



Crayon A/S

Tobaksvejen 2A, 3.
2860 Søborg
Denmark

CVR no. 28 71 61 84

Annual report 2018

The annual report was presented and approved at
the Company's annual general meeting on

21 June 2019

Heidi Rosborg Bertelsen
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Crayon A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

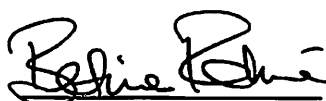
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Gladsaxe, 21 June 2019

Executive Board:


Stig Orloff


Bëtina Rehné

Board of Directors:


Torgrim Takle
Chairman


Rune Syversen


Bjarne Riis



Independent auditor's report

To the shareholder of Crayon A/S

Opinion

We have audited the financial statements of Crayon A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, 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.

Independent auditor's report

- 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 in preparing the financial statements 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 contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

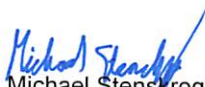
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 21 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98


Michael Stenskrøg
State Authorised
Public Accountant
mne26819

Crayon A/S
Annual report 2018
CVR no. 28 71 61 84

Management's review

Company details

Crayon A/S
Tobaksvejen 2A, 3.
2860 Søborg
Denmark

CVR no.:	28 71 61 84
Established:	1 June 2005
Registered office:	Gladsaxe
Financial year:	1 January – 31 December

Board of Directors

Torgrim Takle, Chairman
Rune Syversen
Bjarne Riis

Executive Board

Stig Orloff
Betina Rehné

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross profit	77,259	60,703	69,277	56,755	54,653
Operating profit	16,859	11,549	18,439	9,691	9,983
Profit/loss from financial income and expenses	-115	-543	313	631	-300
Profit for the year	13,293	8,561	14,598	7,848	7,230
Total assets					
Equity	21,769	16,906	22,998	16,400	15,552
Investment in property, plant and equipment	1,004	722	1,798	421	418
Ratios					
Return on invested capital	11.8%	7.6%	13.2%	7.9%	8.6%
Return on equity	68.7%	42.9%	74.1%	49.1%	60.6%
Solvency ratio	15.7%	11.4%	15.0%	13.0%	13.2%

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on invested capital

$$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$$

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

$$\frac{\text{Equity} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company conducts operations within license management and sales of software licenses as well as specialized consulting services within Software Asset Management, IT infrastructure and IT architecture.

Crayon has specialized consultants in different areas such as IBM, MS, Oracle and SAP.

One of Crayon's key focus areas is to develop its employees by means of internal and external training and education to remain competitive within the business.

Development in activities and financial position

Profit/loss for the year (including comparison with forecasts previously announced)

Profit for the year after tax amounted to DKK 13,293 thousand in 2018 as against DKK 8,561 thousand in 2017.

Results for the year were in line with expectations. Earnings have increased significantly.

2018 has been a year when the Company expanded its position on the Danish market. License advisory services and sales of SAM services to large companies developed positively. Several new large companies have chosen Crayon as their advisor within our core competencies. Our indirect business where we support hosting and cloud partners enjoyed strong growth with the entry of some of the largest partners on the Danish market.

We have maintained tight cost control, and even though our cloud consulting business did not fully met our expectations, we have had a successful year.

Events after the balance sheet date

No events have occurred from the balance sheet data and to this date that will change the assessment of the financial statements.

Outlook

The business is expected to enjoy continued stable growth, with a continued increase in the number of customers, sales and earnings. In line with the Company's strategy, growth will be evidenced relatively faster within services which require an increase in staff. The Company delivered strong earnings growth in 2018 and expects continuous growth and positive results in 2019. We expect to report results at level with the 2018 results.

Particular risks

Risks and uncertainties in the business are access to qualified personnel in the areas in which we operate where specialist expertise is a decisive factor in gaining new and retaining existing customers and in maintaining certifications and authorisations from significant suppliers.

