	49,351,737	49,351,737	One share – one vote
B-shares	3,123,798	3,123,798	One share – one vote
Total	52,475,535	52,475,535	

The following rights can lead to the issue of new shares: the Board of Directors has authorization to increase the share capital by up to NOK 5 247 554. The authorization is valid until the annual general meeting in 2017, but no longer than July 31, 2017.

The company's 9 major shareholders, who own more than 1% of the share capital, are:

Name of shareholder	Ownership interest
Norvestor Holding I AS	59.5%
Sevencs AS	8.0%
Rugz II AS	6.5%
Frank Mortensen Holding ApS	5.2%
Armada Mezzanine Fund III Ky	2.5 %
AG7 Holding ApS	2.0 %
Steet AS	1.8 %
GoodCharma AS	1.5 %
Tomas Bylund	1.1 %

The company's trustees (Board Members, general manager) hold ownership interests and rights to shares:

	Number of shares
Jens Rugseth, Rugz II AS	3,384,992
Rune Syversen, Sevencs AS	4,192,576

NOTE 7 – LIABILITIES TO CREDIT INSTITUTIONS/GUARANTEES

(In thousands of NOK)

Liabilities that fall due more than 5 years after the end of the financial year	2016	2015
Liabilities to credit institutions	-	-
Other long-term debt	-	-
Debts secured by mortgages	2016	2015
Liabilities to credit institutions	-	-
Bond loan	650,000	650,000
Currency swap	9,582	29,956
Interest swap*	1,465	-
Total	661,047	679,956

Approximately 50% of the principal amount of the loan was interest hedged in 2016, while the remaining borrowings use floating interest. As a consequence of a higher interest on the company's fixed interest products compared to the floating rate, the company as of 31.12.2016 has as a future liability until due date of the fixed interest products amounting to NOK 1.5m. *The fair value of the interest swap was not recognized in the balance sheet as at 31.12.2015. The fair value amounted to NOK 4.1m and has been recognized directly to equity in 2016.

The company has provided security with a first priority pledge in group companies' shares, operating equipment and accounts receivable with up to NOK 2 billion to Nordic Trustee ASA. The guarantee is provided in connection with the company's bond loan, which is listed on the Oslo Stock Exchange.

NOTE 8 – ISSUANCE OF BOND LOAN

In July 2014, Crayon Group Holding AS issued a NOK 650.0m bond issue (initial loan amount) with a potential ongoing tap issue of up to NOK 350.0m, with maturity in July 2017. The bond is to be repaid in full at the maturity date. Interest is set quarterly at 3 month NIBOR + 500bps.

The proceeds from the initial loan amount were used for refinancing and for general corporate purposes. The proceeds from any ongoing tap issue shall be used for permitted acquisitions and for general corporate purposes of the Group. The bond was listed on Oslo Stock Exchange on December 22, 2014, and a complete listing prospectus is available at the Group's online web portal.



Giving you clarity in a busy marketplace

Independent Auditor's Report

To the General Meeting of Crayon Group Holding AS Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Crayon Group Holding AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter

How the key audit matter was addressed in the audit

<p>Valuation and impairment of goodwill</p> <p>Carrying amount of goodwill resulting from the Group's acquisitions of subsidiaries, constitute the greater part of the assets in the Group's statement of financial position. As at 31 December 2016, the carrying amount of goodwill was NOK 827 million, which represents 32 % of total assets of the Group.</p> <p>Management performs an annual goodwill impairment test by estimating the recoverable amount of goodwill. The determination of recoverable amounts requires the application of significant judgment by management, in particular with respect to cash flow forecast and the applied discount rate.</p> <p>Due to the materiality and estimation uncertainty concerning goodwill, we consider impairment of goodwill a key audit matter in the audit of the Group.</p> <p>See note 8 to the financial statements.</p> <p>The Group's accounting policy regarding impairment of intangible assets is disclosed in note 2 to the financial statements.</p>	<p>We involved our valuation expert to assist us with our assessment of the discount rates, expected inflation rates and the appropriateness of the model used.</p> <p>In addition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • we evaluated the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes • we assessed key inputs in the calculations such as revenue growth, EBITDA and discount rate, by reference to management's forecasts • we assessed management's sensitivity analysis focused on what impact on recoverable amount reasonable changes in assumptions such as revenue growth, EBITDA and discount rate would have • we tested the mathematical accuracy of the valuation model <p>Furthermore, we have evaluated the adequacy of the disclosures provided in the notes covering impairment.</p>
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Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and statements on Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway. law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 April 2017
BDO AS



Børre Skisland
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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