



CRAYON GROUP HOLDING AS
FINANCIAL REPORT
Q3 2014

Management commentary – Q3 2014

Financials

Accumulated gross profit as of September 2014 was MNOK 578.1 compared to MNOK 542.3 for the same period in 2013 (7% YoY growth). Accumulated EBITDA as of September 2014 was MNOK 84.1, which is MNOK 21.6 below YTD 2013 figures (-20% YoY growth). The negative EBITDA differences vs last year is primarily explained by two principal factors; 1) Inmeta restructuring (YTD September 2014 EBITDA MNOK 13.0 below same period last year) and 2) start-up new countries contributing to a negative EBITDA of MNOK 6.6 YTD September 2014.

Gross profit for Q3 2014 amounted to MNOK 163.7 compared to MNOK 158.6 for same period in 2013 (3% YoY growth), while EBITDA for Q3 2014 amounted to MNOK 16.1 which is MNOK 14.5 below 2013 figures. The net cash position end September/Q3 2014 was MNOK 133.3, compared to MNOK 303.2 end June/Q2 2014 (MNOK -169.9) and MNOK 225.3 at the beginning of the year (MNOK -92.0). The negative cash flow in Q3 2014 is largely related to changes in AR/AP (due to the seasonal nature of the Company's business). Cash flows from investing activities in Q3 2014 amounted to an outflow of MNOK 23.2 (out of which MNOK 21.1 was related to the acquisition of Kryptos in India).

Business review

XSP was the fastest growing Business Area (BA) YTD September 2014, with a gross profit growth of 33% compared to the same period last year, followed by Licensing (14% YoY growth), SAM (28% YoY growth, approximately 37% YoY growth if excluding FAST business in UK) and Consulting (-8% YoY growth). Excluding BA Consulting, the accumulated YoY gross profit growth was around 20%.

From a geographical segment perspective, Germany, UK and Finland were the fastest growing mature countries YTD September 2014 (YoY gross profit growth of 37%, 17% and 11%, respectively), followed by Sweden, Denmark and Norway (with respective gross profit growth of 11%, 8%, -1% compared to the same period last year). Growth in UK is largely explained by expanded scope of operation (Licensing business). The relatively newly established markets France and Middle East were experiencing triple digit growth (yet, growing from a small base). Combined gross profit YTD September 2014 for the countries established last 12 months (Netherlands, Austria, India, Singapore and Malaysia) represented a small share of the total business (<1%), yet with a positive development and strong recruitment growth (~70 employees in total).

Crayon Group Holding AS

Condensed consolidated interim financial statements 30 September 2014 (Unaudited)

Consolidated statements of comprehensive income (IFRS)				
	2014	2013	2014	2013
	Actual	Actual	Actual	Actual
<i>All amounts in NOK 1000</i>	Q3	Q3	YTD 30.09	YTD 30.09
Operating income	592 241	463 899	2 595 340	2 104 560
Raw materials and consumables	428 575	305 320	2 017 211	1 562 221
Gross profit	163 666	158 579	578 129	542 339
Payroll and related cost	124 590	106 888	428 471	369 059
Other operating expenses	22 950	21 082	65 551	67 569
EBITDA	16 126	30 609	84 107	105 711
Extraordinary items	400	1 198	2 946	3 777
Depreciation	4 091	3 513	12 146	9 688
Depreciation of goodwill	13 083	11 742	39 249	35 226
Profit before financials	-1 447	14 156	29 766	57 019
Interest expense	16 054	13 086	43 322	40 383
Interest income from credit institutions	4 163	3 137	11 384	11 315
Other financial income	13 859	18 235	55 986	43 145
Other financial expenses	22 581	21 178	59 846	58 190
Profit before taxes	-22 060	1 264	-6 032	12 906
Taxes on ordinary profit	-2 041	788	-6 902	4 876
Net profit	-20 019	476	870	8 030
Comprehensive income:				
Profit for the period	-20 019	476	870	8 030
Currency translation	-1 256	0	1 584	0
Total comprehensive income	-21 275	476	2 454	8 030
Crayon Group Holding AS	-21 310	612	2 320	7 503
Minority interest	35	-136	134	528

Specification: Extraordinary items		
	2014	2014
	Actual	Actual
<i>All amounts in NOK 1000</i>	Q3	YTD 30.09
Refinancing*	259	548
General M&A activity	0	165
Project Crystal	141	853
Project Core	0	1 362
Project Finger	0	19
Total	400	2 946