Management's review

Operating review

Environmental matters

Sustainability report and information on how the Company takes a position on issues relating to the environment, social conditions, human rights and anti-corruption, is covered by the Parent Company of our Group, Crayon Group AS org. No. 981125592, with registered office in Oslo, Norway. The CSR report is available via www.crayon.com.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Gross profit		77,259	60,703
Staff costs	2	-58,175	-47,263
Depreciation and amortisation		-2,078	-1,887
Ordinary operating profit		17,006	11,553
Other operating costs		-147	-4
Operating profit		16,859	11,549
Financial income	3	1,500	1,383
Financial expenses		-1,615	-1,926
Profit before tax		16,744	11,006
Tax on profit for the year		-3,451	-2,445
Profit for the year	4	13,293	8,561

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets	5		
Goodwill		4,800	6,000
Software		<u>6</u>	<u>11</u>
		<u>4,806</u>	<u>6,011</u>
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		1,488	1,578
Leasehold improvements		<u>411</u>	<u>350</u>
		<u>1,899</u>	<u>1,928</u>
Financial assets	7		
Other receivables		<u>1,427</u>	<u>1,455</u>
Total fixed assets		<u>8,132</u>	<u>9,394</u>
Current assets			
Receivables			
Trade receivables		103,970	107,312
Receivables from group entities		7,042	4,063
Service in progress	8	99	0
Other receivables		0	88
Corporation tax		496	0
Prepayments	9	<u>474</u>	<u>617</u>
		<u>112,081</u>	<u>112,080</u>
Cash at bank and in hand		<u>18,365</u>	<u>26,905</u>
Total current assets		<u>130,446</u>	<u>138,985</u>
TOTAL ASSETS		<u><u>138,578</u></u>	<u><u>148,379</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	10	532	532
Retained earnings		11,237	7,874
Proposed dividends for the financial year		10,000	8,500
Total equity		21,769	16,906
Provisions			
Provisions for deferred tax	11	1,046	962
Total provisions		1,046	962
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		9,604	2,751
Trade payables		71,012	86,022
Payables to group entities		13,483	25,879
Corporation tax		412	1,104
Other payables		20,769	14,755
Deferred income	12	483	0
		115,763	130,511
Total liabilities other than provisions		115,763	130,511
TOTAL EQUITY AND LIABILITIES		138,578	148,379
Contractual obligations, contingencies, etc.	13		
Mortgages and collateral	14		
Related party disclosures	15		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	532	7,874	8,500	16,906
Ordinary dividends paid	0	0	-8,500	-8,500
Transferred over the profit appropriation	0	3,293	10,000	13,293
Value adjustments of equity	0	70	0	70
Equity at 31 December 2018	532	11,237	10,000	21,769

Financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	2018	2017
Profit for the year		13,293	8,561
Other adjustments of non-cash operating items	16	3,635	2,966
Depreciation and amortisation		<u>2,078</u>	<u>1,887</u>
Cash flows from operations before changes in working capital		19,006	13,414
Changes in working capital	17	<u>1,842</u>	<u>11,152</u>
Cash flows from ordinary activities		20,848	24,566
Interest income		1,500	1,383
Interest expense		-1,615	-1,926
Corporation tax paid		<u>-4,554</u>	<u>-4,296</u>
Cash flows from operating activities		<u>16,179</u>	<u>19,727</u>
Acquisition of intangible assets		-8	0
Sale of intangible assets		11	0
Acquisition of property, plant and equipment		-1,004	-722
Disposal of property, plant and equipment		<u>157</u>	<u>3</u>
Cash flows from investing activities		<u>-844</u>	<u>-719</u>
External financing:			
Repayment of payables to group entities		-15,375	0
Shareholders:			
Distributed dividends		<u>-8,500</u>	<u>-14,700</u>
Cash flows from financing activities		<u>-23,875</u>	<u>-14,700</u>
Cash flows for the year		<u>-8,540</u>	<u>4,308</u>
Cash and cash equivalents at the beginning of the year		<u>26,905</u>	<u>22,597</u>
Cash and cash equivalents at year end		<u><u>18,365</u></u>	<u><u>26,905</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Crayon A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Net revenue

Net revenue is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Income is considered realised when an agreement has been signed with the customer and the company is considered to have delivered its service. Income is accrued over the term of the contract because the customers may change supplier during the contract period. The income of the year corresponds to 12 months of income for contracts on which the company is supplier. Income for a year is recognised at the time when the customer has decided to use the customer as supplier for another 12 months period.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Direct sales

In direct sales arrangements, the vendor invoices customer directly, not through Crayon. Crayon A/S recognises incentive fees in the same month as the sales agreement is signed.

Sales of licenses

Income from sale of licences is recognised at the time of delivery. As regards sale of licences on a long term contract where the customers pay annual fees, the income is recognised in the relevant period.

As regards sale of licences, Crayon A/S invoices the gross amount and receives an invoice from the relevant software provider. The company bears the debtor risk concerning its customers and the company therefore recognises sale of licences by a gross presentation under revenue.

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.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Other operating costs

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of tangible fixed assets.

Financial income and expenses

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from transactions in foreign currencies as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

Balance sheet

Intangible assets

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Software

Software is measured at the lower of cost less accumulated amortisation or the recoverable amount. Software is amortised on a straight-line basis over the expected useful life, which is estimated to 3 - 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	2-5 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as depreciation and amortisation.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Other receivables - fixed assets

Other receivables include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as financial assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Service in progress

Service in progress is measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual service contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual contract.

When the selling price of a service contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual service contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of service in progress where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of service in progress where progress billings exceed the selling price.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Equity

Share-based incentive schemes

Share-based incentive schemes for the Group's Management and employees with the option to subscribe for shares in the Parent Company (options) are considered a matter of the relevant shareholders, and the fair value of options granted is therefore not recognised in the income statement as estimated payroll costs on an ongoing basis.

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Leases

Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Company's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, installments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term overdrafts.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	2018	2017
Wages and salaries	49,636	39,800
Pensions	6,023	5,063
Other social security costs	396	414
Other staff costs	2,120	1,986
	58,175	47,263
Average number of full-time employees	80	70

Staff costs include remuneration of the Company's Executive Board of DKK 3,699 thousand (2017: DKK 3,391 thousand) and pension of DKK 351 thousand (2017: DKK 281 thousand). The Company's Board of Directors did not receive any remuneration in 2018 (2017: DKK 0).

The Executive Board has received options under the share option program in 2018 amounting to DKK 69 thousand (2017: DKK 47 thousand).

Incentive schemes

Share option program (IPO)

In connection with the listing on group level in Norway, the Board of Directors resolved to establish a new option program in order to tie key personnel closer to the Company and to enhance their economic incentive related to the value creation within the Group. The new options have been granted to employees and consultants in the Group as well as to the Board of Directors. The duration of the program is 5 years from grant date on 18 October 2017. The size of the option program is up to 200,000 options relating to Crayon A/S, Denmark. The program consists of three tranches with a earnings period of 1, 2 and 3 years. The options will vest in three tranches, whereby each tranche consisting of 1/3 of the options will vest on the first, second and third anniversary of the grant date, respectively (i.e 18 October 2018, 2019 and 2020).

A cost of DKK 69 thousand has been charged as an expense in the income statement for 2018.

Fair value of options

The fair value at grant date is determined using an adjusted form of the Black Scholes Mode that takes into account exercise price, the term of the option, the impact of dilution (where material), the share price at grant date, expected price volatility of the underlying share and risk-free interest. Expected volatility is based on historical volatility for a selection of comparable listed companies. The risk-free interest rate is based on a treasury bond with the same maturity as the option program.

Total fair value regarding Crayon A/S, Denmark is DKK 845 thousand with a strike price of NOK 16,02.

The expiry date of all three tranches is October 2022.

3 Financial income

DKK'000	2018	2017
Interest income from group entities	310	302
Other financial income	1,190	1,081
	1,500	1,383

Financial statements 1 January – 31 December

Notes

4 Proposed profit appropriation

DKK'000	2018	2017
Proposed dividends for the year	10,000	8,500
Retained earnings	3,293	61
	<u>13,293</u>	<u>8,561</u>

5 Intangible assets

DKK'000	Goodwill	Software	Total
Cost at 1 January 2018	12,000	103	12,103
Additions for the year	0	8	8
Disposals for the year	0	-103	-103
Cost at 31 December 2018	<u>12,000</u>	<u>8</u>	<u>12,008</u>
Amortisation and impairment losses at 1 January 2018	-6,000	-92	-6,092
Amortisation for the year	-1,200	-2	-1,202
Reversed amortisation and impairment losses on assets sold	0	92	92
Amortisation and impairment losses at 31 December 2018	<u>-7,200</u>	<u>-2</u>	<u>-7,202</u>
Carrying amount at 31 December 2018	<u>4,800</u>	<u>6</u>	<u>4,806</u>