**Bond refinancing costs are accrued over 36 months*

Consolidated statements of financial position (IFRS)

<i>All amounts in NOK 1000</i>	30.09.2014	31.08.2014	30.09.2013	31.12.2013
ASSETS				
Fixed assets				
Intangible assets				
Technology, software and R&D	33 335	33 489	9 866	37 580
Concessions and investments	7 420	7 420	7 420	7 420
Goodwill	745 585	741 450	768 235	727 453
Contracts	188 234	192 340	217 101	225 190
Deferred tax asset				
Total intangible assets	974 573	974 699	1 002 621	997 642
Capital assets				
Property & equipment	23 520	24 047	20 766	23 973
Other long term receivables	3 575	3 535	3 350	2 016
Investments	-	68	6 581	121
Total capital assets	27 094	27 651	30 697	26 110
Total fixed assets	1 001 667	1 002 349	1 033 318	1 023 752
Current assets				
Inventory (stock)	15 024	15 136	16 093	16 511
Trade debtors	315 879	227 490	292 674	603 032
Other debtors	27 940	42 467	19 069	27 992
Bank deposits, cash in hand etc.	133 340	86 588	78 419	225 329
Total current assets	492 183	371 681	406 255	872 864
TOTAL ASSETS	1 493 850	1 374 030	1 439 573	1 896 616
LIABILITIES AND EQUITY				
Shareholders equity				
Share capital	52 476	52 476	52 476	52 476
Own shares	-214	-214	-202	-202
Share premium	262 315	262 315	262 378	262 378
Funds	4 608	15 619	-8 637	7 477
Minority	3 435	3 494	4 807	4 924
Total shareholders equity	322 620	333 690	310 822	327 053
DEBT				
Other long-term liabilities				
Senior debt to credit institutions (+bond)	645 751	612 202	240 006	242 092
Junior debt to credit institutions			65 340	68 701
Shareholder loan			314 652	314 652
Sum Other long term debt	2 565	2 706	42 460	48 414
Deferred tax	46 711	52 608	67 473	57 021
Total other long-term liabilities	695 027	667 517	729 930	730 880
Short-term liabilities				
Accounts payable	275 382	185 636	231 366	551 617
Income taxes payable	-5 665	-6 181	-18 776	1 434
VAT & social security exp. Payable	84 128	73 699	72 624	139 668
Sum Other short-term liabilities	122 359	119 671	113 608	145 964
Total short-term liabilities	476 204	372 824	398 821	838 683
TOTAL LIABILITIES AND EQUITY	1 493 851	1 374 030	1 439 573	1 896 616

Consolidated cash flow statements (IFRS)

	2014	2013	2014	2013
<i>All amounts in NOK 1000</i>	Q3	Q3	YTD 30.09	YTD 30.09
Cash flow from operating activities				
Profit before tax	-22 060	1 264	-6 032	12 906
Taxes paid	-2 085	-4 632	-9 921	-25 647
Depreciation and amortisation	17 174	15 255	51 395	44 914
Net interest to credit institutions	11 891	9 949	31 938	29 069
Changes in invent., rec./payables	-49 075	62 709	4 862	-55 393
Changes in other current balance assets	-77 172	-106 626	-85 443	-5 918
Net cash flow from operating activities	-121 328	-22 080	-13 201	-70
Cash flow from investing activities				
Acquisition of tangible fixed assets	-2 027	-4 706	-9 454	-12 172
Cash payment acquisition	-21 223	-	-21 223	-121 749
Cash sales acquisition	-	-	6 555	-
Purchase of own shares	-	-	-75	-
Net cash flow investing activities	-23 250	-4 706	-24 197	-133 920
Cash flow from financing activities				
Net interest paid to credit institutions	-69 559	-5 295	-77 449	-13 684
New equity	-	-	-	-
Change in subsidiaries	2 277	-	-82	1 325
Proceeds from issuance of interest bearing debt	650 000	-	650 000	122 202
Repayment of interest bearing debt	-605 617	-18 825	-624 442	-96 964
Change in other long term debt	197	-80	-591	-3 643
Net cash flow financing activities	-22 703	-24 200	-52 565	9 236
Net change in cash and cash equivalents	-167 281	-50 985	-89 962	-124 754
Cash and cash equivalents start of period	303 194	129 403	225 329	203 173
Currency translation on cash and cash equivalents	-2 574	-	-2 027	-
Cash and cash equivalents end of period	133 340	78 419	133 340	78 419