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	4,517	750	5,267
Additions for the year	817	187	1,004
Disposals for the year	-2,327	-294	-2,621
Cost at 31 December 2018	<u>3,007</u>	<u>643</u>	<u>3,650</u>
Depreciation and impairment losses at 1 January 2018	-2,939	-400	-3,339
Depreciation for the year	-750	-126	-876
Reversed depreciation and impairment losses on assets sold	2,170	294	2,464
Depreciation and impairment losses at 31 December 2018	<u>-1,519</u>	<u>-232</u>	<u>-1,751</u>
Carrying amount at 31 December 2018	<u>1,488</u>	<u>411</u>	<u>1,899</u>

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7 Financial assets

DKK'000	<u>Other receivables</u>
Cost at 1 January 2018	1,455
Additions for the year	21
Disposals for the year	<u>-49</u>
Cost at 31 December 2018	1,427
Carrying amount at 31 December 2018	<u><u>1,427</u></u>

8 Service in progress

DKK'000	<u>31/12 2018</u>	<u>31/12 2017</u>
Selling price of work performed	<u>99</u>	<u>0</u>
that can be specified as follows:		
Service in progress (assets)	<u>99</u>	<u>0</u>

9 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years including prepaid insurance, rent, licenses, etc.

10 Equity

All shares rank equally.

11 Deferred tax

DKK'000	<u>31/12 2018</u>	<u>31/12 2017</u>
Deferred tax at 1 January	962	859
Deferred tax adjustment for the year in the income statement	<u>84</u>	<u>103</u>
	<u>1,046</u>	<u>962</u>

12 Deferred income

Deferred income of DKK 483 thousand (2017: DKK 0 thousand) comprises payments received regarding income in subsequent years.

13 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company has entered into contractual obligations, including leases and rent agreements with a residual term of up to 69 months. The liability at 31 December 2018 totalled DKK 17,565 thousand, of which DKK 4,076 thousand falls due for payment in 2019.

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Joint liabilities

The Company is jointly taxed with the other Danish companies in the Crayon Group. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends. Any subsequent correction of the taxable jointly taxed income or withholding taxes may entail an adjustment of the Company's liability.

14 Mortgages and collateral

As a guarantor, the Company has provided joint collateral up to NOK 1.2 billion in favour of Crayon Group Holding AS' engagement with Nordic Trustee ASA.

The collateral is provided in connection with Crayon Group Holding AS' bonds, which are listed on the Oslo Stock Exchange.

15 Related party disclosures

Control

Craon A/S' related parties comprise the following:

Crayon Group AS, Sandakervejen 114A, 0484 Oslo, Norway

Crayon Group AS holds the majority of the contributed capital in the Company.

Crayon A/S is part of the consolidated financial statements of Crayon Group Holding AS, Sandakervejen 114A, 0484 Oslo, Norway, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Crayon Group Holding AS can be obtained by contacting the companies at the above address or on the Company's website www.crayon.com.

Related party transactions

The Company has recognized the following transactions with related parties in 2018:

Sale of services to related parties amounts to DKK 36,522 thousand.

Cost of services purchased from related parties amounts to DKK 130,230 thousand.

Remuneration of the Company's Executive Board and Board of Directors is disclosed in note 2.

Payables/receivables to/from related parties are disclosed in the balance sheet.

Financial income from related parties is disclosed in note 3.

Dividends paid in 2018 to Crayon A/S' shareholder amounts to DKK 8,500 thousand.

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DKK'000	<u>2018</u>	<u>2017</u>
16 Other adjustments		
Financial income	-1,500	-1,383
Financial expenses	1,615	1,926
Tax on profit for the year	3,451	2,445
Equity movements	69	0
Other	<u>0</u>	<u>-22</u>
	<u>3,635</u>	<u>2,966</u>
17 Change in working capital		
Change in receivables	3,502	8,672
Change in trade and other payables	<u>-1,660</u>	<u>2,480</u>
	<u>1,842</u>	<u>11,152</u>